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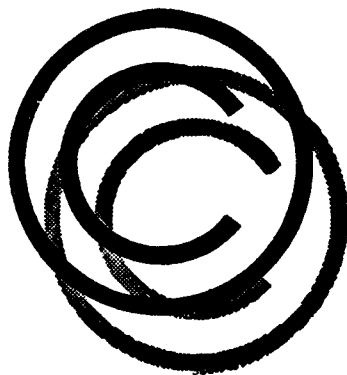
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## PART I

## ARTICLES

1. THE VIDEOCASSETTE RENTAL CONTROVERSY: *The Future State of the Law*

By NANCY B. LEWSON\*

John Jones, a middle-income family man, has recently purchased a Video Cassette Recorder. He planned to buy a prerecorded cassette of "The Wizard of Oz" to show his family on Halloween Eve. When he went to the neighborhood Video Store, the salesman informed him that the tape was available on a rental plan for \$8, to be returned within 48 hours. Mr. Jones thought to himself, "Fantastic! Instead of buying the tape for \$60 I will rent it!" With the money Mr. Jones saved he also rented an adult film to enjoy privately with his wife, and took the family out for a Halloween dinner, after the show.

## I. INTRODUCTION

The Video Cassette Recorder (VCR) entered the home commercial market in 1976.<sup>1</sup> By the end of that year approximately 50,000 VCR's had been purchased.<sup>2</sup> The market for VCR's has grown rapidly, and projections have been made that by 1985, thirteen to twenty million VCRs are expected to be in use.<sup>3</sup>

With the explosive growth of the videocassette recorder industry

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\* Ms. Lewson is a Walter J. Derenberg Fellow in Copyright Law at New York University School of Law. This article was awarded First Prize in New York University's Nathan Burkan Memorial Competition.

<sup>1</sup> Note that for the purposes of this article, no distinction will be made between the Videocassette Recorder (VCR) and the Video Home System (VHS), though there are technical variations important to the consumer.

<sup>2</sup> P. Nulty, *Matsushita Takes the Lead in Video Recorders*, FORTUNE (July 16, 1979).

<sup>3</sup> 118 TIME 58 (Dec. 14, 1981). In addition, BUSINESS WEEK estimates that approximately 1,000,000 video disc players will be in use by 1984. 25 BUSINESS WEEK 72 (July 7, 1980). Video discs and disc players will not be treated in this article, but keep in mind that the discs are significantly less expensive than the cassettes, and therefore, are expected to have impact on the videocassette market.

has come a new emphasis on "software," the prerecorded tapes which became available in 1977 and are currently available through more than 5,000 retail outlets in the United States.<sup>4</sup> The programs that are placed on videocassettes are owned largely by the entertainment industry—the movie studios, record companies and T.V. networks.<sup>5</sup> The prerecorded motion picture films have had the most commercial impact. Therefore, only the software films owned by the movie studios will be discussed in this article.

The major motion picture studios have all formed divisions to handle the production, acquisition, licensing and distribution of their "software." By July 1980, *Business Week* reported that the movie industry had begun to tighten a grip on this market which it determined to be rightfully its own.<sup>6</sup>

Prerecorded videocassette films range in price from \$40-\$80 each, at retail. The feature films available range from x-rated "adult titles," to Hollywood hits such as "Close Encounters" or "M.A.S.H." The films can readily be purchased and filed on a shelf for viewing at any time.<sup>7</sup> The identical film can just as readily be rented at an average price of \$5 per tape. Not surprisingly, the business of renting prerecorded cassettes is exploding. The average viewer does not want to view movies more than once or twice, and only a few film classics are deemed worth collecting, particularly by the new middle-income consumer.

The average video cassette may be rented twelve to twenty times before it is ultimately sold. Since a videocassette has a useful playing life in excess of 200 plays, twelve to twenty rentals would not detract significantly from the subsequent sales value of the cassette.<sup>8</sup> Industry executives estimate that there are anywhere from five to thirty rentals prior to each sale, and that rentals are estimated to account for at least half of the overall total revenues of the prerecorded video cassette business this year.<sup>9</sup>

According to Stephen Roberts, president of Twentieth Century Fox Telecommunications, the rental schemes have a "major negative effect

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<sup>4</sup> *Oversight of the Copyright Act of 1976: Hearings before the Committee on the Judiciary*, 97th Cong. 1st Sess. 317 (July 29, 1981) (prepared statement of Stephen Roberts, President, Twentieth Century Fox, Telecommunications Division) [hereinafter cited as *Testimony of Stephen Roberts*].

<sup>5</sup> 25 *BUSINESS WEEK* 76 (July 7, 1980).

<sup>6</sup> *Id.*

<sup>7</sup> *Clearing Up the Confusion over Video Recorders*, 23 *BUSINESS WEEK* 126 (June 25, 1979).

<sup>8</sup> Testimony of Stephen Roberts, *supra* note 4, at 318, citing 3M Company and TDK technical specifications.

<sup>9</sup> A. Pollack, *A Battle Over Video Cassettes: Millions in Tape Rentals Are At Stake*, *NEW YORK TIMES* (December 11, 1981) at D1 [hereinafter cited as *A Battle*].

on the manufacturer-distributors, the copyright owners, and the individual members of the creative community."<sup>10</sup> Rental schemes result in the use of copyrighted works without additional compensation to the copyright owner (or to guild and union membership) and dilute the market for sales of copyrighted works.<sup>11</sup> Retailers, on the other hand, contend that they take an unmarketable product and make it marketable by renting for much less than the prohibitive sales cost. They also argue that growing demand for rentals lures customers into stores, which then leads to added sales.<sup>12</sup> Both sides concede that simple economics favor the rental market. Thus, as the New York Times stated,

a bitter tug-of-war that could shape the future of the video-cassette industry is taking place over how the revenues from the booming business of renting prerecorded cassettes should be divided.<sup>13</sup>

The future shape of the copyright laws might also be at stake. Videocassette recording technology presents the copyright laws with troublesome problems of adaptation and interpretation.<sup>14</sup>

In order to stop the rentals, the motion picture studios have looked

<sup>10</sup> Testimony of Stephen Roberts, *supra* note 4, at 318. Roberts provides the following statistical chart:

|                                           |           | Rental Plus Sale      |                       |
|-------------------------------------------|-----------|-----------------------|-----------------------|
|                                           | Sale Only | Case #1 <sup>12</sup> | Case #2 <sup>13</sup> |
| Retail Sale Price                         | \$60      | \$ 40                 | \$ 29                 |
| Rental Price                              | —         | \$ 5                  | \$ 6                  |
| Number of Rentals                         | 0         | 12                    | 20                    |
| Retail Rental Revenue                     | —         | \$ 60                 | \$120                 |
| Gross Revenue to Retailer                 | \$60      | \$100                 | \$149                 |
| Wholesale Cost of Video Cassette          | \$40      | \$ 40                 | \$ 40                 |
| Gross Revenue to Manufacturer-Distributor |           |                       |                       |
| Gross Royalty Revenue to Copyright Owner  | \$ 8      | \$ 8                  | \$ 8                  |
| Guild/Union Membership Participation      | \$ 1      | \$ 1                  | \$ 1                  |

<sup>11</sup> *Id.*

<sup>12</sup> L. Leff, *Firms Renting Videocassettes Worry Studios*, WALL STREET JOURNAL (March 27, 1981) section 2, p. 3E.

<sup>13</sup> *A Battle*, *supra* note 9, at D1.

<sup>14</sup> Note that this article addresses only the basic primary problem of rental and home viewing, as set forth in the John Jones hypothetical, *see text, supra* p. 1. Further complications arise from potential swapping schemes, rentals by remote vendees, and increased propensity of copying.

to the Copyright Act of 1976<sup>15</sup> for some form of protection. Alternatively, they seek a share of the profits, and have already begun to implement licensing and rental schemes of their own. The next few years hold prospects of turmoil in the videocassette industry unless substantial action is taken.

In this article, the author attempts to present some of the complicated issues and potential solutions to the video cassette controversy. The reader must keep in mind that due to limited data and a vacuum of substantial comprehensive studies in this area, the article is prospective in format, attempting to provide a starting point of reference for further academic and legislative analysis.

## II. COPYRIGHT INFRINGEMENT

Are the exclusive rights of copyright owners of prerecorded videocassette tapes infringed when retail outlets rent those tapes to individual viewers? Under federal law, copyright protection is granted to all original works fixed in a tangible medium.<sup>16</sup> Within the categories of protected works of authorship, the statute includes "motion pictures and other audiovisual works."<sup>17</sup> According to the House Report accompanying the Copyright Act, videotape is included within the meaning of motion picture.<sup>18</sup> Prerecorded videotape, as a medium in which original works of authorship are fixed into a tangible form of expression, is therefore recognized as a protectible class of copyrightable matter in §102 of the Act.<sup>19</sup> As enumerated in §106,<sup>20</sup> the copyright owner has the right to exhibit, rent, sell, license, reproduce, make derivative works of or publicly perform his own creation.

### *The Distribution Right and the First-Sale Doctrine*

In the videotape rental situation, the copyright owner is concerned with his right "to distribute copies . . . of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending,"<sup>21</sup> as provided in §106(3). This language supports the conten-

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<sup>15</sup> Copyright Revision Act of 1976, Pub.L.No. 94-553, 90 Stat. 2541, codified at 17 U.S.C. §§101-810 [hereinafter 17 U.S.C. §§ 101-810].

<sup>16</sup> 17 U.S.C. §102(a).

<sup>17</sup> 17 U.S.C. §102(a) (6).

<sup>18</sup> H.R. Rep. No. 1476, 94th Cong., 2d Sess. 63 (1976), reprinted in [1976] U.S. CODE CONG. AND AD. NEWS 5659 [hereinafter H. Rep.].

<sup>19</sup> 17 U.S.C. §102.

<sup>20</sup> 17 U.S.C. §106.

<sup>21</sup> 17 U.S.C. §106(3).

tion that a retailer of videocassettes can be prohibited from reselling or renting the copy without specific permission from the owner of copyright. However, the §106(3) distribution right is subject to §109(a) which states:

Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord 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 or phonorecord.<sup>22</sup>

It is clear that in the purest situation, where the copyright owner authorizes the outright sale of a particular copy, he may not invoke the distribution right so as to prevent or restrict the resale of such a copy. In *United States v. Wise*,<sup>23</sup> the court explains,

While the copyright laws protect the rights of the copyright proprietor to vend his work, that right is not absolute, but is subject to the "first sale doctrine" . . . [T]he doctrine provides that where a copyright owner parts with title to a particular copy of his copyrighted work, he divests himself of his exclusive right to vend that particular copy. While the proprietor's other rights remain unimpaired, the exclusive right to vend the transferred copy rests with the vendee, who is not restricted by statute from further transfers of that copy . . .<sup>24</sup>

According to the *Wise* court, this must be the result, because the copyright is distinct from the property which is copyrighted, and the sale of one does not constitute a transfer of the other.<sup>25</sup> This concept is given express statutory recognition in the 1976 Act, which provides:

Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in

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<sup>22</sup> 17 U.S.C. §109(a). Note that §109(a) is similar but not identical to the second clause of section 27 of the 1909 Copyright Act which provided that "nothing in this title shall be deemed to forbid, prevent or restrict the transfer of any copy of a copyrighted work, the possession of which has been lawfully obtained." But according to the House Report, "Section 109(a) restates and confirms the principle that . . . has long been established by the court decisions and section 27 of the present law." H. Rep., *supra* note 18 at 79.

<sup>23</sup> 550 F.2d 1180 (9th Cir. 1977).

<sup>24</sup> *Id.* at 1187.

<sup>25</sup> *See id.* at 1187.

which the work is embodied.<sup>26</sup>

Once a first sale of a copy has occurred, not only is the resale of such copy immune from the charge of copy infringement. Any further transfer is likewise immunized. For example, a library which owns a copy of a work may lend such copy to its patrons without infringing the copyright owner's distribution right.<sup>27</sup> Rentals are similarly within the immunized domain.<sup>28</sup>

The 1976 statute speaks in terms of a lawful transfer of possession,<sup>29</sup> but the judicial gloss on the statute has always required a transfer of title, before a "first sale" can occur.<sup>30</sup> Only an initial distribution which constitutes a sale, gift or other transfer of title terminates further application of the distribution right. For example, in *Platt and Munk Co. v. Republic Graphics, Inc.*,<sup>31</sup> the Second Circuit Court of Appeals concluded that an unpaid manufacturer of copyrighted works, alleged to be defective by the copyright proprietor who has ordered them, may not sell the goods until valid title to them was determined by a court of law. Mere authorized possession of the copies did not trigger application of the predecessor of §109(a).

Unless title to the copy passes through a first sale by the copyright holder, subsequent sales or transfers do not confer good title.<sup>32</sup> Consequently, "even an unwitting purchaser who buys a copy in the secondary market can be held liable for infringement if the copy was not the subject of a first sale by the copyright holder."<sup>33</sup>

Therefore, whether a transfer of title has occurred is a crucial issue, particularly within the context of motion picture film. Motion picture companies rarely expressly sell or transfer title in theatrical prints of their films. The language used by the motion picture industry when

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<sup>26</sup> 17 U.S.C. §202.

<sup>27</sup> H. Rep., *supra* note 18, at 79.

<sup>28</sup> *Cf.*, *Avco Embassy Pictures Corp. v. Korshnak* (M.D. Pa. 1974) (unreported but set forth in Appendix B, *American International Pictures Inc. v. Foreman*, 400 F. Supp. 928 (S.D. Ala. 1975), *rev'd.*, 576 F.2d 661 (5th Cir. 1981)).

<sup>29</sup> 17 U.S.C. §109(a); (c).

<sup>30</sup> *See* *U.S. v. Wise*, 550 F.2d 1180, 1187 (9th Cir. 1977).

<sup>31</sup> 515 F.2d 847 (2d Cir. 1963). The *Platt and Munk* court also held that the first sale which terminates the exclusive right to distribute need not be a truly voluntary one, but can consist of some reasonable and recognized form of compulsory transfer, such as judicial sale or court-compelled assignment. 315 F.2d at 854. *See also* *Harrison v. Maynard, Merrill Co.*, 61 Fed. 689 (2d Cir. 1894).

<sup>32</sup> *See* *American International Pictures, Inc. v. Foreman*, 576 F.2d 661 (5th Cir. 1978).

<sup>33</sup> *Id.* at 664.

transferring possession of a copy is couched in terms of "license" rather than "sale."<sup>34</sup> Furthermore, motion picture prerecorded videocassettes are "sold" to retailers with restrictive agreements or printed legends restricting the use of the copy.<sup>35</sup> If there has been no "first sale," but merely a license, then restrictions on distribution will be controlled by the federal copyright law. All subsequent transferees will be bound by the same restrictions.

Litigation has proven that it is difficult to construe whether a first sale has been made in the motion picture context. The absence of an express transfer of title in print will not prevent the conclusion that a first sale has occurred.<sup>36</sup> Yet, mere failure to expressly reserve title does not require the finding of a first sale.<sup>37</sup> In *United States v. Bily*,<sup>38</sup> the district court noted that, "in each case, the court must analyze the arrangement at issue, and decide whether it should be considered a first sale."<sup>39</sup>

In *Hampton v. Paramount Pictures Corp.*,<sup>40</sup> a transfer of possession

<sup>34</sup>. 2 M. NIMMER, NIMMER ON COPYRIGHT §8.12[B] [1] (1979).

<sup>35</sup>. For example, Warner Brothers uses the following restrictive legend on its videocassettes:

The motion picture contained in this videocassette is protected under the copyright laws of the United States and other countries and the cassette is sold for home use only. Duplication, public exhibition, rental or any other commercial use, in whole or in part, is strictly prohibited. Any unauthorized use may subject the offender to civil liability and criminal prosecution under applicable federal and state law. This cassette contains an individual and traceable serial number as well as 'stop copy' protection.

The Paramount restrictive legend states: "Licensed only for non-commercial private exhibition in homes. Any public performance, other use, or copying is strictly prohibited. All rights under copyright reserved."

The legend also bears a so-called F.B.I. warning: "Federal law provides severe civil and criminal penalties for the unauthorized reproduction, distribution, or exhibition of copyrighted motion pictures and video tapes (Title 17, United States Code, Section 501 and 506). The Federal Bureau of Investigation investigates allegations of copyright infringement (Title 17, United States Code, Section 506)."

It is interesting to note that the Paramount restrictive legend was contained on the cassette itself but not on the protective cardboard container.

The MCA Distributing Corporation "Videocassette Dealer Agreement" while not couched in terms of license and which in fact uses language such as *purchase* and *sold* nonetheless contains a provision that the "Dealer shall not lease or rent the product."

<sup>36</sup>. *U.S. v. Atherton*, 561 F.2d 747 (9th Cir. 1977).

<sup>37</sup>. *U.S. v. Wise*, 550 F.2d 1180 (9th Cir. 1977).

<sup>38</sup>. 406 F. Supp. 726 (E.D. Pa. 1975).

<sup>39</sup>. *Id.* at 731.

<sup>40</sup>. 279 F.2d 100 (9th Cir. 1960), *cert. den.*, 364 U.S. 882, 81 S.Ct. 170, 5 L.Ed.2d 103 (1960).

agreement was determined to have been a license. That court set forth factors helpful in interpreting agreements including: lack of limitation as to time, flat lump-sum payment, and no requirement that the film be returned.<sup>41</sup> The *United States v. Wise*<sup>42</sup> court suggested that the "general tenor" of each individual agreement must be interpreted by examining purpose, language and terms.<sup>43</sup> These tests must be applied to prerecorded videocassette agreements and legends to determine whether transfer of possession constitutes a first sale.<sup>44</sup>

### *Enforcement of Restrictions Under Copyright Law*

One who possesses a copy of a motion picture which has not been the subject of a first sale cannot exercise any right enumerated in §106,<sup>45</sup> including sale or rental, without permission of the copyright owner. One who lawfully possesses a copy due to an unrestricted first sale is free to sell or rent that copy for private viewing under §109(a).<sup>46</sup> When one possesses a copy sold with an agreement or legend restricting its uses, what is the effect of a violation of that agreement?

As previously noted, several motion picture companies will allow sale of their prerecorded videocassettes only to dealers who sign written restrictive agreements. Others sell video cassettes with restrictive legends or labels.<sup>47</sup> According to one author,

To the extent the restriction attempts to prohibit one from renting

<sup>41</sup> *Id.* at 103.

<sup>42</sup> 550 F.2d 1180 (9th Cir. 1977).

<sup>43</sup> *Id.* at 1191.

<sup>44</sup> An important issue which has subsequently arisen and been the subject of much debate, is upon whom the burden of proof shall lie, when it must be determined whether a first sale has occurred. According to the House Report, H.R. Rep. No. 1476, 94th Cong. 2d Sess. 81 (1976), it now seems fairly clear that the burden lies with the defendant who is presumed to be better able to trace the origin and subsequent transfers of the particular copy. On appeal in *American International Pictures, Inc. v. Foreman*, *supra* note 32, the court confirmed this principle but noted that the rules in criminal cases might be different because of due process requirements. Other experts feel strongly that the burden should be upon the plaintiffs in civil cases, particularly within the videocassette rental controversy. See J.J. Beard, *The Sale, Rental and Reproduction of Motion Picture Videocassettes: Piracy or Privilege*, 15 NEW ENG. L. REV. 435 (1979-80), 3 M. NIMMER, NIMMER ON COPYRIGHT §12-78 (1979).

<sup>45</sup> 17 U.S.C. §106.

<sup>46</sup> 17 U.S.C. §109(a).

<sup>47</sup> See L. Leff, *Firms Renting Videocassettes Worry Studios*, WALL STREET JOURNAL (March 27, 1981), sec. 2, p. 31E.



to another for private home viewing, the owner goes beyond what is provided in the Copyright Act and attempts to limit the §109(a) rights of the owner of a copy.<sup>48</sup>

The issue of whether a sale of a copy in violation of a provision of a restrictive sale agreement constitutes copyright infringement arose as early as 1886. In *Henry Bill Publishing Co. v. Smythe*,<sup>49</sup> the court stated that when the owner of a copyright "sells a copy to another . . . the purchaser takes the copy with the ordinary incident of alienation belonging to all property; and *that* copy is no longer under the copyright law."<sup>50</sup>

In *Harrison v. Maynard, Merrill & Co.*,<sup>51</sup> the owner of a copyright attempted to restrain, by virtue of the copyright statutes, the sale of a copy of a book whose title had been transferred. The court stated that remedies for a breach of contract might be available,

[b]ut the right to restrain the sale of a particular copy of the book by virtue of the copyright statutes has gone when the owner of the copyright and of that copy parted with all his title to it . . . although with an agreement for a restricted use.<sup>52</sup>

In *Bobbs-Merrill Co. v. Strauss*,<sup>53</sup> the Supreme Court addressed the issue of whether the sole right to vend (as granted by §4952 Rev. Stat., pre-1909 Act) gives the copyright owner the right ". . . after a sale of the book to a purchaser, to restrict future sales of the book at retail . . ."<sup>54</sup> In this case, the copyright owner tried to restrict future sales to a certain price per copy by a notice in the book that a sale at a different price would be treated as an infringement of copyright. Those undertaking to sell for less than the named sum had bought the books from a middleman, but they were aware of the restrictive legend. The court concluded that

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<sup>48</sup> J.J. Beard, *The Sale, Rental and Reproduction of Motion Picture Videocassettes: Piracy or Privilege?* 15 NEW ENG. L. REV. 436 (1979-80).

<sup>49</sup> 27 Fed. 914 (C.C.S.D. Ohio 1886). In *Henry Bill*, the owner restricted sales of his book to individual subscribers and made clear that they were not to be resold. An agent then resold to non-subscribers.

<sup>50</sup> *Id.* at 925.

<sup>51</sup> 61 Fed. 689 (2d Cir. 1894). In *Harrison*, copyrighted books had been damaged in a fire. The copyright owner was willing to sell the paper for reuse, but did not want the whole books resold in their damaged state.

<sup>52</sup> *Id.* at 691.

<sup>53</sup> 210 U.S. 339 (1908).

<sup>54</sup> *Id.* at 350.

the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract.<sup>55</sup>

It is not entirely clear whether the first buyer, who was in privity, would have been bound by the restriction under the copyright statutes. The Court's strong language does imply that any restrictions beyond to whom the first sale is made, and at what price, "would give a right not included in the terms of the statute, and . . . extend its operation by construction, beyond its meaning . . ."<sup>56</sup>

Under the 1909 Act,<sup>57</sup> a district court in New York reiterated the principle that the exclusive right to vend is limited, and exerts no restriction on the future sale of that copy.<sup>58</sup> Similarly in *Independent News Co. v. Williams*,<sup>59</sup> defendant purchased coverless copies of comic books from waste paper dealers who were restricted to sell the coverless comics as waste only. The plaintiff's exclusive right to vend was satisfied when the plaintiffs sold the magazines to their independent wholesalers. Defendant was not liable for copyright infringement.

The 1976 Act incorporates the historical judicial interpretation. A violation of a restrictive sale agreement would not be an infringement of the §106 rights of the copyright owner, under the Copyright Act. According to the House Report:

Thus, for example, the outright sale of an authorized copy of a book frees it from any copyright control over its resale price *or other conditions of its future disposition* . . . This does not mean that conditions on the future disposition of copies or phonorecords, imposed by a contract between their buyer and seller would be

<sup>55</sup> *Id.* See also *Burke and Van Heusen v. Arrow Drug, Inc.*, 233 F. Supp. 881 (E.D. Pa. 1964) at 884. "The fact that [non-privity] defendants knew of the restrictions which were part of the . . . agreement between plaintiff and Beechum neither binds defendant to a contract to which they were not parties, nor widens the scope of control granted by the Copyright Act."

<sup>56</sup> *Bobbs-Merrill and Co. v. Strauss*, 210 U.S. 339 at 351.

<sup>57</sup> The 1909 Copyright Act (Title 17 U.S.C., Revised to Dec. 31, 1977).

<sup>58</sup> *Fawcett Publications, Inc. v. Elliott Publishing Co.*, 46 F. Supp. 717 (S.D.N.Y. 1942) at 718. Defendant publishing company purchased second-hand copies of a publication known as "Wow Comics, #2 Summer Edition", which was copyrighted by the plaintiff. Without removing the copyright notice, the publishing company bound them together with other second hand publications within one copyrighted cover of its own.

<sup>59</sup> 184 F. Supp. 877 (E.D. Pa. 1960), *aff'd.*, 293 F. 2d 510 (3d Cir. 1961).

unenforceable between the parties as a breach of contract, but it does mean that they could not be enforced by an action for infringement of copyright.<sup>60</sup>

Though there has always been a strong public policy against restraint on alienation (which most of the aforementioned cases addressed) there is no evidence that a restriction imposed on the right to rent a copy would not be treated as other restrictions imposed on future disposition of the copy under the Act. In conclusion, an agreement which attempts to limit the rental of a videocassette cannot be enforced under the copyright law. Secondly, renting in violation of the agreement would not be an infringement of the exclusive right to distribute, if a first sale/transfer of title has been proven.

### *The Public Performance Right*

A first sale extinguishes the §106(3)<sup>61</sup> right to distribute, but does not extinguish the other rights of the copyright owner as enumerated in §106 of the Copyright Act. Section 109(a) merely authorizes "the owner of a particular copy . . . to sell or otherwise dispose of the possession of that copy . . ."<sup>62</sup> The section, by its terms, creates a respite "notwithstanding the provisions of §106(3),"<sup>63</sup> and does not address any other of the §106 rights.

The copyright owners' right to public performance granted by §106(4) extends to "literary, musical, dramatic, or choreographic works and sound recordings."<sup>64</sup> According to *Hampton v. Paramount Pictures Corp.*,<sup>65</sup> the owner of a copy of a film print does not by reason of such ownership have the right to use that print for the purpose of causing a public performance of the motion picture. Consequently, the owner of a videocassette tape could not rent to a customer knowing that the customer intended to publicly exhibit the films, unless permission of the owner of the copyright was obtained.<sup>66</sup>

Does the rental and/or subsequent home play of a video cassette infringe the exclusive public performance right of the copyright owner? Stephen Roberts, president of Twentieth Century Fox Telecommunications division, has argued that public performance infringement does

<sup>60</sup> H. Rep., *supra* note 17, at 79, emphasis added.

<sup>61</sup> 17 U.S.C. §106(3).

<sup>62</sup> 17 U.S.C. §109(a).

<sup>63</sup> *Id.*

<sup>64</sup> *Id.* at §106(4).

<sup>65</sup> 279 F.2d 100 (9th Cir. 1960).

<sup>66</sup> See *Kalem Co. v. Harper Bros.*, 222 U.S. 55 (1911).

occur.<sup>67</sup> In order to determine whether infringement of the §106(4) right has occurred, two questions must be answered affirmatively: (1) was there a "performance?" and (2) was the performance "public?"

To perform a work is "in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible . . .,"<sup>68</sup> by any device or process. It is therefore clear that the use or play of a video cassette in a VCR constitutes a "performance" of the motion picture recorded on the tape.<sup>69</sup> However, only those performances which are rendered "publicly" are included in the performance right granted under the Copyright Act.<sup>70</sup>

The requirements of performing a work publicly, as defined in §101, concern:

- a) the composition of the audience;
- b) the geographical dispersion of the audience; and
- c) the chronological dispersion of the audience.<sup>71</sup>

A) According to the 1976 Act, when a work is performed "at a place open to the public, or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered . . .,"<sup>72</sup> it is public. This new definition reversed a line of cases, exemplified by *MGM Distributing Corp. v. Wyatt*,<sup>73</sup> which suggested that performances were not public when an audience was limited to a particular group. Under the 1976 Act, it is clear that when a substantial number of persons outside of a normal circle of family and social acquaintances attend the performance, it will be characterized as public, whether or not that group is limited by membership or access. Moreover, the fact that only an insubstantial number of persons actually attend a performance will not detract from its character as a public performance when the substantial number could have attended. In the videocassette situation, the total number of persons cumulatively capable of receiving the performances, as a result of renting a tape, collectively constitute a substantial number of persons outside of a normal circle of one family and its social acquaintances.

B) When a substantial or unrestricted number of persons are able to view a given performance, it is not necessary that the audience be assembled together in order for the performance to be public. Clause (2) of the definition of "to perform a work publicly" explicitly states that

<sup>67</sup>. Testimony of Stephen Roberts, *supra* note 4.

<sup>68</sup>. 17 U.S.C. §101 (definition of 'to perform a work publicly').

<sup>69</sup>. See H. Rep., *supra* note 18, at 62, 63.

<sup>70</sup>. 17 U.S.C. §106(4).

<sup>71</sup>. See 2 NIMMER, NIMMER ON COPYRIGHT, §8.14[C] (1979).

<sup>72</sup>. 17 U.S.C. §101.

<sup>73</sup>. 21 C.O. BULL. 203 (D. Md. 932).

the performance can be public "whether the members of the public capable of receiving the performance, . . . receive it in the same place or in separate places . . ." <sup>74</sup> The House Report confirms this principle by commenting that, under the Act,

a performance made available by transmission to the public at large is 'public' even though the recipients are not gathered in a single place, and even if there is no proof that any of the potential recipients was operating his receiving apparatus at the time of transmission. <sup>75</sup>

Therefore, though each video cassette play may be rendered at a separate location, by separate individuals, the first two prongs of the public performance test are satisfied when several individuals rent a tape and each one performs it in his home.

C) The §101 definition goes on to provide that a work is performed publicly whether the performance is received "at the same time or at different times." <sup>76</sup> It is this language of the definition upon which this copyright infringement claim hinges. Stephen Roberts explains:

[I]t seems clear that what must have been intended by that language was that *if the same copy* of a given work is repeatedly "performed" by different members of a public, albeit at different places and at different times, it constitutes a "public performance" within the meaning of the Copyright Act. <sup>77</sup>

Roberts provides an analogy to the old fashioned penny arcade, where no more than one person at a time views a given performance of a motion picture sequence, and concludes that "the single copy in the coin-operated device would give rise to numerous performances seen by the public each day" <sup>78</sup> and as such the performance is public. He also compares the videotape rental situation to a movie theater with only one person in attendance, as well as to a hypothetical future genre of theaters with separate screening rooms for each individual viewer. Roberts concludes that each such performance must be regarded as public.

Neither the Senate nor the House Report offers an explanation of "the same or different time" clause. The language is sufficiently broad

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<sup>74</sup>. 17 U.S.C. §101.

<sup>75</sup>. H. Rep., *supra* note 18, at 65.

<sup>76</sup>. 17 U.S.C. §101.

<sup>77</sup>. Testimony of Stephen Roberts, *supra* note 4, at 321.

<sup>78</sup>. *Id.*

to support Stephen Roberts' contention. However, it is difficult to believe that the phrase was intended to be interpreted literally. As Professor Nimmer pointed out, such an interpretation would mean that one who buys a phonograph record of a song, and then plays it in the privacy of his home is "publicly" performing the song because other members of the public will be playing duplicate copies as well.<sup>79</sup> Any use of a video cassette would be subject to the same difficulty.

In response, a distinction can be made between the phonograph record hypothetical and the video cassette rental hypothetical. In the latter, the *same* copy of a given work is performed by each individual. There is no indication that the public performance right was aimed at the simultaneous private performance of several copies, each one private, but "public" when "added up" together. Thus, the distinction is theoretically plausible.

However, there is also no indication that the framers of the 1976 Act wanted to address the problem of individual viewers collectively performing the same copy sequentially. The legislative history implies, rather, that the public performance definition was struggled over and shaped in response to a controversy over cable retransmissions and multiple performances.<sup>80</sup> It is most likely that the actual intent of the "at the same or different time" clause, as Nimmer has suggested, was to make the point that a delayed rebroadcast (by reason of time differences in certain geographic areas, or for other reasons) is to be regarded as part of the same public performance as the original broadcast.<sup>81</sup>

There are several practical arguments against Roberts' construction of the public performance right. In the first instance, the consequences of each individual viewer's liability and the difficulties of enforcement are disproportionate to the harm of home viewing. For example, a court holding the home viewing to be public performance would promulgate a rule of law virtually unenforceable against a primary infringer. Additionally, any enforcement that did occur against a direct infringer would be selective and therefore would seem unjust. The constitutional right to privacy<sup>82</sup> might be endangered. Equally difficult would be to fashion an appropriate remedy. What is the actual harm? How would

<sup>79</sup> 2 NIMMER, NIMMER ON COPYRIGHT, §8.14[C] [3] (1979).

<sup>80</sup> Cf., *Buck v. Jewell-La Salle Realty Co.*, 283 U.S. 191 (1931); *Fortnightly Corp. v. United Artists Television Inc.*, 392 U.S. 390 (1968); *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394 (1974); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975); 17 U.S.C. §111(a) (1); H. Rep., *supra* note 18, at 91-92; A. LATMAN, R. GORMAN, COPYRIGHT FOR THE EIGHTIES, 431-448 (1981).

<sup>81</sup> NIMMER, *supra* note 79.

<sup>82</sup> *Griswold v. Connecticut*, 381 U.S. 479 (1965).

it be measured? Injunctive relief would cause tremendous hardship.<sup>83</sup> An analogous situation is home recording on VCR's which was attacked and addressed in the well-known *Betamax* cases.<sup>84</sup> Once again, the §107 "fair-use" provision<sup>85</sup> would be prevailed upon in an attempt to exempt home viewers. And if, as in *Universal City Studios, Inc. v. Sony Corp. of America*,<sup>86</sup> the court concludes that the fair use exemption is inapplicable, consequent attempts would be made to amend the Copyright Act to provide a specific home use exemption.<sup>87</sup> Why would the drafters of the Copyright Act effectuate an obtuse interpretation of an otherwise clear provision, which would then necessitate disclaimers and exemptions? They would not.

Secondly, a similar controversy arose and was reported, first, in the Tentative Draft of the Report of the Register of Copyrights on General Revision of the Copyright Law, in 1961. Motion picture producers and distributors urged that the performance right in motion pictures should extend to clearly private performance behavior, including performances of leased or rented films given in private homes. They pointed to the now extinct *Patterson v. Century Productions, Inc.*<sup>88</sup> concept that exhibition is a form of "copying" for theoretical support of their proposition. The Register conceded that the argument might have theoretical plausibility, but maintained that for practical reasons, the extension would not be made. According to the Register:

- a) Injury to the copyright owners from private performances would be minimal, and license fees or breach of contract damages were sufficient protection;
- b) The unauthorized private performances could rarely be discovered or controlled;
- c) Films or motion pictures were also sold for home use, and those purchasers should not be subjected to a risk of liability.<sup>89</sup>

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<sup>83</sup> See *Universal City Studios, Inc. v. Sony Corp.: Fair Use Looks Different on Videotape*, 66 VA. L. REV. 1005 (June 1980), at 1024, for an analysis of these questions in reference to home recording.

<sup>84</sup> *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429 (C.D. Cal. 1979), *rev'd.*, 659 F.2d 963 (9th Cir. 1981).

<sup>85</sup> 17 U.S.C. §107.

<sup>86</sup> *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981).

<sup>87</sup> S.1758, 97th Cong. 2d Sess. (1981).

<sup>88</sup> 93 F.2d 489 (2d Cir. 1937).

<sup>89</sup> *Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, Report to House Committee on the Judiciary*, 87th Cong., 1st Sess. (1961).

The drafters followed the Register's recommendation that the statute simply provide explicitly that the copyright owner of any motion picture shall have the exclusive right to perform (or exhibit) it *in public*, though the definition of "in public" was yet to be fashioned.<sup>90</sup>

The third argument rests upon the economic reality of the video-cassette rental problem. It is actually the behavior of the commercial rental outlets that the motion picture companies want to curtail by imposing contributory liability. According to the House Report, the phrase "to do and to authorize" was used in conjunction with the rights granted in §106, in order to avoid any questions as to the potential liability of contributory infringers.<sup>91</sup> The House Report expressly states that a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance.<sup>92</sup> It does not, however, make sense to attack only the secondary/contributory infringement when the primary infringement is deemed inconsequential by the attackers.

*Promotion of Science and the Useful Arts.*

Though there is no direct infringement of an exclusive right of copyright in the video cassette rental problem, the copyright law is not necessarily inapplicable. The "rights" of copyright owners are involved. It is a matter of interpretation whether the owners are being harmed in a manner which impedes the Constitutional goals to promote the useful arts and sciences.<sup>93</sup> The exclusive rights of the owner have always been rooted in economic realities.<sup>94</sup>

The 1976 copyright statute explicitly demarcates the legislature's balance between the rights of ownership and the rights of users. Yet, the videocassette user/owner conflict has arisen in light of new technology and therefore was not considered or addressed. David Ladd, the Register

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<sup>90</sup>. *Id.*

<sup>91</sup>. H. Rep., *supra* note 18, at 61-62.

<sup>92</sup>. *Id.*

<sup>93</sup>. U.S. CONST. Art. I, §8, cl. 8, provides that Congress is empowered "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

<sup>94</sup>. *Mazer v. Stein*, 347 U.S. 201, 74 S.Ct. 460, 471, 98 L.Ed. 630 (1954). The Supreme Court stated, "The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in 'science and Useful Arts'."



of Copyrights, has pointed out that the architecture of the statute "makes possible that claims for additional limitations, qualifications or exemptions can be subjected to the legislative process, and there assessed upon the whole evidence from all parties . . ." <sup>95</sup> He added, "[C]opyright owners need not demonstrate serious market damage *before* some form of protection or remuneration will be provided." <sup>96</sup>

Upon examination, the 1976 copyright revisions, on the whole, tended towards strengthening the protection of copyright owners of motion pictures. Peter Nolan examined the impact of the new copyright act on motion pictures and pointed to "the longer term of protection, the extension of the performance right to all motion pictures, and the partial elimination of the renewal process" for "three of the more favorable changes." <sup>97</sup> Furthermore,

the industry benefits most, however, where the new statute takes position on various troublesome issues that arose under the 1909 Act. The Wyatt cases [limiting the definition of public performance] [*MGM Distributing v. Wyatt*, 21 C.O.Bull. 304 (D. Md. 1932)] is specifically overruled, and protection for motion pictures embodied only on videotapes and for soundtracks is expressly confirmed. <sup>98</sup>

The drafters did not attempt to confront all of the copyright problems the motion picture industry might encounter through the remainder of the twentieth century. When the videocassette rental controversy is addressed, the legislature might be compelled to follow the trend of strengthening motion picture owners' protection. Additionally, when examining the issue on first impression, the burden should be on the "user", not the owner, to prove his right of access to the work.

### III. BREACH OF CONTRACT

Even if there is no copyright infringement when a retailer rents a prerecorded videocassette in violation of a restrictive agreement or legend, the transfer of possession of a particular copy may give rise to a cause of action by the copyright owner for breach of contract. The House Report accompanying the copyright legislation determined that,

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<sup>95</sup> Remarks of David Ladd to the Internationale Gesellschaft fur Urheberrecht (INTERGO), Toronto, Canada (Sept. 23, 1981), at 17.

<sup>96</sup> *Id.*

<sup>97</sup> P. Nolan, *A Brighter Day for the Magic Lantern: Thoughts on the Impact of the New Copyright Act on Motion Pictures*, 11 LOY. L.A.L. REV. (1977), at 44.

<sup>98</sup> *Id.* at 44.

[T]he outright sale of an authorized copy . . . frees it from any copyright control over . . . its future disposition . . . This does not mean that conditions on future disposition of copies . . . imposed by a contract between their buyer and seller would be unenforceable between the parties as a breach of contract . . .<sup>99</sup>

*Validity of Restrictive Contracts.*

In order to enforce their rights, parties must be subject to a *valid* contractual obligation preventing or restricting further disposition. The validity of each restrictive contract must be examined to determine whether it is binding. Contracts are held to be invalid when they place unreasonable restraints on trade, in violation of the antitrust laws. If action is taken against those who will not comply, the retailer can bring an action for violation of antitrust laws and consequently gain freedom from the restrictive agreement and/or equitable relief of treble damages.<sup>100</sup> Additionally, if a plaintiff in a copyright infringement action is himself guilty of a violation of the antitrust laws, that violation might constitute a valid defense.<sup>101</sup>

According to the Court of Appeals for the Second Circuit, a fun-

<sup>99</sup>. H. Rep., *supra* note 18, at 79. Note that the language is limited to "between the buyer and seller". The non-privity situation is not addressed, yet no difficulty or difference is suggested. The problem of non-privity relations occurs with remote vendees and private swapping. For a discussion of these issues, see J.J. Beard, *supra* note 48. Also note that 17 U.S.C. §301 preemption does not disturb the state law remedies for breach of contract governed by the Uniform Commercial Code.

<sup>100</sup>. Sherman Antitrust Act, 26 Stat. 209 (1890), as amended 15 U.S.C. §1. Mere announcement of a policy in advance, and a unilateral refusal to deal with those who reject the announced policy, does not run counter to the antitrust laws, but, where producer or supplier secures adherences to his suggested restrictions by means which go beyond mere refusal to sell to one who will not observe his announced policy, the antitrust laws are violated. See *Sahm v. V-1 Oil Co.*, 402 F.2d 69 (10th Cir. 1968).

<sup>101</sup>. The theory is that one with "unclean hands" cannot bring an action in equity. In the main, those cases that have ruled on this question have held that no defense may be claimed. See, for example, *Orth-O-Vision Inc. v. H.B.O.*, 474 F. Supp. 672 (S.D.N.Y. 1979); *Peter Pan Fabrics, Inc. v. Candy Frocks, Inc.*, 187 F. Supp. 334 (S.D.N.Y. 1960). In *Hoehn v. Crews*, 144 F.2d 665 (10th Cir. 1944), *aff'd*, 324 U.S. 200 (1945), the court noted that it is not required that one who would seek equity must himself possess "spotless hands", and that it is not "every stain" that will bar one from equitable relief. The following language from *Alfred Bell and Co. v. Catalda*, 191 F.2d 99 (2d Cir. 1951) is appropriate,

"We have here a conflict of policies: a) that of preventing piracy of copyrighted matter and b) that of enforcing the antitrust laws. We

damental purpose of the exclusive right of public performance is to protect copyright proprietors against dilution of the market for their works.<sup>102</sup> Though copyright grants certain exclusive rights and protections, it does not, however, confer an absolute market monopoly.<sup>103</sup> There is a point at which the policy favoring a copyright monopoly for authors gives way to the policy opposing restraints of trade and restraints on alienation.<sup>104</sup> It is clear that an agreement which is illegal, for example, because it suppresses competition is not any less so because the competitive article is copyrighted.<sup>105</sup>

A contract which limits in any way the right of either party to work or to do business, whether as to the character of the work or business, its place, the manner in which it is done, or the price to be demanded for it, is a contract in restraint of trade. Contracts in restraint of trade are regarded with disfavor by the courts, and will be strictly construed so as to limit the restrictions imposed. As a general rule, an agreement which is an unreasonable restraint of trade is illegal and void, while an agreement which is a reasonable restraint of trade is valid.<sup>106</sup>

The restrictive agreements imposed by the motion picture companies prohibiting retailers from renting videocassettes are "vertical" restraints. A vertical restraint is one imposed as part of a relationship between firms which perform functions at successive stages in the production and distribution of a product, and it can affect market competition in many diverse ways. In passing the Sherman Antitrust Act,<sup>107</sup> Congress was concerned with protecting the freedom of individual traders to make for themselves, free of coercion or compulsion, decisions about the markets they would enter, the prices they would charge, and in general, how they would compete.<sup>108</sup> According to the Sherman Antitrust Act,

Every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade or commerce among the several

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must balance the two, taking into account the comparative innocence or guilt of the parties, the moral character of their respective acts, the extent of the harm to the public interest, the penalty inflicted on the plaintiff, if we deny it relief." *Id.* at 291.

<sup>102</sup> *U.A.T.V. Inc. v. Fortnightly Corp.*, 377 F.2d 872 (2d Cir. 1967), rev'd. on other grounds, 392 U.S. 390, 88 S.Ct. 2084, 20 L.Ed. 2d 1176.

<sup>103</sup> *Schnadig Corp. v. Gaines Mfg. Co., Inc.*, 620 F.2d 1166 (6th Cir. 1980).

<sup>104</sup> *Blazon, Inc. v. Deluxe Game Corp.*, 268 F. Supp. 416 (S.D.N.Y. 1965).

<sup>105</sup> *Interstate Circuit v. U.S.*, 306 U.S. 467 (1939).

<sup>106</sup> 17 C.J.S. CONTRACTS §238.

<sup>107</sup> 26 Stat. 209 (1890), as amended 15 U.S.C. §1.

<sup>108</sup> L. SULLIVAN, *HANDBOOK OF THE LAW OF ANTITRUST, Arrangements Between Suppliers and Customers In Restraint of Trade*, Ch. 5, §§130-175 (1979).

states, or with foreign nations, is declared to be illegal . . .<sup>109</sup>

An act in restraint of trade is one which

hinders and prevents the selling and exchanging of personal property, or an article or commodity of trade that is in everyday use, and in this way a necessary and indispensable article of commerce.<sup>110</sup>

Most unreasonable restraint of trade cases have addressed restrictions as to price, territory and/or persons. The restriction which deprives an owner of a copy to whom title has passed, of his right to rent that copy, is a restriction which limits the *means* of exchanging an article or commodity of trade.<sup>111</sup> The videocassette restrictions are also set apart in that they involve copyrighted works, to which a form of "monopoly" automatically attaches.<sup>112</sup> There are no cases on record in which parties have contracted to prohibit a retailer from renting the distributed product to his customers. Therefore, for the purpose of analysis, the prohibition on rentals can be compared to general and partial restrictions on the right to resale. Restraints on rental and restraints on alienation are both restrictions within the distribution process of a product. Both involve public access to that product.

At common law, it was established at an early date, and has since been recognized, that a general restriction on the alienation of chattels is void. A seller of ordinary property cannot restrict its future use or alienation, nor can he ordinarily fix the price at which it can be resold by the buyer, even in the case of goods manufactured under secret process.<sup>113</sup>

<sup>109</sup>. 15 U.S.C. §1.

<sup>110</sup>. *Id.*

<sup>111</sup>. The restriction does not seem to be implemented in an attempt to prohibit or limit sales of the product. On the contrary, the prohibition of rentals is designed to encourage and promote sales. In the end, however, the important fact is, more or less, one of distribution and access. The agreements are restraints on distribution.

<sup>112</sup>. An attempt to extend the scope of this monopoly has, under certain circumstances, resulted in violation of the antitrust laws. Such violations have been held to occur as a result of a number of copyright owners acting in combination (*Strauss v. American Pub. Ass.*, 231 U.S. 222 (1913)), and where particular copyright owners have refused to license certain of their more desirable products unless "tied-in" with licenses of certain of their less desirable products (*U.S. v. Loews, Inc.*, 371 U.S. 38 (1962), *Interstate Circuit v. U.S.*, 306 U.S. 467 (1939)). See NIMMER, *supra* note 79, at §13.09[A].

<sup>113</sup>. See 17 C.J.S. CONTRACTS §253. For example, in *W.H. Hill Co. v. Gray*, 163 Mich. 12, 127 N.W. 803 (1910), an owner fixed the retail price of secret

An exception exists when a very special kind of property, such as an heirloom, is involved. For example, in *Meyer v. Estes*,<sup>114</sup> an agreement with the purchaser of electrotypes, to be used only for the purpose of illustrating works to be published by him, provided that he was "not to sell these electrotypes to any other parties, nor to multiply them for the purpose of selling them."<sup>115</sup> The court stated that the contract "is an agreement in restraint of trade, but in view of the nature of the property, is reasonable, [and] will be enforced between the parties to it."<sup>116</sup>

Partial restrictions on the right to *resell* are, as a general rule, upheld when there is a contract between the parties. In *Smith v. San Francisco and Northern Pacific Railroad Co.*,<sup>117</sup> a buyer-seller stock voting agreement was regarded as legal and not in restraint of trade. That court broadly stated,

As the owner of property has the right to withhold it from sale, he can also, at the time of its sale, impose conditions upon its use without violating any rule of public policy and there is nothing inconsistent with public policy for two or more persons, who contemplate purchasing certain property, to agree with each other, as a condition of the purchase, that neither will dispose of his share within a limited period, or for less than a fixed sum, or except upon certain limitations . . .<sup>118</sup>

Such a liberal construction would not be upheld if the agreement had been a 'vertical' restraint on trade, as compared to an agreement between two stockholders. For example, today, under the Sherman An-

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formula medicine through a system of contracts with wholesalers and retailers. The court held that the contract prevents competition; no exemption as to its secret formula since owner manufactured and sold the product in the first instance.

<sup>114</sup>. 164 Mass. 457, 41 N.E. 683 (1895).

<sup>115</sup>. *Id.* at 462.

<sup>116</sup>. *Id.*

<sup>117</sup>. 115 Cal. 584 (1897).

<sup>118</sup>. *Id.* at 587. *See also* *Fowle v. Park*, 131 U.S. 88, 9 S.Ct. 658, 33 L.Ed. 67, where a contract relating to a patent medicine which communicates its ingredients in confidence, and provides in substance that the parties shall enjoy a "monopoly" of the production and sale of it, each within a defined region in the U.S. and that it shall not be sold below a certain rate or price, is not unreasonable or invalid as in restraint of trade, and *Gano v. Delmas*, 140 Miss. 323, 105 So. 535 (1925), where contract provided that, if buyer sold cement purchased, or used any part of it in work other than that described, seller could decline to make further deliveries, the contract was held not to violate antitrust statute.

titrust Act,<sup>119</sup> resale price maintenance agreements are unlawful and void per se. The per se rule also governs restrictions imposed by a seller on the territories within which, or the customers to whom the buyer may resell.

Yet, there are exceptions even within the vertical restraint category. According to Lawrence Sullivan's treatise on antitrust, restrictions to control the quality of goods and services sold under a trademark license are generally reasonable restraints. Additionally, where a manufacturer sells to a dealer the manufacturer's own "brand name" products for resale, the manufacturer has an interest in seeing that his product is retailed in a way which will yield a high volume of sales. Thus, the manufacturer may impose rules respecting the type of showroom facilities or require certain displays. These "quality" conditions will be held unlawful only if in particular circumstances, they can be shown to injure competition.<sup>120</sup>

### *The Reasonableness Test*

Many versions of a judicial test have been implemented to help determine which restrictions should be declared invalid. The common threshold is that in order to be valid and enforceable, the restriction must be "reasonable."<sup>121</sup> In *Fowle v. Park*,<sup>122</sup> the Supreme Court examined a restrictive contract on the distribution of a patented medicine. According to the Court,

public welfare is first considered and if it be not involved, and the restraint upon one party is not greater than protection to the other requires, the contract may be sustained. The question is whether, under the particular circumstances of the case, and the nature of the particular contract involved in it, the contract is, or is not, unreasonable.<sup>123</sup>

It is particularly relevant to our inquiry that this court felt compelled to add:

<sup>119</sup>. 15 U.S.C. §1.

<sup>120</sup>. L. SULLIVAN, *supra* note 108, §172.

<sup>121</sup>. For example, in *Dunlop v. Gregory*, 10 N.Y. 241 (1851), the court explained, The contract, to be upheld, must appear from special circumstances to be reasonable and useful, and the restraint of the covenantor must not be larger than is necessary for the protection of the covenantee in the enjoyment of his trade or business.

*Id.* at 243.

<sup>122</sup>. 131 U.S. 88, 9 S.Ct. 658, 33 L.Ed. 67.

<sup>123</sup>. *Id.* at 97.

The policy of the law is to encourage useful discoveries by securing their fruits to those who made them. If the public found the balsam efficacious they were interested in not being deprived of its use, but by whom it was sold was unimportant.<sup>124</sup>

The tendency of modern authorities is to reject any fixed rules and to gauge the validity of a contract in restraint of trade by its reasonableness in light of the particular circumstances. A determination of the reasonableness of the contract must involve the weighing and balancing of the interests of the person protected, the person restrained and the general public.<sup>125</sup>

The Supreme Court has stated that they "would not expect that any market arrangement necessary to effecuate the rights granted to copyright owners would be deemed a *per se* violation" of the antitrust law.<sup>126</sup> When examining the reasonableness of the videocassette restrictive contracts, the special nature of the copyrighted works is particularly significant.

For example, the public welfare promoted by protecting copyright owners must be compared to the public utility of access to a desired product. The extent to which distribution would be curtailed without rentals, due to prohibitive sales prices, should be examined in light of the fact that copyright owners have the right to refrain from distributing their work entirely. Yet, on the other hand, the courts may be wary of extending market and competitive control to those who already have a limited "monopoly." Additionally, whether the restriction is a single isolated transaction or an industry-wide prohibition gains importance in light of the role of the Motion Picture Association of America. The largest distribution companies belong to the Association. As a group, these distributors' controlling power is more detrimental to the retailer

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<sup>124</sup>. *Id.*

<sup>125</sup>. The RESTATEMENT OF CONTRACTS formulation of tests of reasonableness provides:

A restraint of trade by contract is generally unreasonable if: First, it is greater than is required for the protection of the person for whose benefit the restriction is imposed; second, it imposes undue hardship on the person restricted; third, it tends to create a monopoly, or to control prices or to limit production artificially; fourth, it unreasonably restricts the alienation or use of anything that is a subject of property; fifth, it is based on a promise to refrain from competition and is not ancillary either to a contract for the transfer of good will or other subject of property or to an existing employment or contract of employment.

<sup>126</sup>. *Broadcast Music v. Columbia Broadcasting System*, 441 U.S. 1 (1979).

and to free market conditions.<sup>127</sup>

Without a particular contract to examine, and a particular set of facts for context, this issue cannot be concluded. Still, it is of consequence, not only in the realm of private litigation. The possibility that the restrictive agreement might be an invalid restraint of trade must be remembered when fashioning a proper remedy to the videocassette rental controversy.

### III. POTENTIAL SOLUTIONS

There are numerous alternative solutions to the videocassette controversy, each one worthy of thought and discussion.

#### *Laissez-faire*

It is possible to conclude that the rental problem is purely economic and thus a matter of contractual relations between private commercial entities. Why should the film distributors and the retail outlets not work out their problems individually, without regulation? In fact, the industries have already begun to do just that, albeit as a temporary measure. By December of 1981, most of the movie studios had implemented rental plans of their own, initiating rentals to dealers so that control over their products would be assured. For example, the Metro Goldwyn Mayer/Columbia Broadcasting System plan specifies that one new title will be released each month which can be rented for a four-month period. Dealers may then purchase other films for resale or rental. The dealers cannot sell tapes which are in the rental phase; and the rental charge to dealers, per tape, is a \$60 four-month royalty fee. Twentieth-Century Fox has separated its prerecorded films into sales and rental categories. Rental titles are leased for a six-month period with a \$75 six-month royalty fee for the most popular movies, and \$45 six-month royalty fee for other movies. Subsequently, the titles are released for sale or withdrawn from the market. Dealers cannot sell tapes while in the rental phase. Walt Disney's plan separates sales and rental programs but requires that separate inventories be kept for each title. Dealers may only sell "sales" tapes and rent "rental" tapes. The rental charge to dealer per tape is a \$26 three-month royalty fee. The Warner Bros. program has received the highest amount of criticism from dealers, and has been

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<sup>127</sup> The issue of whether the participation of motion picture companies in the Motion Picture Association of America could constitute a violation of §2 of the Sherman Antitrust Act, 15 U.S.C. §2, which illegalizes attempts to and acts of monopoly, is not addressed in this article.



threatened with boycott. Warner retains ownership of all tapes. Dealers lease the tapes on a weekly basis and may only rent to customers. The weekly fees range from \$4.40 per tape (for six or more weeks) to \$8.25 per tape (for one week). Paramount, Inc., in contrast, has added a surcharge onto all tape sales, based on the estimated number of rentals per title. The surcharge ranges from \$1 to \$10 per tape. The dealers can then sell or rent the tapes without restrictions. This solution seems the most plausible long-run choice.<sup>128</sup>

One problem inherent in a laissez-faire solution is the bookkeeping burden on the individual dealers. Each tape must be categorized, its agreement plan must be noted, its time chart must be kept. Tremendous expense is involved. If industry negotiations could lead to one plan for all, the system would be greatly simplified. For example, if a plan were negotiated among the major film studios, guidelines could be set so that popular new movies are rented only and older ones are sold. Yet complicated decisions would still have to be made as to when to release each film on videocassette, and how long to keep each film on a rental-only basis. Even general acceptance of a Paramount-type plan would require a much better understanding of the videocassette market. Some questions that must be answered are: how much the rentals of videocassettes damage potential sales; how much early rentals of videocassettes damage theater receipts; how much in sales revenues will be lost if consumers are not allowed to buy a cassette when a movie is still at the height of its popularity; and what will the transference of extra costs to the retailer do to the consumer market?<sup>129</sup>

### *Within the Law of Copyright*

Alternatively, the solution to the rental controversy should lie within the realm of copyright law (whether because the act is determined to be an infringement of the public performance right or simply because it is a problem affecting the intellectual property of copyright owners which arises within the Constitutional purpose to promote the useful arts and sciences).<sup>130</sup>

Would protection of the copyright owner's right against rentals promote the creation and dissemination of artistic works? Some hold the view that compensating the copyright owners would not be aiding the

<sup>128</sup> A. Pollack, *A Battle Over Video Cassettes: Millions in Tape Rentals are at Stake*, NEW YORK TIMES (December 11, 1981) at D1, citing as source, Home Video Report.

<sup>129</sup> *Id.* Note, once again, the potential antitrust violations due to restraints of trade.

<sup>130</sup> U.S. CONST. art. I, §8, cl. 8. See *supra* note 93.

creation and dissemination of art, but merely putting money into an already rich motion picture industry. This argument must be confronted. It relies upon the reality that the large companies, and not the artists, are the copyright owners of most films. The theory that motion picture companies are "triple dippers" in the economic pot has been espoused by Jack Wayman, senior vice-president of the Consumer Electronics Group. He explains that the movie companies collect profits in three ways:

- 1) by the first release for showing in theaters. If the movie is a hit, the movie company makes tremendous profits;
- 2) by the release of the movie, in exchange for generous payments, to a manufacturer of prerecorded video tapes, or by themselves manufacturing and subsequently selling the tapes at retail from \$50 to \$100; and
- 3) by negotiated royalty arrangements to allow the movie to be shown on television.<sup>131</sup>

In response, I suggest that the "rich industry" argument ignores the importance of "royalties" to all artists. As one author points out,

It is difficult to have much sympathy for such rich companies as Universal Studios, Inc., and Walt Disney Productions . . . But what about the individual writer, the producer, the director, the technician . . . The artist . . . sells the distribution rights for a pittance, hoping that royalties will save the day . . .<sup>132</sup>

If the videocassette market is hurt because of rentals, artists' royalties would be decreased. And, as noted above, their works would be in use without recompense.

An even more basic response to the "fat cat" argument is that the motion picture companies are entitled to get rich. They are entitled to make money and to take that money to make more motion pictures and more money. When one takes away from the motion picture companies money it deserves, whether it is "needed" or not, it is a harm that should be remedied. The Register of Copyright has stated,

The public interest is paramount, to be sure. But the public is served quite as much by a respect for property—and copyright

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<sup>131</sup>. *Testimony before the Senate Committee on S.1758*, Jack Wayman, senior vice-president of the Consumer Electronics Group (1981).

<sup>132</sup>. J. Saltzman, *Video Recorder Lawsuit is Battle that Likely Will Cost Consumer*, 1982.

is the highest kind of property—as by expropriating it from its creators and owners for mass, free use . . .

It is too often easy to convince people that the public interest is always served when someone else's property can be had for free. The more difficult task is to balance such impulses against the rights of our creative minority . . .<sup>133</sup>

### *Judicial Solution*

It has been suggested that a solution to the problem should be effected by judicial decision, as soon as a case arises. Copyright adaptation has often been the result of court-made law. But example has shown that courts can only go so far, particularly where statutory guidance is absent or unclear. A recent example to be learned from are the "*Betamax*" cases,<sup>134</sup> where noncommercial home recording of copyrighted material broadcast over the public airwaves was ultimately declared infringement. Both the District Court and the Court of Appeals gave fully reasoned and important opinions in an attempt to resolve complex issues that the statutory law ignored. Yet the need has generally been recognized, and subsequent action has been taken, to bring the conflict to the legislature for ultimate solution. The *Betamax* court itself stated,

The ramifications of this new technology are greater than the boundaries of this lawsuit. A court reviewing the limited claims of specified parties in a particular factual setting cannot and should not undertake the role of government commission or legislative body exploring and evaluating the uses and consequences of the videotape recorder.<sup>135</sup>

Like the photocopying issue discussed in *Williams and Wilkins v. U.S.*,<sup>136</sup> the videocassette issue is,

preeminently a problem for Congress . . . Obviously, there is much to be said on all sides. The choices involve economic, social and policy factors which are far better sifted by a legislature. The

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<sup>133</sup> Remarks of David Ladd to the Internationale Gesellschaft for Urheberrecht (INTERGU), Toronto, Canada (Sept. 28, 1981) at 18.

<sup>134</sup> *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429 (D.C. Cal. 1981) *rev'd.*, 659 F.2d 963 (9th Cir. 1981).

<sup>135</sup> 480 F. Supp., at 442.

<sup>136</sup> 487 F.2d 1345 (1973), *aff'd per curiam* by an equally divided court, 420 U.S. 376 (1975).

possible intermediate solutions are also of the pragmatic kind legislatures, not courts, can and should fashion.<sup>137</sup>

Furthermore, David Ladd, Register of Copyrights, explained,

When law and broad policy are created judicially . . . policy emerges piecemeal, by small accretions of precedent; or, in an effort to achieve legislation-like results, courts issue broad declarations which really rest on the particular facts on the given case.<sup>138</sup>

An acceptable solution must reflect careful consideration of all conflicting interests and of the long-range consequences of any particular policy. The question requires legislative consideration.

### *Legislative Solution*

Congress could approach the rental controversy in a variety of ways. If the legislature determines that the public interest in promoting the creation of artistic works requires protection of the copyright owners' rights against rentals, it could devise a scheme to compensate the owners, or it could restrict or prohibit videocassette rentals.

### *Compensation*

A compensatory scheme can take numerous forms. For example, one potential solution is the imposition of levies on prerecorded videocassettes. Austria and the Federal Republic of Germany have addressed the "home taping" problem by imposing levies on video recorder hardware or blank tape, providing for distribution of proceeds to copyright owners. This solution has equal potential within the rental problem. In essence, the levy scheme is a statutory license, and the Copyright Royalty Tribunal could distribute the fees collected. The typical percentage of the price of a prerecorded videocassette attributable to copyright royalty would be low, yet the cumulative revenues could protect copyright owners and encourage creation of new motion pictures. Unfortunately, this solution does not tie the cost of the fee per tape to its actual rental volume and therefore could be over- or under-compensatory.

Alternatively, Congress could fashion a licensing arrangement in which retail outlets would pay into a central fund to be distributed as

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<sup>137</sup> *Id.* at 1360.

<sup>138</sup> Remarks of David Ladd, *supra* note 133.

royalties to copyright owners. The payment could be linked to rental volume so as to avoid overbroad penalties. This scheme could be patterned upon the current licensing arrangement for American cable television systems.<sup>139</sup> An agreed-upon formula could be negotiated by which the Copyright Tribunal would distribute the money.

There are several advantages to this kind of licensing scheme. First, it works within a framework already provided in the 1976 Copyright Act. Second, the system is seemingly equitable since payment would directly attach to rental volume. Third, as in all licensing schemes, the system could be largely self-administered.<sup>140</sup>

However, there are obvious disadvantages to a licensing system. Congress presided over a series of hearings which focused on the cable television compulsory license system and acknowledged its flaws.<sup>141</sup> The cable industry has changed; it has grown tremendously. The compulsory license system no longer seems practical since the parties are better able to bargain and negotiate on their own. Similar growth and change is likely to occur in the videocassette industry.

Another more substantive disadvantage is the lack of guarantee that the amount collected and distributed will bear rational relation to the amount necessary to encourage production. This system may be economically inefficient.

A third alternative is to promulgate an arena for the development of voluntary guidelines, similar to the provisions of §118 of the Copyright Act.<sup>142</sup> Section 118 provides that

the owners of copyright in nondramatic literary works and public broadcasting entities may, during the course of voluntary negotiations, agree among themselves, respectively, as to the terms and rates of royalty payments, without liability under the antitrust laws.<sup>143</sup>

Within two years, a report must be submitted to Congress setting forth the extent to which voluntary licensing arrangements have been reached and describing any problems that may have arisen, for legislative recommendation.<sup>144</sup> The owners of copyright in videocassettes could negotiate

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<sup>139.</sup> 17 U.S.C. §111.

<sup>140.</sup> See *Universal City Studios, Inc. v. Sony Corp.: Fair Use Looks Different on Videotape*, 66 VA. L. REV. 1005 (June 1980).

<sup>141.</sup> *Oversight of the Copyright Act of 1976: Hearings before the Committee on the Judiciary*, 97th Cong. 1st Sess. (July 29, 1981).

<sup>142.</sup> 17 U.S.C. §118.

<sup>143.</sup> 17 U.S.C. §118(e) (1).

<sup>144.</sup> 17 U.S.C. §118(e) (2).

with representatives of commercial rental outlets within a modified free market system.

This system is advantageous because the agreements can be changed more readily than legislation can be amended, as the flaws become exposed. The scheme also provides a small but necessary degree of governmental involvement.

Two inherent problems however are: Who will represent the negotiating parties and how will equal bargaining power be achieved. Additionally, there is a potential for negotiation stalemate, and a general lack of uniformity when no law is made.

### *Restriction and Prohibition*

The Motion Picture Association of America supports a solution which would restrict or prohibit rentals of videocassettes. A proposed amendment to the definition section of the Copyright Act has been introduced by Stephen Roberts, to the Senate Committee on the Judiciary Oversight Hearings on the Copyright Act of 1976.<sup>145</sup> The amendment confirms the Roberts interpretation of the "at different times" clause of the public performance definition, as explained in this text.<sup>146</sup> Renting and viewing a rented tape would explicitly be infringement of the public performance right. The proposed Amendment to 17 U.S.C. §101 provides:

Section 101 of Title 17 of the United States Code is amended to add to the end of subparagraph (2) of the definition of "to perform or display a work 'publicly' " the following new language:

The reference to 'at different times' in the preceding sentence refers to those circumstances in which one particular copy or phonorecord of a work is employed to communicate two or more performances or displays of such work (whether such performances or displays occur in private homes or otherwise), provided: (i) the total number of persons cumulatively capable of receiving all such performances or displays collectively constitute a substantial number of persons outside of a normal circle of one family and its social acquaintances, and (ii) such particular copy or phonorecord was furnished or otherwise made available to com-

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<sup>145</sup> *Testimony of Stephen Roberts, supra* note 4, at 329.

<sup>146</sup> *See supra* text accompanying notes 61-79.

municate such performances or displays in order to derive a direct or indirect commercial advantage.

Clause (ii) provides a safeguard against the private infringer by stipulating that the copy must have been furnished as "a direct or indirect commercial disadvantage," thus making it clear that it is only the renting entity and not the individual home user which is liable for infringement.

Why this interpretation should not prevail has been discussed above.<sup>147</sup> The commercial advantage language does not rectify the practical problems inherent in Roberts' solution.

Senator Mathias has proposed an alternative prohibitive amendment which addresses the §109(a) first sale doctrine.<sup>148</sup> The Mathias Amendment<sup>149</sup> is primarily an amendment to S.1758,<sup>150</sup> a bill introduced by Senators Di Concini and D'Amato in late 1981 to exempt home video recordings from copyright infringement liability, in response to the Ninth Circuit *Betamax* decision.<sup>151</sup> The Mathias Bill proposed a compulsory license for video recorder and video media manufacturers, importers and distributors as a method of providing royalties to copyright owners for the home video recording of their works. At the end of the Amendment, §4 introduces a provision that would make it illegal to dispose of the possession of a copy of a motion picture by rental, lease, or lending, for purposes of direct or indirect commercial advantage, unless authorized by the copyright owner. The text of §4 reads:

SEC. 4. That §109(a) of chapter 1 of title 17 of the United States Code is amended by replacing the period at the end thereof with a colon and inserting thereafter the following: 'Provided, however, that the owner of a particular phonorecord of a sound recording, copy of a motion picture or other audiovisual work lawfully made under this title may not, unless authorized by the copyright owner, dispose of the possession of that phonorecord or copy by rental, lease, or lending, for purposes of direct or indirect commercial advantage.'<sup>152</sup>

If one adheres to the proposition that rentals infringe the rights of

<sup>147</sup>. See *supra* text accompanying notes 82-92.

<sup>148</sup>. 17 U.S.C. §109(a). See *supra* text accompanying notes 21-44.

<sup>149</sup>. Amendment No. 1242, to S.1758, 97th Cong., 2d Sess. (1982), Cong. Rec. 12/16/81, p. S.15723.

<sup>150</sup>. S.1758 (H.R. 4608), 97th Cong., 2d Sess. (1982).

<sup>151</sup>. *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981).

<sup>152</sup>. Amendment No. 1242, Cong. Rec. 12/16/81, p. S.15723.

copyright owners of motion pictures, this solution is both theoretically sound and practical. It promotes the goal of protecting copyright owners from the loss of profits and from others profiting from the unauthorized use of their works. It does not attempt to modify accepted definitional doctrine, such as the §101 public performance right.<sup>153</sup> The amendment would not necessarily contradict legislators' intent, since the problem of the videocassette rental controversy was not envisioned when formulating §109(a).<sup>154</sup>

The Mathias solution involves no time- and money-consuming governmental regulation. Rates do not have to be estimated; monies do not have to be distributed. No bookkeeping and inventory burdens are imposed upon retail outlets. There is no threat of unequal bargaining or forced negotiation.

Yet, §4 of the Mathias Amendment has two important flaws. The first is structural overbreadth. Prohibition is an extreme measure which should be rooted in direct evidence of the illegality of renting for commercial gain. There is no foundation for this finding in the Copyright Act. The prohibitive solution runs against the principles inherent in the comprehensive revision of the copyright laws. A broad prohibition simply limits access to the copyrighted works, to some degree. The legislative intent of the Copyright Act is to allow the public access to copyrighted works while securing compensation to producers, authors and other creative artists, according to use and enjoyment.

The second flaw is that §4 is a separate thought in an extremely important proposal for compulsory licensing for home video recording. The section was likely added as a "sweetener" provision, so that the Motion Picture Association would be more willing to support the bill. A drastic resolution such as §4 should be weighed and analyzed on its own. The videocassette rental controversy, like all revision problems, should not be resolved in undue haste. As the current Register of Copyrights has repeatedly emphasized, there is time. This particular question requires "the same fullness of debate, and technical input that culminated in the General Revision of 1976."<sup>155</sup> In the interim, the industry can and is adopting temporary plans. The rental problem does present an important, pressing issue, but the swiftest solution might not be the best.

#### IV. CONCLUSION

In this article, the author has attempted to provide a starting point

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<sup>153</sup>. 17 U.S.C. §101.

<sup>154</sup>. 17 U.S.C. §109(a).

<sup>155</sup>. Remarks of David Ladd, *supra* note 133.



for future scholarly and legislative analysis of the videocassette rental controversy. Only the surface of the complex problems and issues has been addressed. The additional damage accruing from potential swapping schemes, rentals by remote vendees and an increased propensity for copying must be examined. Rentals of prerecorded videocassette tapes that do not embody copyright works owned by the motion picture companies must be considered. Furthermore, the rental controversy must be examined within the context of a communications and entertainment technological revolution. It is not difficult to imagine a time when an advanced home computer/videocassette recorder system will be a common apparatus in every home.

In order to prevent years of turmoil, the legislature must take action; the copyright law must be adapted. Access to prerecorded videocassettes should not be limited to a sales-only basis; rentals should not be prohibited. On the other hand, it is vital that copyright owners are compensated for the use of and access to their creations. The best solution will analyze all of the conflicting interests, and provide for a workable system of compromise.

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## 2. MUSIC IN MOTION PICTURES\*

By RICHARD COLBY\*\*

I would like to bring to the attention of the Copyright Bar a new development in the practice of the Copyright Office. That Office is now accepting the simultaneous registration of separate copyright claims for new music in a motion picture, and for the motion picture itself, with the deposit, *after* commencement of distribution of the motion picture, of one copy of the motion picture (a ¾-inch video tape cassette),<sup>1</sup> on which a separate copyright notice for the music is not used, without requiring separate deposit of the "lead sheets" or other copies of the music.

Evidencing a flexible approach and a willingness to accept a simplified procedure to secure "to Authors . . . the exclusive Right to their respective Writings," the distinguished Register of Copyrights, David L. Ladd, and the staff of the Copyright Office, have made it possible for copyright owners to avoid considerable risk, the cost of deposit of a second copy and other administrative difficulties, while encouraging a simpler registration procedure. The basic legal underpinning for this new practice is §401(a) of the Copyright Act of 1976 ("the Act"), which only requires a copyright notice on publicly distributed copies of works which can be "visually perceived."<sup>2</sup> Since the music in motion pictures

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\* © 1982 Richard Colby

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<sup>1</sup> See, generally, as to registration of videotapes under the Copyright Act of 1909, Colby, *An Historic "First"—Copyright Office Accepts Magnetic Video Tape for Registration*, 8 BULLETIN OF THE COPYRIGHT SOCIETY OF THE U.S.A. 205 (1961).

<sup>2</sup> See 2 NIMMER ON COPYRIGHT §7.06[A] at page 7-17:

However, since a work as recorded on a sound track is not "visually perceptible," no copyright notice need be placed on the sound track in order to protect such work. This is clearly true of the sounds *per se* as contained in a sound track. But what of musical works, dialogue and narration as contained on a sound track? These too are not visually perceptible, even with the aid of a machine or device. It would, then, appear that no notice need appear on a motion picture or other audiovisual work in order to protect these components of the work.

The foregoing was anticipated by Copyright Office Circular R45, which states at page 6:

Underlying a finished motion picture there are usually one or more

is not visually perceptible, a separate copyright notice for music in motion pictures has been unnecessary at least since January 1, 1978, if not since October 19, 1976, when the Act was approved by the President.<sup>3</sup>

This simpler procedure will, perhaps, encourage, indeed, "promote" additional copyright registrations for motion picture music, which should not only simplify chain of title searches, but also may increase the total fees paid to the Copyright Office.

If utilized, this new practice will also avoid the often last-minute registrations prior to or during litigation, to meet the requirements of §411 and §412, as well as the statutory conditions for constructive notice set forth in §205(c)(2) of the Act.

Briefly, the background and the significance of this procedure goes back to what many regarded as unnecessarily rigid regulations adopted by the Copyright Office in 1975,<sup>4</sup> which included the somewhat startling rule that:

Separate registration will be refused for any component part of a motion picture soundtrack published without a separate copyright notice, whether registration is applied for as an unpublished work under section 12 of Title 17 U.S. Code, or as a published work in accordance with section 13 of Title 17, U.S. Code.<sup>5</sup>

This then proposed Regulation met with critical comment from the Bar,<sup>6</sup>

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copyrightable works that were written or created for use in connection with the production; typical examples include screen treatments, shooting scripts, musical scores, and continuities. To the extent that these underlying works are embodied in the finished motion picture, registration for the motion picture as a whole will usually cover them. But there may also be circumstances when separate registration for one or more of these underlying works, *either before or after registration for the finished motion picture has been made*, would serve a purpose. These circumstances might arise, for example, if copyright ownership of the underlying work is different from that of the finished film, or if the underlying work itself contains substantial copyrightable material not present in the film. (Emphasis added.)

<sup>3</sup> See generally, the Transitional and Supplementary Provisions of the Act, commented on most recently in Latman, *Annual Review of Copyright Cases*, 29 JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A. 465 (1982); and Beckett, *The Copyright Act of 1976: When Is It Effective?* 24 BULLETIN OF THE COPYRIGHT SOCIETY OF THE U.S.A. 391 (1977).

<sup>4</sup> §202.15(e), effective May 12, 1975. 78th Annual Report of the Register of Copyright at pages 10-11 (1975).

<sup>5</sup> §202.15(e) (3).

<sup>6</sup> E. Fulton Brylawski, *The Copyright Office: A Constitutional Confrontation*, 44 THE GEORGE WASHINGTON LAW REVIEW 1, at 33-35 (1975).

but was, nevertheless, adopted as of May 12, 1975.<sup>7</sup> Experience indicates, however, that many motion pictures were distributed between 1975 and 1982, without a separate copyright notice for the new music in those motion pictures, now no longer (if ever) necessary.

Unless that music had been separately registered for copyright prior to "publication"<sup>8</sup> of the motion picture, the copyright owner of the "new music"<sup>9</sup> in the motion picture was apparently foreclosed forever from administratively obtaining separate copyright registration for that music, raising innumerable potential problems, *including the ability to renew the copyright on pre-1978 music*.<sup>10</sup>

Potential copyright claimants might want to give some thought now to copyright registration of music in motion pictures first distributed since January 1, 1978, the effective date of the Act, if a separate copyright notice for that music did not appear on the "screen," and if not previously registered.

Another implication of this new Copyright Office practice is thereby to recognize the simultaneous registrability of other non-visual copy-

<sup>7</sup> Yuzek, *Publication and Protection: In Qualified Support of the Copyright Office Approach to Motion Picture Soundtracks*, 22 BULLETIN OF THE COPYRIGHT SOCIETY OF THE U.S.A. 19 (1974). SHEL & KRASILOVSKY, THIS BUSINESS OF MUSIC 246-7 (4th Edition 1979).

<sup>8</sup> For the definition of "publication," see §101 of the Act.

<sup>9</sup> "New music" is used in two senses: new, in that the music is copyrightable and has not been previously published with a copyright notice or registered for copyright; and new in the sense that it is not "old" music for which the motion picture producer has obtained a separate "synchronization" license. Also implicit in the new practice is that licensors of such synchronization rights need not contractually require that a separate copyright notice for previously "copyrighted" music appear in the "screen credits"—for the reasons advanced above, and because the copyright notice on the motion picture, a derivative work, protects all copyrighted and copyrightable parts of the motion picture—e.g., the second sentence of §103(b) of the Act to the effect that:

The copyright in such (a derivative) work is independent of, and does not affect or enlarge the scope, duration, ownership or subsistence of, any copyright protection in the preexisting material.

Also see §401(b) (2) of the Act which reads in part as follows:

in the case of compilations or derivative works incorporating previously published material, the year date of first publication of the compilation or derivative work is sufficient.

See e.g., NIMMER ON COPYRIGHT §3.04 and §7.12[C].

The words "new music" are also used in the statutory sense of "musical works, including any accompanying words" [§102(a) (2) ], as distinguished from "sound recordings" [§102(1) (7), §101, §114 and §402].

<sup>10</sup> For §202.15(e) (4) of the 1975 Regulations stated that:

However, applications to register a claim to copyright in a component part of a motion picture soundtrack for the renewal term shall be accepted only if separate registration has first been made for the original term.

rightable component parts of a derivative work—e.g., a story, a screenplay or other written or musical copyrightable subject matter not previously registered for copyright, and now “incorporated” in the motion picture. Thus, multiple registrations hopefully can now be made with the single deposit of one “copy”<sup>11</sup> of the motion picture, without the need for registration of the “underlying” literary or musical works prior to distribution of the motion picture, and without the need for the motion picture to contain multiple copyright notices for each such separately copyrightable part of the motion picture.<sup>12</sup>

To make the matter even more interesting, and of even more general application, in this first such multiple registration of visual and non-visual material in a motion picture, with one deposit of only a videocassette of that motion picture, the copyright claimants may be different parties.

The copyright certificates in question—covering published works—may issue, one in the name of the motion picture producer, for the motion picture, and the other, in the name of the music publisher, for the music.

Time does not now permit a deeper analysis, but the literature, especially in *THE JOURNAL*, gives the background.<sup>13</sup>

As for the future, the writer hopes that this will prove to have been a well considered step, a shot heard but not seen round the world.<sup>14</sup>

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<sup>11</sup> For the statutory definition of a motion picture copy, see the definitions in §101 of the Act, and the applicable Regulations, including the Best Edition policies of the Copyright Office set forth in the Best Edition Statement of the Library of Congress and in §§202.19, 202.20 and 202.21 of the Regulations.

<sup>12</sup> By analogy, this view has, perhaps, already been accepted in the Second Circuit, in *Stern Electronics, Inc. v. Kaufman*, 669 F.2d 852 (1982), 213 U.S.P.Q. 443, CCH Copyright Law Reports ¶25,354, in which the Court, per Newman, J. said:

The visual and aural features of the audiovisual display are plainly original variations sufficient to render the display copyrightable even though the underlying written program has an independent existence and is itself eligible for copyright. Nor is copyright defeated because the audiovisual work and the computer program are both embodied in the same components of the game. The same thing occurs when an audio tape embodies both a musical composition and a sound recording.

<sup>13</sup> E. Fulton Brylawski, *Copyrightability of Motion Picture Sound Tracks*, 18 *JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A.* 357 (1971); and Comments to the Copyright Office on the 1975 Regulations (unpublished).

<sup>14</sup> By a somewhat mystical coincidence, the copyright registrations just approved by the Copyright Office were submitted on April 21, 1982, twenty-one years and two days after the day that the first registration of videotape (also submitted by the writer, and the late Fulton Brylawski, father of E. Fulton Brylawski) was accepted by the late, revered Register of Copyrights, Abraham L. Kaminstein.

## PART II

### LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

#### 1. United States of America and Territories

#### 3. U.S. CONGRESS, HOUSE.

H.R. 6198. A bill to amend the manufacturing clause of the copyright law. Introduced on April 28, 1982, by Mr. Kastenmeier; and referred to the Committee on the Judiciary. (97th Cong., 2d Sess.).

This bill would amend the manufacturing clause in the copyright law by changing the expiration date from July 1, 1982 to July 1, 1986.

#### 4. U.S. CONGRESS, HOUSE.

H.R. 6420. A bill to amend chapter 113 of title 18 of the United States Code to strengthen the laws against computer program and data base piracy and counterfeiting, and for other purposes. Introduced by Mr. Frank on May 19, 1982; and referred to the Committee on the Judiciary. (97th Cong., 2d Sess.).

To be cited as the "Computer Software Piracy and Counterfeiting Amendments of 1982", this bill would amend section 2318 of title 18 U.S.C. to provide for protection against piracy and counterfeiting of computer programs and data bases. A data base is defined to mean "a work of authorship expressed in a form intrinsically intended for use within, or in conjunction with, a computer."

#### 5. U.S. CONGRESS, SENATE.

S. 2445. A bill to amend the Communications Act of 1934 regarding cable telecommunications, and for other purposes. Introduced by Mr. Hollings on April 27, 1982; and referred to the Committee on Commerce, Science, and Transportation. 97th Cong., 2d Sess.).

To be cited as the "Cable Telecommunications Competition and Deregulation Act of 1982", this bill would establish a national cable policy designed to insure that cable systems are tailored to the needs of the community which it serves. The franchising au-

thority and the cable operators would determine the actual makeup of each cable system—the extent of basic service, of program origination, and of the provisions of telecommunications facilities with federal oversight. In addition this bill seeks to insure that there is a balanced bargaining process between the cable operator and the cable franchising authority for cable franchises as well as to protect the privacy of cable subscribers. An antipiracy provision is also included which imposes civil and criminal penalties for the illegal interception of radio signals.

6. U.S. COPYRIGHT OFFICE.

Policy decision announcing fee for special handling of applications for copyright registration. Notice of policy decision. *Federal Register*, vol. 47, no. 86 (May 4, 1982), pp. 19254-55.

The Copyright Office has determined that it can no longer absorb the cost of special handling services. Therefore, the Register of Copyrights announces that, effective June 1, 1982, copyright registrants that are granted special handling must pay a non-refundable fee of \$120. Special handling is a procedure designed to expedite the copyright registration process. The special handling fee is fixed under authority of 17 U.S.C. 708(a) (11) and is in addition to the normal applicable registration fee.

7. U.S. COPYRIGHT OFFICE.

Report of the Register of Copyrights on the effects of 17 U.S.C. 108 on the rights of creators and the needs of users of works reproduced by certain libraries and archives; final comment period. Notice of final comment period. *Federal Register*, vol. 47, no. 102 (May 26, 1982), pp. 23061-62.

The Copyright Office gives notice that it is eliciting final comments on the effects of 17 U.S.C. 108 on the rights of creators and the needs of users of copyrighted works which are reproduced by certain libraries and archives. The comments should be received by the office on or before July 15, 1982 and should address any issues relevant to Section 108 that concern authors, copyright owners, librarians and other patrons. Additionally, the Office would like the comments to address several specific questions that are set out in the notice.

8. U.S. COPYRIGHT OFFICE.

37 CFR 201. Compulsory license for cable systems. Interim

regulations. *Federal Register*, vol. 47, no. 98 (May 20, 1982), pp. 21786-90.

The public is notified that because of changes in the Federal Communications Commission's cable rules, the Copyright Office is amending its regulations to modify the filing requirements and royalty fee calculations under Sections 201.11 and 201.17. These sections implement portions of 17 U.S.C. 111, which prescribes conditions under which cable systems may obtain a compulsory license to retransmit copyrighted works. The amendments are adopted effective immediately and on an interim basis in order that cable systems may comply with their obligations under the statute while the public comment period is under way. Comments should be received before July 1, 1982.

9. U.S. COPYRIGHT OFFICE.

37 CFR 201. Compulsory license for cable system. Extension of comment period. *Federal Register*, vol. 47, no. 130 (July 7, 1982), pp. 29529-30.

When the Copyright Office adopted interim amendments to its compulsory license regulations for cable systems, July 1 was designated as the closing date for public comments. The National Cable Television Association argued that the July deadline allowed it insufficient time to effectively participate in the proceeding and, therefore, requested a three-month extension. Careful consideration of the extension request has led the Copyright Office to conclude that a one-month extension would allow sufficient time for all interested parties to comment on the issues raised in the proceeding. In accordance with this conclusion, the close of the comment period on the interim amendments is extended to August 2, 1982.

10. U.S. COPYRIGHT OFFICE.

37 CFR 201. Recordation and certification of coin-operated phonorecord players. Final regulations. *Federal Register*, vol. 47 (June 9, 1982), pp. 25004-06.

Effective immediately, Section 201.16 of the Copyright Office's regulations is amended. The amendments reflect the adjusted royalty rate schedule for recordation and certification of coin-operated phonorecord players that was announced by the Copyright Royalty Tribunal on January 5, 1981. That schedule, which was recently upheld by the Seventh Circuit, calls for a fee of \$25 per jukebox per year in 1982 and 1983 and \$50 per jukebox



per year thereafter, with the fees subject to a cost of living adjustment on January 1, 1987. The half-year fee is one-half of the applicable annual rate for that year. All jukebox operators who obtained certificates for jukeboxes in 1982 at the old \$8 rate have until July 15, 1982 to apply for supplemental certificates and to pay the additional \$17 fee. Operators who paid the \$25 fee for 1982 should also request supplemental certificates, but no additional cost will be required.

11. U.S. COPYRIGHT OFFICE.

CFR 203 and 204. Privacy Act of 1974; Freedom of Information Act; policies and procedures. Final regulations. *Federal Register*, vol. 47, no. 164 (Aug. 24, 1982), pp. 36819-36821.

The Copyright Office amends Sections 203 and 204 of its regulations to reflect changes in the location and organizational structure of the Office and the duties of its principal officers. The amendments pertain to the Public Information Office and the fees for copies of records made under the Freedom of Information and Privacy Acts. They also concern the systems of records that are available for public inspection and copying and written requests for access to certain information not contained in the public records of the Office.

12. U.S. COPYRIGHT OFFICE.

Privacy Act of 1974; current systems of records and of proposed routine uses. Notice of current systems of records and of proposed routine uses. *Federal Register*, vol. 47, no. 164 (Aug. 24, 1982), pp. 36996-37005.

The Copyright Office publishes information concerning changes in the location and organization of its records and in the operating hours of the Office. The changes require the deletion of three systems of records, the omission of two systems and the renaming, renumbering and combining of the remaining systems. Information regarding the revisions of the Copyright Office's systems of records and the routine uses of these systems is provided herein for public comment. Comments should be received on or before September 30, 1982, the targeted effective date of the revised systems of records.

13. U.S. COPYRIGHT OFFICE.

Public access to the interim document card file. Notice of

limited provisional access to an additional in-process file. *Federal Register*, vol. 47, no. 140 (July 21, 1982), p. 31643.

The Copyright Office has added the Interim Document Card File to the list of in-process files to which the public may have direct access. The Interim Document Card File contains cards that provide preliminary information regarding documents submitted for recordation prior to the preparation of the official record in catalog card and microfilm form. Access to the file is limited to between the hours of 10:00 and 11:00 a.m. of each business day and is conditioned on the fact that cards may not be removed from the file.

14. U.S. COPYRIGHT OFFICE.

Report of the Register of Copyrights on the effects of 17 U.S.C. 108 on the rights of creators and the needs of users of works reproduced by certain libraries and archives; final comment period. Extension of final comment period. *Federal Register*, vol. 47, no. 120 (June 22, 1982), pp. 26951-52.

The final comment period on the extent to which 17 U.S.C. 108 has achieved the intended balance between the rights of creators and the needs of users of works reproduced by certain libraries and archives has been extended to August 2, 1982. In May, the Copyright Office issued a notice establishing July 15, 1982 as the deadline for final comments on the effects of Section 108 and on the library photocopying report that was prepared by King Research Inc. The American Library Association asked for a one-month extension of the comment period, but because of statutory time constraints, the Office was unable to fully accede to the request. All comments must be received by the Copyright Office on or before August 2, 1982 to become a part of the record and to be fully considered in preparing the Register of Copyright's report to Congress.

15. U.S. COPYRIGHT ROYALTY TRIBUNAL.

37 CFR 304. Cost of living adjustment for compulsory royalty rates paid by non-commercial broadcasting. Final rule. *Federal Register*, vol. 47, no. 147 (July 30, 1982), pp. 32943-44.

The Consumer Price Indexes (all urban consumers, all items) covering the period June 23, 1981 through August 1, 1982 indicate that the cost of living increased by 6.7%. Accordingly, the Copyright Royalty Tribunal announces that, effective September 1, a 6.7% cost of living adjustment is to be applied to the com-

pulsory royalty rate paid by non-commercial broadcasting for the use of certain copyrighted works.

16. U.S. COPYRIGHT ROYALTY TRIBUNAL.

1978 cable royalty fees distribution. Notice. *Federal Register*, vol. 47, no. 81 (Apr. 27, 1982), pp. 18019-20.

Pursuant to the court's instruction, the Copyright Royalty Tribunal is conducting further proceedings in the matter of National Public Radio's (NPR) claim for 1978 cable royalties. On May 26, 1982, the Tribunal will hear oral argument on whether the record of the distribution proceeding supports an award of 0.25% to NPR. 1978 royalty claimants wishing to participate in the hearing shall give notice of such intention and of their position on the issue by May 5. Briefs should be submitted by May 18, 1982 and reply briefs by May 24, 1982.

17. U.S. COPYRIGHT ROYALTY TRIBUNAL.

1979 and 1980 jukebox distribution; final determination. Notice of final determination. *Federal Register*, vol. 47, no. 83 (Apr. 29, 1982), p. 18406.

The Copyright Royalty Tribunal makes its final determination with respect to distribution of the 1979 and 1980 jukebox royalties. ASCAP, BMI and SESAC entered into a voluntary distribution agreement. As to the other claimants, the Tribunal awards the Italian Book Corporation \$1,000 and \$800 respectively for 1979 and 1980. No award is made to claimant Sammie Belcher, Jr.

18. U.S. COPYRIGHT ROYALTY TRIBUNAL.

1978 National Public Radio cable royalty claim. Notice of final determination. *Federal Register*, vol. 47, no. 110 (June 8, 1982), p. 24767.

The Copyright Royalty Tribunal (CRT) gives notice of its final decision on National Public Radio's (NPR) 1978 cable royalty claim. Under Phase I of the 1978 cable royalty distribution proceeding, the Tribunal awarded NPR 0.25% of the royalty fees. That award was later determined to be unsupported by the record and the allocation was added to the award of the Public Broadcasting Service (PBS). The Court of Appeals ordered further proceedings on the NPR claim. In accordance with that order, the Tribunal reviewed the evidence and concluded that the record

(1) did not provide an adequate basis for establishing the extent of cable systems distant carriage of NPR station signals; and (2) was deficient on matter relating to carriage of cable systems of distant NPR signals. The Tribunal's previous findings regarding the NPR claim are, therefore, reaffirmed. An award of 1978 cable royalty fees to NPR is denied, and the allocation of 5.25% of the royalties to PBS is affirmed.

19. U.S. COPYRIGHT ROYALTY TRIBUNAL.

1979 cable royalty fees, not subject to appeal; order denying partial stay. *Federal Register*, vol. 47, no. 110 (June 8, 1982), pp. 24767-68.

The Copyright Royalty Tribunal (CRT) publishes its decision concerning the Motion for Partial Stay of the distribution of half of the 1979 cable royalties. On June 3, 1982, the CRT announced that it would distribute 50% of the 1979 cable royalty fees. The allocations would be made to the claimant categories in the same proportionate shares as those set out in the final notice of March 8, 1982 (47 FR 9879). The Old Time Gospel Hour (OTGH) and the PTL Television Network (PTL) moved to stay the partial distribution insofar as it applied to the Motion Picture Association of America (MPAA) and the National Association of Broadcasters pending a review by the court. The MPAA and other program syndicators filed a motion opposing the OTGH/PTL motion. The motion for partial stay is denied.

20. U.S. COPYRIGHT ROYALTY TRIBUNAL.

1980 cable royalty distribution procedures. *Federal Register*, vol. 47, no. 110 (June 8, 1982), p. 24768.

The Copyright Royalty Tribunal gives notice that August 16, 1982 is the filing date for prehearing statements and other documents relating to the 1980 cable royalty distributions. The hearings on the substantive aspects of the proceedings will commence on September 14, 1982 and continue on such subsequent days as are necessary. The proceedings will be conducted in two phases—Phase I to determine the percentages, if any, of 1980 royalty fund to be awarded to claimant groups and Phase II "to resolve disputes, if any, among claimants within each of" the groups. The record of the 1978 and 1979 cable distribution proceedings will be used in both phases of these proceedings. The location of the September 14th hearing as well as the schedule for the rebuttal period will be announced later.

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21. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Order directing partial distribution of 1979 cable royalty fees. *Federal Register*, vol. 47, no. 107 (June 3, 1982), p. 24175.

Pending the outcome of appeals of its March 8, 1982 final decision, the Copyright Royalty Tribunal orders the distribution of 50% of the 1979 cable royalty fees. The order is in accord with the wishes of all the parties that were awarded a share of the royalty collections allocated under the Tribunal's final distribution determinations. The partial distribution is effective July 2, 1982 and provides that the MPAA be allotted 33.88%; Multimedia, 0.56%; SIN, 0.245%; NAB, 0.28%; Mutual of Omaha, 0.035%; Joint Sports Claimants, 7.50%; PBS, 2.625%; Music Performing Rights, 2.125%; National Public Radio, 0.125%; U.S. Television Broadcasters, 2.25%; and Canadian Television, 0.375%.

22. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Partial distribution of 1979 cable royalty fees; request for comments. Request for comments on possible partial distribution of the 1979 cable royalty fees. *Federal Register*, vol. 47, no. 89 (May 7, 1982), p. 19731.

On May 26, 1982, the Copyright Royalty Tribunal held a meeting to consider whether there should be a partial distribution of the 1979 cable royalty fees. Several parties filed a joint petition urging the Tribunal to distribute 50% of the royalties in the same proportionate shares as allocated in the final determination published March 1982. Interested parties are invited to submit comments.

23. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Use of certain copyrighted works by non-commercial broadcasting. *Federal Register*, vol. 47, no. 126 (June 30, 1982), p. 28446.

The Copyright Royalty Tribunal commences royalty rate proceedings with respect to certain copyrighted works that are used in connection with noncommercial broadcasting. Parties interested in participating in the proceedings have until July 30, 1982 to notify the Tribunal of their intention.

24. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 73, 74, 76 and 78. An inquiry into the future role of low power television broadcasting and television translators in the national telecommunications system. Final rule. *Federal Register*,

vol. 47, no. 96 (May 18, 1982), pp. 21468-21528.

Effective June 17, 1982, the rules of the Federal Communications Commission are amended to include provisions for a new low-power television service. The new service will allow fuller utilization of the broadcast spectrum. Additionally, it will permit broadcasting to maximize its potential to meet the needs of consumers while allowing purveyors of alternative technologies to competitively attempt to also meet those needs. Among the sections affected by this amendment are Section 76.501, Cross-ownership, and Section 76.605, Technical standards. As amended, Section 76.501(a) (2) reads: "A TV broadcast station whose predicted Grade B contour, computed in accordance with Sec. 73.684 of Part 73 of this chapter, overlaps in whole or in part the service area of such system (i.e., the area within which the system is serving subscribers)." Section 76.501(a)(3) is deleted. Amended Section 76.605(a)(9)(iii) reads: "Each signal that is first received by the cable television system by direct video feed from a TV broadcast station or a low power TV station."

25. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 706. Amendment of the Commission's rules with respect to the cable television annual financial report (FCC Form 326). Proposed rule. *Federal Register*, vol. 47, no. 161 (Aug. 19, 1982), pp. 36257-36260.

The Federal Communications Commission proposes the elimination of its rule requiring cable operators to file Cable Television Annual Financial Reports. The absence of significant countervailing public interest benefits renders the requirement no longer warranted, and its abolition would reduce the reporting burdens of cable systems and the relevant collecting and processing burdens of the Commission. Comments on this proposed rulemaking are due by September 14, 1982 and reply comments, by September 29, 1982.

26. IDAHO. HOUSE OF REPRESENTATIVES.

H.B. 207. A bill to set forth procedures to be followed when an owner of copyright desires to collect music royalties from businesses located within the state.

"This bill would authorize agents of the copyright owner to collect royalties by sending the owner of a business, by certified mail, a notice of the amount of royalties due, with a complete listing of frequency of songs played. If the retailer refuses to pay

royalties allegedly owed, suit may be filed in appropriate court. Failure to follow the prescribed procedure is a felony punishable by a term of imprisonment of up to three years and/or a \$5000 fine.”

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## PART IV

**JUDICIAL DEVELOPMENTS IN LITERARY AND ARTISTIC  
PROPERTY****A. DECISIONS OF U.S. COURTS****1. Federal Court Decisions**

27. **ATARI, INC. v. NORTH AMERICAN PHILLIPS CONSUMER ELECTRONICS CORP.**, 672 F.2d 607 (7th Cir. March 2, 1982) [Wood, C.J.].

Kirkland and Ellis, Chicago, Ill., Donald W. Vittum, Jr. of counsel, for plaintiffs-appellants; Neuman, Williams, Andersen and Olson, Chicago, Ill., Theodore W. Anderson, of counsel, for defendants-appellees.

Appeal from denial of preliminary injunction in action for infringement of the copyright in the PAC-MAN video game. Order reversed. *Held*, defendants infringed plaintiffs' copyright by copying the PAC-MAN idea and its expression.

Plaintiffs own the exclusive United States rights in the video game PAC-MAN. Midway Manufacturing Corp. sells the coin-operated arcade version, and Atari, Inc. sells the home video version. Defendant North American Phillips Consumer Electronics Corporation sells a home video game called K. C. Munchkin. Plaintiffs began the instant action, and moved for a preliminary injunction, to prohibit the sales of K. C. Munchkin, claiming that those sales infringed the PAC-MAN copyright. The District Court denied the motion on the ground that plaintiffs failed to establish a likelihood of success on the merits in its plenary action.

In its reversal, the Court of Appeals held that plaintiffs had demonstrated a likelihood of success on the merits, and satisfied the other requirements for a preliminary injunction as well. The Court of Appeals ruled that it was no less able than the District Court to determine plaintiffs' likelihood of success because resolution of the issue depended on a visual comparison of the two works.



The Court of Appeals described both games in extensive detail. Both are maze-chase games. The player scores points by directing the central figure (the "gobbler") through a maze, causing it to "eat" dots as it emits gobbling sounds. The gobbler is pursued by other characters ("ghost monsters") which when they overtake the gobbler, eat *it*. When the gobbler eats a "power capsule," it can pursue and eat the ghost monsters for a limited period of time.

The Court of Appeals began its discussion of plaintiffs' likelihood of success by analyzing PAC-MAN to determine which of its elements are protected by copyright and which are not. The court began with the proposition that games, as such, are unprotectible. However, the visual expression of certain PAC-MAN game elements are protected. The PAC-MAN maze and scoring table are standard video game features and are protected only against identical reproduction; therefore, the presence of similar features in K. C. Munchkin was not a sufficient basis for a finding of copyright infringement. However, PAC-MAN's expression of its central character as a gobbler and its chase figures as ghost monsters, and the appearance of these figures are not dictated by the idea of a maze-chase game nor are they standard video game features. Since these elements of K. C. Munchkin were substantially similar to PAC-MAN's, the Court of Appeals found that plaintiffs had demonstrated a likelihood of success.

The court was not influenced by defendants' description of certain differences between K. C. Munchkin and PAC-MAN. First, a plagiarist cannot escape liability by describing what has not been copied. Second, the court described the video game audience as relatively undiscriminating, and unlikely to be affected by subtle variations in expression. The court *was* influenced by evidence that retailers and sales clerks described K. C. Munchkin as "Odyssey's PAC-MAN."

28. NEW BOSTON TELEVISION, INC. v. ENTERTAINMENT SPORTS PROGRAMMING NETWORK, INC., Copyright L. Rep. 25,293 (D. Mass. Aug. 3, 1981) [Zobel, D. J.].

Motion for a preliminary injunction in action for copyright infringement by broadcast of highlights of baseball and hockey games originally broadcast in full by plaintiffs. Motion granted. *Held*, defendants' broadcast of highlights of copyrighted baseball and hockey game broadcasts was not fair use.

Plaintiffs are a Boston television station ("WSBK"), the Boston

Red Sox Baseball Club, and the Boston Hockey Association, Inc. ("the Bruins"). WSBK is the television station which owns the exclusive right to broadcast Red Sox and Bruins games in the Boston area. The copyrights in the game broadcasts are owned by WSBK and the Red Sox, and by WSBK and the Bruins, respectively. Defendant Entertainment Sports Programming Network, Inc. ("ESPN") broadcasts programs by satellite to cable television systems throughout the United States. One ESPN program is "Sports Center", a program of highlights of sporting events. In September 1979, ESPN proposed to WSBK that the two exchange segments of their sports broadcasts. WSBK refused, and proposed to authorize ESPN to broadcast segments of WSBK sports programs for a fee. ESPN rejected the counter-offer. From late 1979 onward, ESPN copied WSBK Red Sox and Bruins broadcasts and broadcast game highlights to its cable system subscribers. Beginning in April 1980, WSBK protested ESPN's conduct, culminating in the instant action.

Responding to plaintiffs' motion for a preliminary injunction, ESPN argued that plaintiffs could not establish a likelihood of success, entitling them to injunctive relief because ESPN's broadcast of game highlights was fair use. The District Court disagreed. Sports Center's status as a news program did not render ESPN's conduct fair use. According to the court, the interest in news dissemination reflected in the fair use doctrine would have been satisfied by reports of the facts recorded in defendant's game videotapes rather than broadcast of tape highlights. The court rejected defendants' argument that their use of less than two minutes of each game was *de minimus* because the use of a game's highlights, despite their brevity, is *per se* substantial.

Nor was the court influenced by plaintiffs' failure to attempt to market game excerpts to cable systems: Copyright owners, not infringers, are entitled to determine how, and whether, to exploit their copyrights; furthermore plaintiffs' revenue from the three major networks supported plaintiffs' claim that defendants conduct deprived them of substantial income.

The District Court found that plaintiffs had demonstrated they would suffer irreparable harm if a preliminary injunction were not issued: As copyright owners, plaintiffs were presumed to have suffered irreparable harm as a result of infringement, and, in this case, defendants' conduct threatened to prevent plaintiffs' entry into a potentially substantial market.

Finally, the District Court found that plaintiffs were not guilty of laches. The delay in beginning the instant action was reasonable

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in light of the plaintiffs' efforts to reach an out of court settlement, and in light of the fact that ESPN was, in the first instance, a new organization whose initial efforts posed an insufficient threat to warrant litigation.

## B. DECISIONS OF FOREIGN COURTS

### 1. South Africa

29. NORTHERN OFFICE MICRO COMPUTERS (PTY.) LIMITED AND OTHERS v. ROSENSTEIN, 1981 (4) SA 123 (C). *EIPR*, vol. 4, no. 4 (Apr. 1982), p. D-92.

The question addressed in this case is whether copyright protection exists for computer programs in South Africa. The South African Copyright Act of 1978 does not deal specifically with computer program protection. Also in question was whether copyright protection vested in an employee rather than in the employer and whether an employer was entitled to restrain an employee's use of confidential information. The court stated that "respondent in this case was to be restrained from copying the suite of programs of which he was the copyright holder."

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## PART V

## BIBLIOGRAPHY

## A. BOOKS, TREATISES AND CASSETTES

## 1. United States Publications

30. ROSENBERG, PETER D. Patent law fundamentals. New York: Clark Boardman Company, Ltd. (2d ed. 1980), 825 pp. (looseleaf).

Copyright lawyers will welcome the second edition of *Patent Law Fundamentals*. It, like the first edition<sup>1</sup> published in 1975, has two avowed purposes: (1) To fill the need for a comprehensive one-volume exposition of patent law for those with no prior exposure to the subject, and (2) To contain enough information to be of substantial value to professional patent law practitioners.<sup>2</sup> The second edition, even more than the first, admirably accomplishes both goals.

The bibliography of patent law comprises an ever-expanding list of published materials, but they typically and topically concentrate on special technical ramifications.<sup>3</sup> Hence without *Patent Law Fundamentals*, the subject would probably remain a mystery for most senators, representatives, judges, lawyers, law students, would-be inventors, and the public. Most persons are probably incapable of distinguishing a patent from a copyright or a trademark, not to mention related or neighboring rights.

The author, Peter D. Rosenberg, is eminently qualified by educational background<sup>4</sup> and years of practical experience<sup>5</sup> to

<sup>1</sup> P. ROSENBERG, *PATENT LAW FUNDAMENTALS* (1975) xvii, 405 pp. (1977, 1979 Supps.).

<sup>2</sup> P. ROSENBERG, *PATENT LAW FUNDAMENTALS* vii, 825 pp. (2d ed. 1980) (1981, 1982 supps.) [hereafter cited as "ROSENBERG"].

<sup>3</sup> The addition of a highly-selective bibliography might have been desirable, along with legal periodical literature on patent law. The latter, despite the Robert C. Watson Award contest sponsored by the American Patent Law Association, remains sparse.

<sup>4</sup> B.A., B.Ch.E., J.D., LL.M. In his undergraduate years, the author combined a program in the humanities with one in engineering under demanding curricula.

explain clearly even the most complicated aspects of patent law in language which not only is free from technical patent law terminology but also exhibits a literary style rarely encountered in law books.

The author attributes lack of understanding of the patent system to the uninitiated who think in terms of the generalities of the social sciences, when patent law demands a specificity peculiar to the physical sciences.<sup>6</sup>

The second edition follows the logically organized, well-received format of the first edition. Besides the inevitable updating of materials, the second edition introduces new chapters on trade secrets, trademarks, and copyrights; reorganizes and consolidates the treatment of patent claims; and breaks down the discussion of priority of invention and patent litigation.

The book is divided into seven parts<sup>7</sup> and subdivided into nineteen<sup>8</sup> chapters and 133 sections (many broken down into up to twelve subsections). The 677 pages of text are followed by appendices of formats of patents and trademark registration, a 93-page table of cases (citing more than 1,925 cases)<sup>9</sup> and 43 pages of index.

Chapter 1, entitled "What a Patent Is", describes the derivation and meaning of the word "patent," contrasts patents and monopolies, and compares the terms "inventions" and "discoveries." Chapter 2 discusses some popularly held misconceptions about patents, emphasizing that ideas are not patentable<sup>10</sup> and

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<sup>5</sup>. Primary Examiner, United States Patent and Trademark Office; Associate Professorial Lecturer, George Washington University.

<sup>6</sup>. ROSENBERG at vii.

<sup>7</sup>. (I) Basic Principles of Patent Protection; (II) Comparison and Contrast of Trade Secrets, Trademarks, and Copyrights with Patents; (III) The Substantive Requisites of a Valid Patent; (IV) Competing Rights to the Same Patent; (V) Obtaining Patent Protection; (VI) Exploiting Patent Rights; (VII) Patents in Global Context: Obtaining and Maintaining Rights Abroad.

<sup>8</sup>. (1) What a Patent Is; (2) Some Popularly Held Misconceptions About Patents; (3) Trade Secrets; (4) Trademarks; (5) Copyrights; (6) Statutory Subject Matter; (7) Novelty; (8) Utility; (9) Nonobviousness; (10) Priority of Invention; (11) The Inventorship Entity and Employer-Employee Rights; (12) Government Interest in Patents: Procurement and Ownership; (13) Preparation of Patent Applications; (14) Patent Claims: Analysis and Synthesis; (15) Prosecuting Patent Applications; (16) Licensing and Assignment: The Enforcement of Patent Rights; (18) Elements of Transnational Patent Law; (19) Comparative Patent Law Survey of Principal Foreign Patent Systems.

<sup>9</sup>. The case citations are complete, conveniently including U.S.P.Q. citations when available. Each of the supplements updates the U.S.P.Q. citations.

<sup>10</sup>. Analogous to the expression-idea dichotomy of copyright law.

incidentally clarifying the meanings of "patent pending"<sup>11</sup> and "patent medicine."<sup>12</sup>

Chapters 3, 4, and 5, new in the second edition, offer useful outlines of trade secrets, trademarks, and copyrights—subjects related to, sometimes confused with, and occasionally overlapping with patents. Under the topic of trade secrets, protection of ideas is discussed; under trademarks, the four kinds of marks—trademarks, service marks, collective marks, and certification marks—are distinguished from trade names. Knowledge of these subjects helps to secure maximum and sometimes simultaneous or successive protection.

The chapter on copyrights, since it is written by a patent lawyer, discusses the differences and analogies between patents and copyrights, providing possibly new insights for the copyright lawyer.

Ensuing chapters explain patentable subject matter, novelty, utility, nonobviousness,<sup>13</sup> priority of invention,<sup>14</sup> employer-employee rights,<sup>15</sup> inventions by federal employees or federally-

<sup>11</sup> "Patent pending" has no legal effect, merely indicating, if truthful, that a patent application has been filed. Only when a patent is issued does the patentee enjoy the right to exclude others from making, using or selling the invention throughout the United States, and then only prospectively. After the patent is issued, the article should bear the notice "patent" or "pat.", together with the number of the patent. Failure to do so does not affect the validity of the patent but precludes damages against an infringer before notification of infringement.

<sup>12</sup> "Patent medicine" signifies a secret, which is inconsistent with the public disclosure required by a patent. Federal food, drug, and cosmetic laws today require substantial information concerning ingredients.

<sup>13</sup> Several doctrines are discussed: (1) *Prima facie* obviousness—the "Negative Rules of Invention," and (2) Rebuttal of *prima facie*, obviousness—(a) Direct Evidence criticality, unexpected results, etc.; (b) Circumstantial Evidence; "subtests" of nonobviousness.

<sup>14</sup> Priority of invention depends on conception and reduction to practice. See note 27 *infra*.

<sup>15</sup> Patent law has no "work made for hire" definition and concept with all the copyright law implications. A patent application may be filed only by the actual inventor. Any employer of the latter is not deemed the inventor. The application, as well as any patent, may be assigned. Where the application is assigned, the patent will be issued in the name of the assignee as patentee.

The relative rights between employer and employee can be summarized as follows:

- (1) Where there subsists a contract between employer and employee covering the subject of employee-made inventions, the terms of such contract control the allocation of proprietary rights between the parties.

funded inventions,<sup>16</sup> drafting<sup>17</sup> and prosecution<sup>18</sup> of patent applications, assignments and licenses,<sup>19</sup> litigation<sup>20</sup> and international aspects.<sup>21</sup>

An employer may claim a proprietary interest in inventions made by his employee, if the contract of employment either:

- (a) expressly calls for the assignment of employee made inventions to the employer; or
  - (b) is to the effect that the employee has been hired to make a particular invention or to give himself to the task of solving a particular problem.
- (2) In the absence of a contract between employer and employee covering the subject of employee-made inventions, any inventions made by the employee are his exclusive property with the qualification that the employer is entitled to a non-exclusive license to make and use the inventions of his employee to which the employer has made some contributions, as that they were made during the hours of employment and/or using the employer's equipment and materials. Such a nonexclusive license is known as an employer's "shop right."

The use of a small amount of an employer's materials and equipment is not sufficient to establish a shop right.

Shop rights are personal to the employer and nonassignable unless expressly made so. The precise extent of an employer's shop right cannot be determined in the abstract, i.e., prior to the employer's actual use of the invention. ROSENBERG at 10-10 to 10-11.

<sup>16</sup>. Also "works of the United States Government" are not ineligible for patent protection. Government-funding of inventions provides less restriction on their commercial exploitation than does government-funding of copyrighted works.

<sup>17</sup>. A complete application comprises an oath or declaration; drawings, when necessary; a specification, including a claim or claims; and the prescribed filing fee. The specification includes at least eight distinct items.

<sup>18</sup>. Prosecution may be by the inventor pro se, but usually is by a registered patent agent or attorney. The Patent and Trademark Office's role is over once the patent is issued, except to record "assignments." Functions of the Copyright Office, by comparison, are much greater. See H. HENN, COPYRIGHT PRIMER ch. xxix (PLI 1979). There are no statutory patent compulsory licenses (compared to four in the copyright statute) and no Patent Royalty Tribunal (compared to the Copyright Royalty Tribunal).

<sup>19</sup>. The grant of any interest in a patent is deemed an "assignment," relegating the term "license" to a non-exclusive license—reminiscent of the new Copyright Act definition of "transfer of copyright ownership."

<sup>20</sup>. Discussed are suits for cancellation, infringement and declaratory judgment.

<sup>21</sup>. The patent statute (like the federal trademark statute) extends protection to anyone regardless, as in the case of copyright, of the nationality of the author or of the work. In the patent area, the United States has ratified only the Paris Convention for the Protection of Industrial Property (1887), as revised in Lisbon in 1962, and the Patent Cooperation Treaty of 1978. International copyright aspects are far more complicated. See A. LATMAN, THE COPYRIGHT LAW: HOWELL'S COPYRIGHT LAW REVISED AND THE 1976 ACT ch. 10 (5th ed. 1979).

Copyrightable subject matter is far easier to understand than patentable subject matter, with the latter's breakdown into statutory subject matter (process, machine, manufacture, composition of matter, "any improvement thereof,"<sup>22</sup> designs, plants), novelty, utility, and nonobviousness—requiring some 135 pages of explanation.

The copyright lawyer, already aware of the seventeen-year patent term compared to "life-plus-fifty", must be impressed with the arsenal of remedies for copyright infringement compared with the patent infringement remedies—only "damages" (no statutory mention of profits, much less statutory damages) and injunction, plus possibly up to treble damages and attorney fees only "in exceptional circumstances."<sup>23</sup> More enviable for the copyright lawyer, however, is the favored treatment of patents in the Internal Revenue Code.<sup>24</sup> The concept of contributory patent infringement, with its statutory basis and judicial gloss, offers analogies to contributory copyright infringement.<sup>25</sup>

Terms like "doctrine of inherency," "doctrine of late claiming," "defensive publication," "read on," "anticipation," "prior art," "doctrine of equivalents," "independent and dependent claims," "synergism," "fraud on the Patent Office," "file wrapper estoppel," "inverse doctrine of equivalents," and "dominant and subservient patents" are made understandable.<sup>26</sup>

"Conception" and "reduction to practice" ("actual" and "constructive") are clearly explained, with accompanying illustrations.<sup>27</sup> So also is the doctrine of collateral estoppel as it developed in leading patent law cases for more general application in avoiding relitigation of issues.<sup>28</sup>

<sup>22</sup> The provision for the patenting of "any improvement" is redundant since nearly all inventions can be characterized as an improvement on or of something old. Edison's phonograph and Bell's telephone were entitled improvements. ROSENBERG at 6-4.

<sup>23</sup> 35 U.S.C. §285 (1976).

<sup>24</sup> ROSENBERG §15.06; I.R.C. §§1201-1223, 1235. Cf. A. LATMAN, *op. cit. supra* note 21, at ch. 11.

<sup>25</sup> 35 U.S.C. §271(c) (1976). Cf. *Universal City Studio v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981), *cert. granted* (1982).

<sup>26</sup> And many other terms, *e.g.*, "mental step doctrine," "genus-species relationship," "interference paradox," "Quayle Action," "petty patents," "Markush Group," "repair-maintenance doctrine."

<sup>27</sup> ROSENBERG at 10-14 to 10-16.

<sup>28</sup> *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 91 S. Ct. 1434, 28 L. Ed. 2d 788, 169 U.S.P.Q. 513 (1971); *Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 99 S. Ct. 645, 58 L. Ed. 2d 552 (1979).



An example of the author's clarity is his introduction to the all-important subject of patent claims:<sup>29</sup>

"Patent claims are frequently analogized to the metes and bounds of a deed to real property or to the fence enclosing such property. Both the metes and bounds of a deed and the claims of a patent define the physical extent of the property. One who enters upon the realty of another, without the consent of its owner, commits a trespass. Similarly, one who, without the consent of the patent owner, constructs a device or carries out a process which is covered by a claim of subsisting patent, commits what is in effect a statutory trespass, more commonly referred to as an infringement of the patent, and, more precisely, of the patent claim.

"It cannot be emphasized too strenuously that the claims are the only definitive statement of the invention represented by the patent. The patentee is legally bound by and limited to the recitations contained in the claims of this patent."

The book is replete with quotable quotations concerning patent law and references to interesting facts concerning our patent system, such as the role of emigrant inventors, and the lone exception of congressional extension of a patent based on the bribing of a judge in invalidating the patent.

Besides the hard-bound volume in looseleaf form, there is also a soft-back "Student Edition".<sup>30</sup> They are supplemented periodically.<sup>31</sup>

HARRY G. HENN\*

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<sup>29</sup>. ROSENBERG at 14-2 to 14-3.

<sup>30</sup>. The Student Edition (paperback) (\$25).

<sup>31</sup>. Release No. 1 (Nov. 1981) (\$26.50); Release No. 2 (Apr. 1982) (\$28.50); Release No. 3 (late 1982); Release No. 4 (in preparation).

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## 2. Foreign Publications

### 1. In English

31. CORNISH, W.R. Intellectual property: Patents, copyright, trademark and allied rights. Sweet & Maxwell, London (1981), 630 pp.

The author devotes chapters to the relationship between intellectual property rights based on Acts of Parliament, the trademark law and "breach of confidence." Cornish also deals with the essential differences between Continental and English legal thought. There is also a patent section with a historical view of the old United Kingdom patent law and the 'international' patent system. The incentive to invent and its value as an information system is also analyzed.

32. PATTON, WARREN L. An author's guide to copyright law. Lexington Books, Lexington and Toronto (1980), 193 pp.

A simple guide to copyright for the non-professional covering not only the Copyright Act of 1976 but also the Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions and permission request forms.

## B. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

### 1. United States

33. BAILLIE, IAN C. Design copyright protection in the United Kingdom. *The International Lawyer*, vol. 15, no. 1 (Winter 1981), pp. 92-103.

The author states that design copyright in the United Kingdom provides additional protection beyond protection provided by patents and registered designs. The author then describes the different types of protection available for design in both the U.S. and the U.K. Cases analyzed include *Tangrose Engineering v. High-Low Storage Systems* (copyright of individual drawing of a simple

article); *L. B. Plastics v. Swish* (industrial copyright); and *Infabrics v. Jaytex* (seller of infringing articles).

34. BERRY, RICHARD C. AND ANTHONY J. MUTTO. Trademark: Compulsory licensing as a remedy for violation of Section 5 of the Federal Trade Commission Act. *University of Dayton Law Review*, vol. 2, no. 2 (Summer 1977), pp. 291-310.

An analysis of the case of *Borden, Inc.* Borden was ordered by the Court to license its ReaLemon trademark to others who wished to compete in the marketing and sale of reconstituted lemon juice. The decision's impact and an overview of the Federal Trade Commission's powers under Section 5 of the Federal Trade Commission Act is included.

35. BRAMSON, ROBERT S. Intellectual property as collateral—patents, trade secrets, trademarks and copyrights. *The Business Lawyer*, vol. 36, no. 4 (July 1981), pp. 1567-1605.

A study of intellectual property as collateral, which is subdivided into the following areas: patents, trade secrets, trademarks, copyright, exclusive licenses, foreign rights (in each area), ownership, representation and warranties, security agreements and perfection of liens. The background and history of intellectual property is included along with a test for the validity of a patent, a trademark or a copyright.

36. CLARK, R.H. Historical antecedents of the constitutional right to privacy. *University of Dayton Law Review*, vol. 2, no. 2 (Summer 1977), pp. 157-198.

An overview of the case of *Griswold v. Connecticut*, the drafting of the Fourth Amendment and the Writs of Assistance is provided. The origins of the Fifth Amendment and the right to silence and the policy of privilege (including the case of *Murphy v. Waterfront Commission*, 1964, concerning the concept of immunity from self-incrimination) are topics discussed in this article.

37. CLARKE, JENNIFER R. The California Resale Royalties Act as a test case for preemption under the 1976 Copyright Act. *Columbia Law Review*, vol. 81, no. 6 (Oct. 1981), pp. 1315-1333.

The author provides material to support her argument that the California act is not preempted by the Copyright Act. She analyzes the California Resale Royalties Act, looks at preemption

under the Copyright Act and the issue of "equivalent rights". Cases discussed include *John Harland Co. v. Clarke Checks, Inc.*; *Orth-O-Vision Inc. v. Home Box Office*; and *Gilliam v. American Broadcasting Co.*

38. CONNELLY, MARK O. Secrets and smokescreens: a legal and economic analysis of government disclosures of business data. *Wisconsin Law Review*, vol. 1981, no. 2, pp. 207-275.

An overview of the Freedom of Information Act and the Senate debates of the FOIA amendments. An analysis of the case *Chrysler Corp. v. Brown* is also included along with the lower court and the Supreme Court's opinion. The author devotes the remainder of his article to the topics of "why business information should sometimes be disclosed," "a citizen's right to be informed," and "constitutional constraints upon government's disclosure of business information."

39. COYNE, DAVID M. The future of content regulation in broadcasting. *California Law Review*, vol. 69, no. 2 (Mar. 1981), pp. 555-598.

A look at the regulation and deregulation of broadcasting, the Fairness Doctrine of the Communications Act of 1934, the case of *Red Lion Broadcasting Co. v. FCC* and congressional repeal of this doctrine. Section III of this article devotes itself to judicial imposition of content regulation and the First Amendment and distinguishes between the print and broadcast media regulation. The section also discusses the probable consequences if congressional repeal of content regulation in broadcasting becomes law.

40. DENHAM, RENA B. The problem of musical videodiscs: the need for performance rights in sound recordings. *University of San Francisco Law Review*, vol. 16, no. 1 (Fall 1981), pp. 133-157.

A report on the problem of videodiscs and how they should be defined. It includes the definition of sound "accompanying an audiovisual work", the definition of sound recordings, and an analysis of how the definitions overlap. Chapter Two reports on the injustices that could result from the lack of performance rights for performers in videodiscs/sound recordings and the difficulty copyright owners encounter in complying with the copyright notice requirements.

41. DIXON, ALLEN N. III. Unauthorized pay television reception un-

der section 605 of the communications act. *Communications & Entertainment Law Journal*, vol. 3, no. 4 (Summer, 1981), pp. 719-749.

The author examines the legislative history and statutory language of Section 605 of the Communications Act, the so-called "secrecy of messages" provision. The article concludes that section 605 does not address pay television piracy, and "since actions under section 605 are unnecessarily costly and counterproductive to the development of long-term and technological solutions to the problem, alternative legal remedies are suggested which should be relied upon until antipiracy technologies are developed."

42. DORVEE, STEPHEN M. Protecting trade secrets through copyright. *Duke Law Journal*, vol. 1981, no. 6 (December 1981), pp. 981-999.

The definition of a "trade secret," its purpose and protection is provided, along with an analysis of the case *E.I. Du Pont de Nemours Powder Co. v. Masland*. The purpose and scope of copyright and the nature and enforcement of the rights of the copyright owner are discussed in Section II. In Section III, the author analyzes the preemption doctrine, the deposit requirement and how copyright can be used to protect trade secrets.

43. ELLINGSON, CAROL A. The copyright exception for derivative works and the scope of utilization. *Indiana Law Journal*, vol. 56, no. 1, pp. 1-42.

Derivative works, transfer of rights, termination of consent to use an underlying work in a derivative work, utilization of a derivative work after termination, and the "new property right theory" are some of the areas investigated in this article by Ms. Ellingson. The author also delves into the area of production rights, including synchronization rights, script rights and character and sequel rights.

44. FAALAND, SUSAN LINEHAN. Parody and fair use: the critical question. *Washington Law Review*, vol. 57 (1981-82), pp. 163-192.

The history and definitions of parody are provided along with a discussion of the collision course that parody, the original work and copyright are traveling. The author channels the discussion to the purposes and limitations of copyright, judicial limitations on copyright, the doctrine of fair use, and the problem of verbatim taking with respect to parody.

45. The FCC deregulation of cable television: the problem of unfair competition and the 1976 Copyright Act. *Hofstra Law Review*, vol. 10, no. 2 (Winter 1982), 591-620.

An examination of copyright liability, unfair competition and FCC intervention for the past thirty years, along with an analysis of the FCC's elimination of unfair competition as a regulatory concern. Some areas discussed include broadcasters' attempts to control the development of cable television and the compulsory license solution.

46. FCC eliminates longstanding cable TV rules. *The American University Law Review*, vol. 31, no. 2 (Winter 1982), pp. 471-475.

A discussion of the deregulation of cable TV and the case of *Malrite T.V. v. FCC*. A history of the FCC and its regulation of the cable industry, compulsory licensing, distant signal rules and elimination of syndicated exclusivity rules are included in this short study.

47. FISCHER, MARK A. The upfront cost of background music. *Copyright Management*, vol. V, no. 7 (July 1982), pp. 3-5.

Compensation for the public performance of copyright music is the focal point of this article. It explains the legal authority under which such compensation is allocated and distributed and discusses the practices of organizations that are responsible for carrying out these functions. The article also examines performance rights cases under the 1909 and 1976 Copyright Acts.

48. FISCHER, MARK A. Work made for hire revisited. *Copyright Management*, vol. V, no. 4 (Apr. 1982), pp. 4-6.

This article reviews the work-made-for-hire provisions and examines some of the problems that have arisen since the provisions were written into the Copyright Act. It discusses S. 2044, a bill that was designed to correct some of what are called the "chronic" problems. The measure would eliminate from the work-made-for-hire framework contributions to collective works, works for use as part of audiovisual works, compilations and instructional texts.

49. GATZIMOS, VASSILIOUS C. Unauthorized duplication of sound recordings: transcontinental problem in search of a solution. *Vanderbilt Journal of Transcontinental Law*, vol. 14, no. 2 (Spring 1981),

pp. 399-443.

An analysis of the causes and effects of piracy, counterfeiting and bootlegging and a territorial survey of the status of unauthorized duplications. The reasons for increasing home taping and possible solutions to the home-taping problem are also examined.

50. GERETY, THOMAS. Doing without privacy. *Ohio State Law Journal*, vol. 42, no. 1 (1981), pp. 143-167.

A discussion of the right of privacy with an analysis of *Griswold v. Connecticut*, *Skinner v. Oklahoma*, *NAACP v. Alabama*, *Stanley v. Georgia*, *Moore v. East Cleveland*, *Belle Terre v. Borassa*, and *Lochner v. N.Y.* The author's theories on democracy, liberty and privacy are also discussed.

51. GILSTRAP, JAMES RODNEY. Video recorders: copyright infringement. *Baylor Law Review*, vol. 33, no. 3 (Summer 1981), pp. 695-706.

Home use as an extension of fair use is analyzed with particular attention to the *Betamax* case. The author states that the traditional concepts of copyright infringement and fair use are fluid doctrines which must be decided on a case-by-case basis. The author believes that the court in *Betamax* found "that the practical impossibility of enforcement makes home use inevitable."

52. GOLDBERG, HENRY, ROBERT ROSS & PHILLIP SPECTOR. Cable television, government regulation, and the First Amendment. *Communications & Entertainment Law Journal*, vol. 3, no. 4 (Summer 1981), pp. 577-606.

This article discusses the constitutional rights associated with cable television, as well as the First Amendment rights of cable operators and how these rights are associated with the "fairness doctrine," "equal time" requirements and local government public access requirements. The authors conclude that the First Amendment should apply to cable systems as it applies to newspapers. Cable operators should be free of government attempts to censor who must have access to their medium of expression.

53. GRUNING, DAVID WILLIAM. Copyright—fair use—recording of televised copyright works in the home. *Tulane Law Review*, vol. 55, no. 4 (June 1981), pp. 1295-1316.

*Universal City Studios v. Sony Corporation of America* is analyzed in this article along with the *Williams and Wilkins* case. A discussion of fair use and the Record Piracy Act is also provided.

54. HARTNICK, ALAN J. Government and copyright: Merely a matter of administrative discretion. *Communications and the Law*, vol. 4, no. 2 (Spring 1982), pp. 3-16.

This article discusses some of the circumstances under which the government can grant or withhold a copyright, as well as who owns works of authorship commissioned by the government. The author also addresses the question of liability of the government and government officials for copyright infringement.

55. HELLER, GILLIS L. Regulatory versus property rights solutions for the cable television problem. *California Law Review*, vol. 69, no. 2 (Mar. 1981), pp. 527-554.

An analysis of the problems posed by cable, including diminished audiences and the number of users that can be increased at no additional cost. The author points out the failure of the regulatory approach and discusses the 1968 and the 1972 regulations. The author states that "if deregulation is upheld, broadcasting, cable and production interest will undoubtedly challenge the Copyright Royalty Tribunal's rate schedule reaction."

56. HOPKINS, DAVID B. Ideas, their time has come: an argument and a proposal for copyrighting ideas. *Albany Law Review*, vol. 46, no. 2 (Winter 1982).

A discussion of the First Amendment and the concept of copyrighting ideas and the author's belief that it is faulty reasoning not to protect ideas. The author questions whether the copyright clause and the First Amendment are mutually exclusive and calls for congressional action to provide for the protection of ideas.

57. HUTTON, THOMAS J. The proposed deregulation of domestic common carrier telecommunications. *California Law Review*, vol. 69, no. 2 (Mar. 1981), pp. 455-497.

A history of the regulation of the industry and the rise of competition, technological advances in the field and legislative proposals concerning competition in telecommunications. The author states that the FCC and the courts have not been able to adapt to these changes and new legislation is necessary.



58. LASHNITS, NANCY M. The validity of California *droit de suite* under preemption principles. *Golden Gate University Law Review*, vol. 11, no. 1 (Spring 1981), pp. 349-361.

A look at *Morseburg v. Balyon* and the California Resale Royalties Act. A historical background of copyright and an analysis of the *Morseburg* decision, which held that the Copyright Act of 1909 did not preempt the Royalties Act, are provided. The author states that "some proponents of *droit de suite* recognize that it is a pecuniary right and part of the author's copyright." The author believes that as the federal law is presently written, the 1976 Copyright Act should preempt the California Resale Royalties Act.

59. LEVINE, MARLA E. The right of publicity as a means of protecting performers' style. *Loyola of Los Angeles Law Review*, vol. 14, no. 1 (Dec. 1980), pp. 129-163.

An analysis of the right of publicity with respect to its application to performance problems. Overcoming conflicting legal doctrines—federal and state laws; parody, mimicry, and satire; the right of privacy and defamation are also examined. The author believes that "the right of publicity should be construed more broadly so as to encompass performance style."

60. LIEB, CHARLES H. The Sony Betamax case—winds of change? *Communications and the Law*, vol. 4, no. 2 (Spring 1982), pp. 17-22.

In this article, the author gives an overview of the decision of the United States Court of Appeals for the Ninth Circuit in *Universal City Studios v. Sony Corporation of America*, 659 F.2d 963 (1981). Mr. Lieb concludes that in finding Sony and the other parties liable for infringement, the court refused to follow the 1973 Court of Claims decision in the *Williams & Wilkins* case which held that NIH and the NLM were not guilty of infringement when they photocopied articles appearing in *Williams & Wilkins* journals.

61. LUCANIK, JOANN. Direct broadcast satellites: protecting rights of contributing artists and broadcasting organizations. *California Western International Law Journal*, vol. 12, no. 1 (Winter 1982), pp. 204-230.

A discussion on the transition from conventional broadcasting to satellite communications, the history of the satellite broadcasting system, and the prospects of obtaining international

protection for works transmitted via direct broadcast satellite. Attention is also focused on the proposals of the International Copyright Convention, the Berne Convention, the Rome Convention and the Brussels Convention.

62. Manufacturing clause extension. *Copyright Management*, vol. V, no. 5 (May 1982), p. 7.

Dorothy Schrader of the Copyright Office told the International Copyright Panel of the State Department's Advisory Committee on International Intellectual Property that Congress may pass H.R. 6198. The bill would extend the manufacturing clause beyond its July 1, 1982 phase-out date. The clause "requires U.S. printing of U.S. copyright works."

63. Manufacturing clause extension basis. *Copyright Management*, vol. V, no. 7 (July 1982), pp. 6-8.

A look at the extension of the manufacturing clause and the issues surrounding the congressional override of President Reagan's veto of the extension. Portions of the President's veto message and the supportive data supplied by the Copyright Office to rebut arguments for the veto override are provided.

64. MARSH, ADRIENNE J. Betamax and fair use: a shotgun marriage. *Santa Clara Law Review*, vol. 21, no. 1 (Winter 1981), pp. 49-89.

The author criticizes two recent federal cases which dealt with home audiovisual recording devices and which stated that such recorders are protected by the "fair use" doctrine in copyright law. The author states that home taping devices should not be protected as fair use and that "both courts mishandled their analyses of copyright damages." The author also argues that since technological modifications could neutralize the copyright problems inherent in home videotaping devices, a finding of infringement will not render the machines utterly unmarketable.

65. MELTZER, AMY R. A new approach to an entertainer's right of performance. *Washington University Law Quarterly*, vol. 59, no. 4 (1982), pp. 42-73.

A comment on copyright protection for live performances, copyright preemption, common-law copyright and the night-club performer; and the right of publicity and the marketability of a reputation. The author also discusses the stealing of a character

by a performer, misappropriation and unauthorized recordings, and the effectiveness of monetary relief for such appropriations.

66. MILLER, NICHOLAS P. and ALAN BEALS. Regulating cable television. *Communication & Entertainment Law Journal*, vol. 3, no. 4 (Summer 1981), pp. 607-643.

In this article, the First Amendment question is addressed in its relationship to the regulation of cable television. The authors think cable should not be treated like a newspaper, but should have the rights and responsibilities of a broadcaster under the First Amendment.

67. MOYLES, DANIEL C. *Russell v. Price*: a limitation on the use of derivative works. *Golden Gate University Law Review*, vol. 11, no. 1 (Spring 1981), pp. 323-333.

The case of *Russell v. Price* deals with the unauthorized use of a derivative film on which copyright had expired. The court held that this constituted an actionable infringement of a copyright on an underlying stage play. The author analyzes derivative rights and the court's analysis of the *Russell* case. The author questions whether "derivative copyright" is an independent property interest.

68. New copyright fee structures. *Copyright Management*, vol. V, no. 7 (July 1982), pp. 1-3.

Increased fee schedules have been proposed for patents and trademarks. This article suggests that, though there are differences between patent and copyright contexts, these schemes could be adapted for copyright purposes. It sets out an expanded copyright fee schedule reflecting the adaptation idea and makes recommendations regarding how the proceeds from such a fee increase could be used to improve copyright services. Certain patent/trademark concepts that could be imported into the copyright system are also discussed.

69. O'MEARA, WILLIAM O. "Works made for hire" under the Copyright Act of 1976—two interpretations. *Creighton Law Review*, vol. 15, no. 2 (1981-82), pp. 523-543.

An interpretation of the work made for hire provisions of the 1976 Act, providing both radical and conservative views. The author provides examples for both interpretations and also discusses the co-ownership of copyright and copyright forfeiture.

70. ONOFRIO, STEVEN J. In support of performance rights in sound recordings. *UCLA Law Review*, vol. 29, no. 1 (Oct. 1981), pp. 230-265.

Mr. Onofrio looks at the constitutional basis for performance rights in sound recordings and the arguments supporting performance rights in this medium. Also analyzed is legislation permitting a performance right in sound recordings and the problem of distribution of royalties.

71. Poetic justice. *Copyright Management*, vol. V, no. 4 (Apr. 1982), p. 7.

This is a discussion of the copyright infringement suit involving the song "Trees." Schirmer Music brought the action against Warner Brothers. As a defense, defendant argued that plaintiff published and copyrighted the song five days before acquiring title. Rejecting the defendant's argument, the court found that no one was misled by plaintiff's premature filing of a claim to copyright.

72. Report from Cape May: sixth annual meeting of the Copyright Society. *Copyright Management*, vol. V, no. 5 (May 1982), pp. 1-4.

Alan Latman's opening remarks at the Sixth Annual meeting of the Copyright Society of the U.S.A. included a review of court decisions construing the Copyright Act. One of the cases discussed was the *Roy Export* case involving the "use of clips from several Charlie Chaplin films on the occasion of Chaplin's death." Formalities and rights negotiations were among the topics of discussion at the three-day meet.

73. SARET, LARRY L. and MARTIN STERN. Publicity and privacy—distinct interests on the misappropriation continuum. *Loyola University of Chicago Law Journal*, vol. 12, no. 4 (Summer 1981), pp. 675-705.

A history of the right of publicity as a property and a personal right, the derivation and recognition of the right of publicity, and a comparison of the rights of privacy in misappropriation cases.

74. SHOEMAKER, JAMES R. Pay television and section 605 of the Communications Act of 1934: a need for congressional action. *Washington and Lee Law Review*, vol. XXXVIII, no. 4 (Fall 1981), pp. 1249-1266.

The author states that since pay TV has so few legal remedies for signal piracy, Congress should amend section 605 or legislate to prohibit the piracy of pay TV programming. The author describes "broadcast services" and "point to point" communications and provides an analysis of the Communications Act of 1934. Cases analyzed include *Ortho-O-Vision, Inc. v. Home Box Office, Inc.* and *Chartwell Communications Group v. Westbrook*.

75. SIMON, JULES F. The collapse of consensus: effects of the deregulation of cable television. *Art and the Law*, vol. 7, no. 1 (1982), pp. 19-52.

A history of cable regulation and deregulation and the effects of deregulation on the television industry. The author gives his views on how to restore competitive balance between the two. The author also states that the most effective solution would be to require cable systems to retransmit their signals in distant markets.

76. SPRaul, DANIEL G. Decoding section 605 of the Federal Communications Act: A cause of action for unauthorized reception of subscription television. *University of Cincinnati Law Review*, vol. 50, no. 2 (1981), pp. 362-380.

A look at the three criteria that must be complied with for a communications transmitter to be protected by section 605. This article also gives a history of the Communications Act and Section 605. Judicial debate centering around Home Box Office Pay TV of Greater N.Y. is also included.

77. WARREN, LYNNE. Droit de suite: only Congress can grant royalty protection for artists. *Pepperdine Law Review* (1981-82), pp. 111-130.

A background of the Copyright Act of 1976, the rationale underlying *droit de suite*, an analysis of the case *Morseburg v. Balyon* and a discussion of copyright preemption under the 1909 and 1976 acts. The author states that "California's version of *droit de suite* has been preempted by the 1976 Act and an effective *droit de suite* law is needed in the U.S. to more completely protect the rights of fine artists in their works."

78. WEISMAN, ALISA M. Publicity as an aspect of privacy and personal autonomy. *Southern California Law Review*, vol. 55, no. 3 (March 1982), pp. 727-768.

Ms. Weisman proposes that publicity rights should be one aspect of privacy rights because both "represent a concern with preserving individual autonomy" and victims of unauthorized publicity should have a better legal remedy for injury to their personalities. She also analyzes privacy theories and judicial approaches in unauthorized publicity cases.

79. Work hirer responds. *Copyright Management*, vol. V, no. 5 (May 1982), pp. 4-6.

Charles Butts, Director of Houghton Mifflin Company, talks about S. 2044, a bill that would redefine works for hire. The measure would eliminate "instructional texts, compilations and collective works from the work for hire framework." Mr. Butts feels that this would severely restrict the flexibility that the copyright law currently affords. He says that the bill "makes the mistake of lumping all works in a category together" when, in fact, the processes for preparing various publishing projects can differ greatly. By way of illustration, Mr. Butts explains some of the differences.

## 2. Foreign

### 1. In English

80. JEHORAM, HERMAN COHEN. Copyright in Rubik's cube under Dutch law. *EIPR*, vol. 4, no. 4 (Apr. 1982), pp. 117-118.

The author summarizes the Dutch court's recognition of the 'artistic character' of the Rubik's cube. The Court of Appeals in Amsterdam in the case of *Rubik v. Smit* and the "Wonderful Puzzler", stated that the Rubik's cube was a work of applied art in accordance with Article 10 of the Dutch Copyright Act of 1912. An injunction was granted against the defendant from producing and marketing the "Wonderful Puzzler", which highly resembled Rubik's cube.

81. PHILLIPS, JEREMY. Copyright ownership and law reform in the United Kingdom. *EIPR*, vol. 4, no. 4 (Apr. 1982), p. 111.

A summary of United Kingdom copyright ownership pro-

visions, the proposals for their reform (Report of the Whitford Committee, 1977) and the effects of the follow-up report, the Governmental Green Paper (July 1981). There is an analysis of the basic provisions of the U.K. Copyright Act and the special provisions for commissioned works, works created for the press industries, photographs and such special areas of copyright as Crown copyright, university copyright, copyright protection for the authorized version of the Bible and the Book of Common Prayer of 1662.

## 2. In English, French and Spanish

82. CHRISTIANSEN, H. LUND. Reprography in Danish schools. *Inter-auteurs*, no. 192 (1981), pp. 49-51.

An outline of the Danish system of remuneration for authors is provided, including the requirements enforced by COPY-DAN, the collecting society for school copies. Some restrictions include the requirements that copying be used only as a supplement to other teaching materials and not exceed twenty pages. The level of remuneration to authors in Denmark is three to four times the Swedish amount.

83. GYERTYANFY, PETER. The software as a new subject matter. *Revue Internationale du Droit d'Auteur*, no. 113 (July 1982), pp. 71-134.

The author reaffirms the need for legal protection for computer programs and explores the question of whether better protection is afforded by patent or by copyright. The author analyzes software "as a work" in the copyright sense and states that the copyright law offers prompt and direct legal protection to software works because it gives incentive to the author and establishes a better connection between the author and his work. Trade secrecy or the law of unfair competition would only protect the producing companies.

84. HESSER, TORWALD. Nordic copyright reform. *Revue Internationale du Droit d'Auteur* (April 1982), pp. 3-42.

A discussion of the past ten years of copyright reform including provisions enacted by the legislature. Finnish, Danish and

Swedish law are provided. Areas investigated include photocopying, neighboring rights, pirating of phonograms, pictorial art. A look at the "cultural policy" of each country is provided along with a discussion of the contribution that copyright legislation makes to it.

85. MARKS, COLIN B. Reprographic reproduction—the Australian solution. *Interauteurs*, no. 192 (1981), pp. 58-63.

A discussion of the international problem of reprography along with special mention of educational and research photocopying in Australia. The author points out that because of Australia's geographic location there are serious difficulties and delays in obtaining texts for teaching and study purposes. These add to the problem of illegal photocopying.

86. RADOJKOVIC, ZIVAN. The protection of literary and artistic works *ex jure conventionis* and the importance of conventional law. *Revue Internationale du Droit d'Auteur*, no. 112 (Apr. 1982), pp. 44-85.

A report on international public law and international private law with respect to copyright protection and their fundamental differences. International public law is "enacted by sovereign states and its purpose is to regulate relations in general between such states." Areas discussed include moral rights, the rights of translation, reduction of formalities in the Universal Convention and the duration of protection of copyright.

#### C. ARTICLES PERTAINING TO COPYRIGHT FROM MAGAZINES

##### 1. United States

87. AAP, in reversal, urges copyright law changes. *Publishers Weekly*, vol. 222, no. 7 (Aug. 13, 1982), p. 10.

The Association of American Publishers (AAP), in a report to the Register of Copyrights, has urged that the copyright law is not working and needs to be amended to strike a balance between copyright owners and users. One of the changes recommended by the AAP would make it clearer to photocopiers that they are handling copyrighted works and are liable for prosecu-



tion. Some of the failures of the 1976 Act cited by the AAP are: "An uncountable but undoubtedly huge number of copies are made on machines within walking distance of the library without permission." "Much of the unauthorized copying that is done by libraries and particularly by special for profit libraries is systematic, and much of the unauthorized copying by government agencies exceeds permissible limits."

88. ABC-TV increases ASCAP license fee. *Variety*, vol. 307, no. 1 (May 5, 1982), p. 139.

Pending final disposition of litigation over music licensing rates, ASCAP will annually receive \$5,000,000 in interim blanket license fees from ABC-TV. The network agreed to increase the fee after being told by the court that \$3,800,000, the fee ABC had been paying, was insufficient. NBC, which has been paying ASCAP a yearly interim fee of \$4,480,000, is also negotiating a new licensing rate.

89. Alleged bootleggers indicted in Philly. *Variety*, vol. 307, no. 5 (June 2, 1982), pp. 71, 73.

An FBI piracy investigation recently ended with the indictment of Irving L. Kauffman and Robert L. Gibson. They were charged with several counts of copyright infringement and wire and mail fraud. The two men allegedly were operating mail order businesses from which they purchased, advertised, sold and/or distributed bootleg recordings to retailers.

90. Appeals court offers protection to WGN-TV's teletext signal. *Broadcasting*, vol. 103, no. 7 (Aug. 16, 1982), pp. 29, 30.

The U.S. Court of Appeals for the Seventh Circuit has found that United Video must carry teletext transmitted through WGN-TV's copyrighted 9 o'clock news. The U.S. District Court for Northern Illinois had ruled that United Video was not required to carry WGN's teletext transmission and could substitute its own. Reversing the lower court decision, the appeals court said that the teletext transmission was intended to be viewed as an integral part of the newscast and any alteration of the copyrighted news program was an infringement.

91. Appeals court sez music copying by churches is illegal. *Variety*, vol. 306, no. 11 (Apr. 14, 1982), pp. 2, 96.

The Seventh Circuit overruled a district court's decision dismissing F.E.L. Publications' copyright infringement suit against the Catholic Archdiocese of Chicago. In overturning the ruling, the appellate court said that the "right to perform music at not-for-profit religious services contemplates that the musical work is performed from memory or from legal copies." It also stated that neither "the religious element nor the non-profit element of a performance will protect illegal copying or publishing."

92. ARAR, YARDENA. The jukebox spins at a slower speed. *The Washington Post*, vol. 105, no. 237 (July 30, 1982), p. B14.

The Amusement and Music Operators Association (AMOA) says that the days of finding a jukebox in soda shops, pizza parlors, diners and truck stops may soon become a thing of the past. Maintenance of the jukeboxes, declining profits, video games and Muzak are forcing many establishments to discontinue using jukeboxes as a means of entertaining their customers. The jukebox craze hit a peak in the 1950s with an estimated 700,000 in the United States. By 1970 that figure had dipped to 450,000 and in 1981 an estimated 300,000 jukeboxes were in circulation. Many operators are angry over the recent increase for the jukebox license fee which has gone from \$8 to \$25 per box. An AMOA study in 1981 found that the average jukebox made a profit of only \$49.95 in 1980.

93. Atari suit in California as test of diskery tax policies. *Variety*, vol. 307, no. 5 (June 2, 1982), pp. 41, 44.

Atari Inc. is challenging the California State Board of Equalization's policy of taxing "master computer tapes and royalties paid to programmers." While not objecting to "paying taxes on a master as a physical entity," the firm takes issue with the taxation of "royalties it pays to the tape's inventor." Like record companies that are contesting a similar policy that the Board has with respect to record masters, Atari contends that the ideas on which the royalties are paid are intangible and, therefore, not subject to sales and use taxes.

94. BAKER, BERT. Britain's piracy plague: day-&-day release rx? *Variety*, vol. 307, no. 2 (May 12, 1982), p. 413.

U.K. retailers feel that stronger penalties for piracy convictions and the simultaneous release of motion picture titles on film

and homevideo will help curtail the pirate trade. The government has promised antipiracy legislation. Now the retailers are insisting that it is time for the motion picture industry to adopt a simultaneous release policy. They say there is a demand for new films on cassettes. The industry's failure to meet that demand has created a void which the pirates are successfully and profitably bridging.

95. BAKER, GLENN A. Aussie court to hear Dolby case. *Billboard*, vol. 94, no. 19 (May 15, 1982), p. 63.

The Australian Criminal Court will soon try Clement Eady on two charges relating to infringement of the Dolby Laboratories Inc.'s trademark. The charges against Eady, an alleged tape pirate, stem from a raid in which duplicating equipment and tape recordings, including those with the Dolby logo, were confiscated. Reportedly, this marks the first time that unauthorized use of a trademark has been used in antipiracy litigation.

96. BAKER, GLENN A. New research questioned: Aussies renew tape debate. *Billboard*, vol. 94, no. 31 (Aug. 7, 1982), pp. 1, 58.

Recent research of home taping in Australia has regenerated interest in a royalty on blank tape. The research was commissioned by the Australian Recording Industry Assn. (ARIA) in connection with the Attorney General's "review of the audio/visual copying provisions of the 1968 Copyright Act." The study indicates that the record industry's annual losses to home taping total approximately \$440,000,000.

97. Ban sale of bootleg goods at Hartford Center. *Variety*, vol. 308, no. 3 (Aug. 18, 1982), p. 69.

A blanket injunction has been issued against "the sale of bootleg T-shirts, posters and other unauthorized merchandise at musical events of the Hartford Civic Center." This is the third such order issued by a federal court. A leading concert merchandiser has found that the injunctions, which eliminate the need for court action prior to each concert, have resulted in increased sales of licensed merchandise by more than 50%.

98. Battle video piracy and VCR theft in Ireland. *Variety*, vol. 307, no. 1 (May 5, 1982), p. 44.

An organization called the Video Film Library Assn. was

formed by some thirty video libraries in Ireland. The purpose of the organization is to police and to abolish piracy. Theft of film property as well as theft of VCRs is plaguing the Irish video industry.

99. Beatles 'expert' wins suit. *Variety*, vol. 307, no. 2 (May 12, 1982), p. 466.

A settlement has been reached in Joel Glazier's copyright infringement action against First Media Corp. The firm allegedly broadcast a tape containing information from a copyrighted article written by Glazier entitled "Is Paul (McCartney) Dead?" The terms of the settlement were not disclosed.

100. BEERMANN, FRANK. Solons criticize blackout amendment to c'right bill. *Daily Variety*, vol. 195, no. 44 (May 6, 1982), pp. 3, 4.

The National Cable Television Association convened a panel to discuss Rep. Tom Rainsback's proposed amendment to the copyright law. The proposal provides for the blackout of sports events within a 35-mile radius of where they are played. Of the seven congressmen who served on the panel, Rainsback was the measure's only proponent.

101. Belgian authors' society: SABAM sets radio royalty. *Billboard*, vol. 94, no. 23 (June 12, 1982), p. 67.

SABAM, Belgium's authors' society, has proposed a performing rights royalty scheme for the country's free radio stations. The proposal calls for an annual fee of 100,000 francs (\$2,246) for stations that broadcast 24 hours a day and that serve a region of 100,000 inhabitants. For a 24-hour station serving "Brussels and environs," the proposed fee is one million francs annually (\$22,466). Groupement des Radios Independents de Belgique and the Association pour la Liberation des Ondes, two groups representing the broadcasters, oppose the scheme.

102. BESAS, PETER. See crackdown on video pirates opening road to majors in Spain. *Variety*, vol. 307, no. 2 (May 12, 1982), pp. 411, 434.

This article predicts that U.S. film companies are eyeing the Spanish market with respect to releasing homevideo materials. For such a move to take place, however, the writer says steps will have to be made to squelch the pirating of U.S. product in Spain.

Additionally, the Spanish video market will have to grow; VCRs in Spain currently total about 80,000.

103. BINKOW, BRUCE. FBI, WCI each take on vid pirates. *The Hollywood Reporter*, vol. CCLXXII, no. 10 (June 8, 1982), pp. 1, 4.

Following the enactment of the new piracy and counterfeiting law, the FBI conducted raids on two California locations. The seizures netted a number of bootleg videocassettes of several recent film releases. In unrelated incidents, Warner Communications Inc. filed law suits and applications for writs of seizure of illegal tapes and duplicating equipment in Tampa, St. Louis, New York, Detroit, Orlando and Cleveland.

104. BLACK, NORMAN. 9 studios sue Va. cable TV on copyright. *The Washington Post*, vol. 105, no. 241 (Aug. 3, 1982), pp. D6, D10.

Nine motion picture studios have filed a \$3.6 million copyright infringement suit against Arlington Telecommunications Corp. (ARTEC) for 362 alleged copyright violations involving the retransmission of distant signals. The Motion Picture Association of America, in publicizing the suit, said that it is a first "under a new program to police cable system royalty payments to copyright owners."

105. BMI/ASCAP witness claims imbalance in cable music royalties. *Variety*, vol. 307, no. 10 (July 7, 1982), p. 64.

Economist David Black told the Copyright Royalty Tribunal that an imbalance exists between marketplace music license rates and those paid under the compulsory license for cable systems. This difference, he said, resulted in a loss of approximately \$3,000,000 for the music industry. Black, who is a consultant for ASCAP and BMI, recommended, therefore, that the statutory rate be increased eleven times above what it currently is.

106. Bootleg dealer sentenced to three months in jail. *Variety*, vol. 308, no. 3 (Aug. 18, 1982), p. 64.

George Powell, the owner of five Minneapolis-St. Paul record shops, was convicted of copyright infringement for buying and selling illegally reproduced albums. The conviction brought Powell a three-month jail term and \$15,000 fine.

107. Bootleg vendors barred from vicinity of Iron Maiden shows in

Ohio. *Variety*, vol. 307, no. 3 (May 19, 1982), p. 112.

Great Southern Co. Inc. sought and was granted an order authorizing authorities to confiscate unauthorized posters, clothing and jewelry bearing the name of the Iron Maiden rock group. The order also prohibits bootleg merchants from selling such wares within a five-mile radius of the group's Toledo, Ohio concert. The complaint asserted claims of copyright infringement, violation of Ohio's deceptive trademark practices act, misappropriation of right of publicity and unfair competition. Great Southern owns Iron Maiden's trademark rights.

108. BPI awarded \$55,000 in imports case. *Billboard*, vol. 94, no. 15 (Apr. 17, 1982), p. 52.

A \$55,000 out-of-court settlement was reached in a suit against GI Records of Edinburgh (U.K.) for "trading in illegal imports originating in Canada, the U.S., the Philippines, Spain and Portugal." Motown Records Ltd. and RCA Records U.K. Ltd., the plaintiffs in the action, "are also seeking permanent undertakings from GI Records restraining the retail outfit from dealing in albums manufactured in non-EEC territories and then imported into the U.K."

109. Burroughs appeal nixed; uphold MGM on Bo's 'Tarzan' retread. *Variety*, vol. 307, no. 5 (June 2, 1982), pp. 7, 28.

The Second Circuit affirmed the district court's dismissal of a copyright infringement and breach of contract suit against MGM. The suit, which was brought by the heirs of Edgar Rice Burroughs, alleged that defendant's "Tarzan, The Ape Man" film violated the copyright in plaintiff's book, "Tarzan of the Apes." It also alleged that defendant's picture violated the terms of a 1931 licensing agreement for the Tarzan character. In affirming the lower decision, the appellate court found that MGM's 1981 film was not substantially similar to plaintiff's copyrighted work except to the extent permitted by the 1931 agreement." It also concluded that the film was in compliance with the agreement in other respects.

110. Cable copyright gets full committee approval. *Broadcasting*, vol. 102, no. 14 (April 5, 1982), pp. 39, 40.

The House Judiciary Committee has approved H.R. 5949, a bill that would retain the compulsory licensing provisions of the

copyright law as well as reinstate the syndicated exclusivity rules. The bill, which contained a compromise between the NAB, NCTA, and MPAA, defeated a proposal offered by Rep. Sawyer that would have abolished the compulsory licensing provision at the end of three years.

111. Cable seen as threat to intellectual property rights. *Billboard*, vol. 94, no. 22 (June 5, 1982), p. 55.

Members of a IMIC (International Music Industry Conference) panel debating "The Intellectual Property Rights: How Are They Being Safeguarded?" agreed that the emergence of cable television, like home taping, poses a "serious threat to the protection of intellectual property rights." Panel chairman Vincent Candilora said that copyright laws in many countries, including the U.S., afford inadequate protection of such rights. He indicated that "legislation on home taping might reduce some of the negative effects" of cable TV.

112. Cal Vista wins vid piracy suit in Ga. *Daily Variety*, vol. 196, no. 43 (Aug. 5, 1982), p. 4.

Charles Martinez and L. H. Worth have been ordered to pay Cal Vista International \$110,000 in damages and \$16,000 in attorneys' fees for copyright violations. The order was issued in a suit alleging that Martinez and Worth distributed pirated copies of adult films belonging to Cal Vista.

113. Calif. assembly votes to rescind disk prod'n tax. *Daily Variety*, vol. 196, no. 11 (June 21, 1982), pp. 1, 11.

The tax amendment bill (AB2871) that was introduced by Assemblywoman Gwen Moore has been passed by the California Assembly. The measure provides for the rescission of a retroactive state sales tax on all but "tangible master recording production expenses." The bill now goes before the State Senate.

114. Calif. raiders seize \$1-mil worth of lps, masters & equipment. *Variety*, vol. 307, no. 8 (June 23, 1982), p. 71.

A police raid on the home of Alex and Irene McFee (Riverside County, California) netted approximately \$1,000,000 worth of allegedly pirated master recordings and cassettes and manufacturing equipment. The couple, who reportedly had been running

an international mail order bootleg business, was charged with the sale of bootleg recordings and theft.

115. Cars hit with second suit as 'Shake It Up' case ends. *Billboard*, vol. 94, no. 17 (May 1, 1982), p. 36.

Joseph Saraceno and Tony Savonne filed a copyright infringement suit against the Cars singing group. The complaint alleges that defendants' "Let's Go (Pony)" tune infringed a work that plaintiffs copyrighted in 1962. Plaintiffs, who claim their song was made popular by the Routers and later used as the Army's overseas theme, seek damages of no less than \$100,000. A similar suit that was brought against the Cars in connection with the song "Shake It Up" was dismissed.

116. Caution on Berne Convention urged by officials. *Publishers Weekly*, vol. 221, no. 19 (May 7, 1982), pp. 17, 18.

David Ladd, Register of Copyrights, and Harvey Winter, executive secretary of the State Department's Advisory Committee on International Intellectual Property, has urged that the United States not join the Berne Convention. At the committee's meeting April 20th, the Register said that "the focus of UNESCO, which oversees international copyright issues, is changing; that there are new conflicts among nations in the copyright field, including some 'serious and substantive' objectives to allowing the United States in Berne; and that the question of whether the United States should eliminate the copyright formalities that place it in conflict with Berne should be answered according to U.S. domestic needs and not just to put it into compliance." The Register added that if the manufacturing clause is extended beyond its July 1 expiration date, any near-term possibility of adherence to Berne was unlikely.

117. CBS sues Scorpio, important to halt parallel imports. *Variety*, vol. 307, no. 9 (June 30, 1982), p. 73.

In a copyright infringement action against Scorpio Music, CBS Records is charging that defendant illicitly imported into the U.S. records licensed for manufacture and sale in the Phillippines. Scorpio counterclaimed, alleging that CBS conspired with the Recording Industry Assn. of America "to monopolize and fix the price of sound recordings." CBS is seeking \$50,000 per infringement, and Scorpio wants \$1,000,000 in damages.



118. China to receive 52 books on copyright. *Publishers Weekly*, vol. 221, no. 18 (April 30, 1982), p. 21.

David Ladd, Register of Copyrights, has compiled a bibliography of 52 books on copyright, and the sixteen U.S. publishers of the books have agreed to donate the books to the Chinese. It is hoped that the books will assist the Chinese in writing their copyright law, a prerequisite to joining the U.C.C.

119. Classical radio stations rebuff pay-for-play bid. *Billboard*, vol. 94, no. 16 (Apr. 24, 1982), pp. 3, 78.

The BBC is demanding that U.S. radio stations pay a broadcast fee for a new album containing works by Schumann. The album was produced "under license from the BBC Transportation Services in the U.K.," yet the BBC is requiring an additional fee for public performance of the record unless previous authorization has been arranged. The Concert Music Broadcasters Association, an organization representing forty classical stations, advised its members to ignore the demand. The Association indicated that the fee was tantamount to a royalty for performance rights and such rights are not recognized in the U.S.

120. Col loses bid to end distrib'n of "Paradise." *Daily Variety*, vol. 195, no. 60 (May 28, 1982), p. 1.

A district court denied Columbia Picture's motion to restrain Embassy Pictures from distributing the film "Paradise." Columbia had contended that the film infringed the copyright in "The Blue Lagoon." The court's decision was based on a viewing of both films and weighing of the evidence presented at hearing.

121. Compromise package: cable bill introed to house sub-panel. *Daily Variety*, vol. 195, no. 64 (June 4, 1982), p. 8.

The cable copyright compromise bill is now before the House Telecommunications subcommittee. Ted Turner, the NCTA's Thomas Wheeler and the NAB's John Summers praised the measure. However, representatives of the National Basketball Assn. and major league baseball expressed dissatisfaction with the compromise. They suggested that it be either replaced with a "marketplace bill" that would end "the compulsory license for cable and all other cable program rules or amended to give sports interests the right to ban cablecasts of all other teams in areas near their home stadiums and arenas."

122. Condemns U.K. plan giving song rights to commissioners. *Variety*, vol. 307, no. 1 (May 5, 1982), pp. 139, 143.

The British Government has proposed that the copyright in commissioned works belong to the commissioning party unless there is an agreement to the contrary. The Performing Rights Society (PRS) indicated that it is opposed to such a proposal because it would damage composers' bargaining position in negotiations with film-TV producers. The PRS also said that the proposal would seriously erode composers' livelihood. Currently composers maintain the public performance and broadcast rights to commissioned works, while producers get the synchronization rights.

123. Copyright Office report shows low photocopying payments. *Publishers Weekly*, vol. 221, no. 24 (June 11, 1982), pp. 16, 19.

Academic libraries have fewer copyright violations, library patrons have more concern for serial copyrights than they do for book rights, and book publishers receive more photocopying requests. These are some of the findings in a King Research report commissioned by the Copyright Office. The report said that of the 22,050 libraries surveyed, more than 45% of them "reported restrictions on photocopying based on whether or not copyrighted items can be copied." In terms of photocopying royalties which are to be paid to the Copyright Clearance Center, during 1980 fewer than 6% of the U.S. libraries reported having made payments.

124. Copyright Royalty Tribunal begins hearings on cable copyright adjustment. *Cable News*, vol. 1, no. 13 (June 18, 1982), p. 7.

The Copyright Royalty Tribunal began hearings on June 15, 1982 to determine whether and how to readjust copyright fees cable operators must pay. These hearings follow the FCC's 1980 decision eliminating distant-signal carriage and syndicated exclusivity rules which was subsequently upheld by the appeals court.

125. Court halts sale of pirate antennas. *Variety*, vol. 307, no. 7 (June 16, 1982), p. 52.

In an action brought by HBO, a district court judge issued a temporary restraining order against Arch Electronics Co. and seven other Philadelphia-area electronics retailers. The order prohibits defendants from advertising and selling microwave anten-

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nas that can be used to illegally pick up pay-TV signals.

126. Court upholds Casual Corner c'right ruling. *Daily Variety*, vol. 196, no. 6 (June 14, 1982), p. 18.

The judgment against the Casual Corner clothing chain for copyright infringement was upheld by the Ninth Circuit Court of Appeals. BMI, the plaintiffs in the suit, charged that the store's playing of radio broadcasts of music over loudspeakers in its outlets violated the copyright law. The district court ruled that Casual Corner "exceeded the 'small establishment' exemption from infringement claim found in the copyright law" and had infringed plaintiff's copyrights.

127. Court upholds decision on Glen Miller royalties. *Billboard*, vol. 94, no. 28 (July 24, 1982), p. 6.

The New Jersey Supreme Court upheld a lower court decision granting Glenn Miller's children royalties earned on recordings released after their father's death. Miller, who was a well-known band leader, was declared dead in 1945. His widow and David Mackay, both of whom are deceased, entered a series of agreements beginning in 1951 for the sale of previously unreleased recordings. Under their arrangement, Mackay was to receive one-third of the royalties on the Miller recordings. Mackay's estate claimed that it was still entitled to the one-third royalty share, but the court disagreed. It ruled that the agreement ended on March 15, 1967, making the Miller children eligible for all royalties earned or owing after that time.

128. CRAWFORD, TAD. Law and the arts. *Artworkers News*, vol. 11, no. 9 (May 1982), p. 18.

The role of writer as bookseller is investigated by Crawford, and he reports on the problems this presents. Areas discussed include royalties to the writer, sales discounts and resale rights.

129. DEMPSEY, JOHN. Hollywood producers gather forces toward off return of networks to syndication. *Daily Variety*, vol. 195, no. 29 (Apr. 15, 1982), pp. 1, 17.

Hollywood producers say that they will fight the Federal Communications Commission's proposed abolition of its financial-interest and syndication rules. The producers maintain that the removal of these rules would give the networks near-total domi-

nance of the airwaves. They predict that the next step would be to encourage the "Justice Department to abrogate the consent decrees that NBC signed in 1978 and ABC and CBS in 1980." The networks would then, the producers charge, "try to get syndication and cable and home video rights to most or all of the programs they commission."

130. Diehl to present resolution to FCC on syndi rights. *The Hollywood Reporter*, vol. CCLXXII, no. 47 (July 30, 1982), pp. 1, 5.

Earl Willman of the Electricians Local 728 drafted a resolution to the Federal Communications Commission. The resolution points out the implications of the Commission's "contemplated move to revert syndication rights back to the network." It indicates that the move could result in syndicators and small producers going out of business. The resolution maintains that the move could also lead to a cut-back on labor production costs or an increase in the up-front costs of projects.

131. Disney wins suit brought by writer. *The Hollywood Reporter*, vol. CCLXXII, no. 32 (July 9, 1982), p. 19.

Stephen Singer's copyright infringement suit against Walt Disney Prods. and NBC was dismissed for lack of merit. The complaint had alleged that defendant's "The Ghosts of Buxley Hall" telefilm was based on a script written by the plaintiff entitled "The Assemblage."

132. Dutch cabler pays 16g for pirates' infringement. *Variety*, vol. 306, no. 12 (Apr. 12, 1982), p. 176.

Reportedly, Holland's Kabel Television Amsterdam (KTA) must pay a \$16,000 copyright payment for pirates' unauthorized use of its cable system to transmit pornographic films. Last year a local court ruled that cable operators are liable for copyright infringement for such transmissions. There is a question, however, of the applicability of the ruling to this case because the law, apparently, is not clear with respect to rights in porno films.

133. Dutch cable pirate to air British TV. *Variety*, vol. 307, no. 4 (May 26, 1982), p. 54.

Dutch pirate Mokum TV announced that it will begin transmission via Kabel Televisie Amsterdam, the area's legitimate cable operator. Mokum TV's programming will include sports events

and other popular British TV shows.

134. Educational group can't tape off air. *Daily Variety*, vol. 196, no. 18 (June 30, 1982), p. 6.

A federal district court in New York ruled that the Erie County Board of Cooperative Educational Services violated the Copyright Act. The Board had been videotaping educational films produced and distributed by Encyclopedia Britannica Educational Corp. and two other firms. The firms brought suit, contending that defendant's off-air taping practices could irreparably harm the market for their products.

135. ESPN must cough up coin for clips. *Variety*, vol. 308, no. 3 (Aug. 18, 1982), pp. 46, 61.

In its copyright infringement suit against ESPN, WSBK-TV in Boston was granted an injunction prohibiting defendant from unlawfully picking up plaintiff's broadcasts of the Boston Bruins and Red Sox games. A consent decree has now been reached requiring "ESPN to pay a usage fee for excerpts of the station's sports events." The fee must equal that paid by the three commercial networks.

136. FARRELL, DAVID. Canadians near agreement on royalty rate. *Billboard*, vol. 94, no. 15 (April 17, 1982), pp. 1, 64.

The Canadian Music Publishers Assn., the Canadian Recording Industry Assn. and CIRPA, the domestic rights organization, are trying to negotiate a new mechanical rate. The government wants to include a new royalty formula in a "new act being drafted for action by the House of Commons" this fall. If the groups fail to reach an agreement, the government, apparently, will have to set the rate.

137. FARRELL, DAVID. Taping study calls levy impractical. *Billboard*, vol. 94, no. 24 (June 19, 1982), p. 55.

Canada's Consumer and Corporate Affairs Office commissioned a study entitled "Audio and Video Home Taping: Impact on Copyright Payments." The report concludes that home taping should be legalized but that a levy should not be imposed to compensate creators or copyright owners for losses from such activities at this time. It states that the country's current copyright law does not "offer a safeguard to prevent home taping" and

recommends that any new legislation contain provisions imposing a levy "on blank tape when the reduction in Canadian copyright owners' revenues outweighs the costs and problems associated with the collection and distribution of funds from such a scheme."

138. Firm sues RKO re TV, toll rights to 1955 pics deal. *Variety*, vol. 306, no. 12 (Apr. 21, 1982), pp. 37, 180.

Marian B, Inc. is suing RKO General in connection with an assignment for certain television syndication and "toll" television rights to 732 films. The complaint claims that RKO assigned the rights to C&C Television Corp. in 1955. When plaintiff acquired the rights in 1972, RKO was notified and was asked for permission to access copies of the original agreement. RKO refused the request and allegedly proceeded "to license and sell toll television rights in and to" the films in violation of the assignment agreement. Plaintiff seeks injunctive relief and exemplary as well as compensatory damages.

139. First override of Reagan veto comes on extension of printing copyrights. *The New York Times*, vol. CXXXI, no. 45,374 (July 14, 1982), p. C19.

The House and Senate have voted to override the Presidential veto of copyright legislation that would have eliminated the manufacturing clause. H.R. 6198 remains law, thus extending the manufacturing clause for four years. A 1981 Labor Department study had said that expiration of the clause would mean a loss of up to 172,000 jobs in the printing and publishing industries as well as 367,000 jobs in related industries associated with the printing of literary works. However, Irwin Karp, General Counsel to the Authors League of America, said that that organization will challenge the constitutionality of the clause.

140. Five arrested on bootlegging charges. *Daily Variety*, vol. 195, no. 32 (Apr. 20, 1982), p. 18.

A record retailer in Minnesota was arrested in connection with some 1,000 allegedly bootleg albums that were seized in raids on his stores. The retailer, George Powell, along with four employees, were charged with eleven counts of conspiring to distribute and distributing bootleg recordings. A house in New Jersey, which was purported to be a conduit for Powell and other bootleggers, was also raided, but no arrests were reported.

141. FRENCH, IRENE. HBO supplier taking on 25,000 'illegal' antenna owners in court. *Variety*, vol. 307, no. 11 (July 14, 1982), pp. 92, 104.

In a suit involving the unauthorized reception of HBO transmissions, a federal district court recently declared that the in-store sale of microwave dish antennas was illegal. Movie Systems, Inc. (MSI), the plaintiff in that action, is now giving the owners of such antennas the opportunity to become HBO subscribers. MSI, which holds the HBO license in the Minneapolis area, says that those who do not sign up for the service must disconnect their equipment or be held liable.

142. French poll says taping encourages disk purchase. *Billboard*, vol. 94, no. 17 (May 1, 1982), p. 55.

The French research organization SOFRES released the results of its home taping survey. Among its final findings, the poll showed that home taping encourages record sales. Nearly 60% of the people interviewed said that copying made them more likely to purchase records. Fifty-five percent said that they preferred to buy the record rather than "put up with the inconveniences involved in taping it." One fifth of those polled had given up taping and 60% said they were dissatisfied with the quality of the tape recordings they made.

143. FUJITA, SHIG. Japan mulls payments for disk rental 'losses.' *Billboard*, vol. 94, no. 23 (June 12, 1982), p. 3.

Japan is considering legislation that would reimburse copyright owners for revenue losses from record rental stores. The Cultural Affairs Agency feels that a complete revision of Japan's copyright law is needed but indicated that the rental compensation provision deserves immediate attention.

144. FUJITA, SHIG. Japanese assn. files suit against disk rental chain. *Billboard*, vol. 94, no. 28 (July 24, 1982), pp. 3, 56.

A copyright infringement suit has been filed by JASRAC, the Japanese composers' and publishers' society, against the Reikodo Company. The complaint contends that "defendant rents records knowing they will in most cases be taped by their borrower, and that such action constitutes violation of the Copyright Law." Plaintiff seeks injunctive relief. A similar suit that was brought last year against Reikodo and three other rental chains by thirteen of Ja-

pan's record companies is still being tried.

145. GRAHAM, JEFFERSON. Videocassette prices predicted to drop if Mathias bill passes. *The Hollywood Reporter*, vol. CCLXXII, no. 9 (June 7, 1982), p. 11.

Walt Disney Telecommunications' Jim Jimirro believes that the Mathias Amendment would cause videocassette prices to drop. He also feels that the bill would end the controversy over rental versus sale of video product. In this article, Jimirro talks about these and other effects that he predicts the measure, if passed by Congress, would have on the video industry.

146. Global woes are key focus of IMIC '82. *Billboard*, vol. 94, no. 16 (Apr. 24, 1982), pp. 1, 62.

Among the topics to be discussed at the twelfth International Music Industry Conference are home taping and the protection of intellectual property. Also scheduled is a report on antipiracy in the Mediterranean, a session on the changing role of the music publisher and a variety of roundtable discussions on the problems facing the home entertainment industry.

147. Goldwater urges cablers to back his unpopular bill. *Variety*, vol. 307, no. 2 (May 12, 1982), p. 450.

Speaking at the National Cable TV Assn. convention, Barry Goldwater put forth reasons why the cable industry should support his proposed Cable Telecommunications Act of 1982. He admitted, however, that with the exception of some possible changes in the fifty-mile sports blackout rule, most of the provisions opposed by the industry would remain in the bill.

148. GORTIKOV, STANLEY M. Home taping: copyright killer. *Billboard*, vol. 94, no. 19 (May 15, 1982), p. 16.

This editorial comment by Stanley Gortikov of the Recording Industry Association of America focuses on the home taper and the negative impact home taping has on the creative community, American music and copyright. It also examines the provisions of S. 1758, S.A. 1333 and H.R. 5705, bills that are designed to offset the effects of home taping.

149. GRAHAM, JEFFERSON. ABC devises plan to distribute video titles to vcr over the air. *The Hollywood Reporter*, vol. CCLXXI, no. 34



(Apr. 30, 1982), pp. 1, 8.

ABC Video Enterprises has developed what it calls the Home View Network (HVN). HVN "features scrambled programming via ABC-TV affiliates from 2-5 a.m. for videocassette recording." The taped programs can only be viewed via a Sony decoder. Under the HVN system, company president Herb Granath says copyright holders will be compensated "on a per-subscriber basis, as opposed to a flat fee."

150. GREENHOUSE, LINDA. Supreme Court to rule on home video dispute. *The New York Times*, vol. CXXXI, no. 45,345 (June 15, 1982), pp. D1, D5.

The Supreme Court has agreed to review the 1981 appeals court ruling making home videotaping of copyrighted programs a violation of federal law. Issues in the case involve statutory interpretation of the "fair use doctrine," which allows limited forms of reproduction, and conflicting arguments about "contributory infringement." A decision is expected sometime next year. [*Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963 (9th Cir., 1981).]

151. GROVES, DON. Australian record biz losing huge sum due to home-taping per industry-sponsored study. *Variety*, vol. 308, no. 3 (Aug. 18, 1982), p. 63.

In connection with the Australian government's review of the country's copyright laws, the Australian Recording Industry Assn. commissioned a home taping survey. The study, which was conducted by Reark Research, offers detailed data to support the industry's claim that it is losing \$A440,000,000 a year due to home taping. The survey's findings show that in the areas sampled "there is widespread ignorance about the copyright laws," that the most common reason for taping is to save money, and that home taping is practiced widely by age groups from 18 to 40-plus. It also concludes that the "amount of taping from tv and radio is roughly the same as that from" records and pre-recorded tapes.

152. GUILD, HAZEL. W. German org seeks c'right fees for TV-aired films. *Daily Variety*, vol. 196, no. 23 (July 8, 1982), p. 2.

West Germany's copyright law imposes a tax on manufacturers and importers of video recorders to compensate copyright owners for losses resulting from home taping. The Film Distrib-

utors Association of West Germany and the Motion Picture Export Association recently formed the VGF to represent their interests in negotiations for a share of the proceeds from the levy. The new organization has to be approved by Germany's Patent Office before it can officially negotiate for the film distributors. After approval, the VGF will have authority to bargain for a rate of as much as 5% of the wholesale unit price of a machine.

153. HARRIS, PAUL. FCC agrees to erase STV rules: Commission will eliminate numerous regs but piracy might get a helping hand. *Daily Variety*, vol. 196, no. 10 (June 18, 1982), p. 1.

The subscription television industry is decrying the Federal Communications Commission's decision to eliminate its rule prohibiting the sale of decoders. The decoder lease-only rule is one of several STV rules that the Commission found to have inhibited the industry's growth. The FCC concluded that removal of the lease-only rule "could benefit businessmen by providing working capital to establish subscription operations and will allow changes in business practices to meet marketplace demands." The STV industry contends that the rule is a crucial antipiracy tool which is needed to ensure STV signal security.

154. HARRIS, PAUL. FCC scrutinizing technology: proposes review of its financial-interest and syndication regulations. *Daily Variety*, vol. 196, no. 14 (June 24, 1982), pp. 1, 11.

The Federal Communications Commission has proposed a review of its syndication and financial-interest rules. During the review, the Commission will consider such questions as "whether technology has changed the market significantly enough to delete the regs, and whether the program marketplace is more competitive than it was 10 years ago when the rules were adopted." The question of "whether the Commission should be in the business of encouraging competition in the program supply industry" will also be addressed.

155. HARRIS, PAUL. MPAA sues cabler for infringement on distant beam fiddle. *Variety*, vol. 308, no. 1 (Aug. 4, 1982), pp. 1, 25.

The Motion Picture Assn. of America filed a copyright infringement suit against the Arlington Telecommunications Corp. (ARTEC) for non-payment of cable compulsory license fees. The suit was filed after testimony at recent Copyright Royalty Tribunal

hearings revealed inadequacies in ARTEC's payments and filings with the Copyright Office. Plaintiff alleges that defendant failed to pay fees "for six distant tv signals retransmitted during a three-year period."

156. Hemingway family sued for \$10 mil over film rights. *The Hollywood Reporter*, vol. CCLXXI, no. 42 (May 12, 1982), p. 6.

Galbos Films SRL and others filed a \$10 million suit against the family of the late Ernest Hemingway. The complaint alleges that defendants fraudulently sold plaintiffs the worldwide exclusive motion picture rights to the book "For Whom the Bell Tolls." Since Universal Pictures claims the foreign film rights to the book, the complaint contends that defendant sold the rights knowing that it only owned the U.S. rights.

157. HENNESSEY, MIKE. According to BPI official: U.K. piracy rate world's lowest. *Billboard*, vol. 94, no. 24 (June 19, 1982), pp. 9, 54.

In a speech before the British Phonographic Industry (BPI), Tony Hoffman said that the United Kingdom has the lowest audio piracy rate of any country. He attributed this to the BPI's anti-piracy unit and its success in curtailing piracy activity via what is called "Anton Pillar orders." He also noted the unit's successful actions against bootleggers and parallel importers and its record for obtaining substantial amounts of damages.

158. HENNESSEY, MIKE. PRS urges copyright law reform. *Billboard*, vol. 94, no. 28 (July 24, 1982), pp. 4, 10.

The United Kingdom's Performing Right Society (PRS) adopted a resolution criticizing the government's Green Paper on copyright law reform. The resolution recommends that the British government revise the copyright law to address "the multiplicity of technological innovations in the last 25 years." In another copyright matter, the PRS is pursuing its appeal of a ruling concerning arbitration of the royalty rate to be paid by certain stations.

159. HENNESSEY, MIKE and PETER JONES. Best yet to come? bright days ahead, say execs at IMIC. *Billboard*, vol. 94, no. 18 (May 8, 1982), pp. 1, 57.

The keynote speaker at Billboard's twelfth International Music Industry Conference listed new technology among four factors

affecting the prosperity of the industry. He attributed the home taping problem to technological innovation but suggested that such innovation could prove to be of great benefit to the music industry.

160. High bench spurns retailers appeal on loudspeaker issue. *Variety*, vol. 306, no. 13 (Apr. 28, 1982), p. 91.

The Supreme Court refused to review the district court decision in ASCAP's copyright infringement suit against the Gap clothing chain. The lower court ruled, and the Second Circuit agreed, that retail establishments must obtain a license to play radio-broadcast music over loudspeakers in their stores.

161. High quality product: pirated cassettes are flooding Greek mart. *Billboard*, vol. 94, no. 23 (June 12, 1982), p. 91.

Authorities are trying to determine the origin of "pirate cassettes of newly-released international repertoire" that are flooding the Greek market. The illicit cassettes sell for \$1.50 to \$2.50 less than the original, legitimate albums. Hong Kong and Singapore have been pinpointed as possible countries of origin, but some suspect that the product is manufactured locally. IFPI's office in Greece and the Greek police are investigating the matter.

162. HOLLAND, BILL. ASCAP, BMI score Senate bill passage. *Billboard*, vol. 94, no. 28 (July 17, 1982), pp. 1, 66.

The copyright amendment bill exempting "non-profit veteran's and other fraternal organizations from paying music performance royalties" was passed by the Senate on June 30. BMI and ASCAP officials see the measure and a similar one that is in the House as the "first serious move to erase some of the gains won by the music industry in the" 1976 Copyright Act.

163. HOLLAND, BILL. At House hearing: vid dealer groups urge: keep 'first sale' doctrine. *Billboard*, vol. 94, no. 33 (Aug. 21, 1982), pp. 3, 72.

Spokesmen for the Committee Against Regulation of Video Enterprises and the Video Software Dealers Assn. urged Congress to reject a proposed bill calling for elimination of the first sale copyright doctrine. The doctrine provides that "once a copyright owner completes first sale of a particular copy, purchasers may lawfully rent or resell the work without copyright infringement

liability." The representatives claim that removal of the doctrine would drive nearly 90% of the country's video software dealers out of business.

164. HOLLAND, BILL. Compromise urged on tape bill: Senators ask both sides to hammer out agreement. *Billboard*, vol. 94, no. 26 (July 3, 1982), p. 3.

An offer to negotiate a settlement of disputes over the "Betamax Bill" as amended was rejected by former FCC chairman Charles Ferris and other opponents of the measure. Senators Mathias, Moynihan and Bentsen, who are all proponents of the bill, proposed that negotiations take place. The opponents feel that since everything seems to be going their way there is no inclination to go to the negotiating table.

165. HOLLAND, BILL. House panel bucks Senate: royalty exemption tabled. *Billboard*, vol. 94, no. 30 (July 31, 1982), p. 4.

The House Subcommittee on Courts, Civil Liberties and the Administration of Justice tabled a bill that would have exempted non-profit veteran and fraternal organizations from paying music performance royalties. The Senate recently passed a similar measure that was affixed to an unrelated copyright bill.

166. HOLLAND, BILL. Keys on tape levy \$\$: Ferris attacks Royalty Tribunal. *Billboard*, vol. 94, no. 25 (June 26, 1982), p. 9.

Former FCC chairman Charles Ferris strongly criticized the Copyright Royalty Tribunal. The criticism came in remarks made during a debate between Ferris and Motion Picture Assn. of America president Jack Valenti. Reportedly, Ferris' comments intimated that the Tribunal "was irresponsible and incapable of handling" the royalty distribution duties with which it has been charged. Ferris currently represents the Coalition for Home Recording Rights, a group comprised of hardware and blank tape manufacturers, retailers and distributors.

167. HOLLAND, BILL. 'Post-Walkman' taping study set: audio recording rights group commissions survey. *Billboard*, vol. 94, no. 33 (Aug. 21, 1982), pp. 3, 74.

At House subcommittee hearings on a video/audio copyright exemption and royalty bill, a representative of the Audio Recording Rights Coalition revealed that a new taping study will

soon be released. This study, which was commissioned by the Coalition, will focus on the "post-Walkman" audio taping habits of consumers.

168. HOLLAND, BILL. Seek 'Betamax' audio fee tie. *Billboard*, vol. 94, no. 30 (July 31, 1982), pp. 1, 54.

Senator Dennis DeConcini is circulating a draft amendment to his "Betamax Bill." The amendment calls for the payment of a royalty to music copyright owners for losses due to home taping. It adds audio taping to the Betamax bill's infringement exemption for video home taping. The DeConcini amendment would replace the Mathias amendment which contains a controversial royalty provision for movie copyright owners and a video "first sale" provision concerning rentals.

169. HOLLAND, BILL. Sills speaks out at tape hearing: N.Y. opera director says royalty would aid new talent. *Billboard*, vol. 94, no. 17 (May 1, 1982), pp. 3, 66.

New York Opera Director Beverly Sills was one of the pro-tape-royalty witnesses who testified at the Senate Judiciary Committee hearings in Washington, D. C. She maintained that a royalty was "the only way to assure that the constitutionally guaranteed protection of the copyright will function effectively and produce the desired result—more music for more people." Other witnesses included Jack Valenti, Charlton Heston and Victor Fuentealba.

170. Home dubbing debate keys on legislation. *Billboard*, vol. 94, no. 22 (June 5, 1982), p. 55.

Home taping is a battle that Leonard Feist of the National Music Publishers' Assn. claims is being strongly waged by proponents and opponents of the issue. Mr. Feist's remarks were made during a debate on "Advance in Combating Home Dubbing" at the IMIC (International Musical Industry Conference). He discussed home taping studies, the *Betamax* case and the audio/video bills currently pending in Congress.

171. Hometapers overwhelm Aussie disk biz: \$400 million lost to record labels. *Variety*, vol. 307, no. 1 (May 5, 1982), pp. 91, 98.

A survey commissioned by the Australian Record Industry Association (ARIA) shows that home taping is costing the music

industry Australian \$400,000,000 a year in album sales. The findings of the survey have not been released as yet, but they will be submitted for consideration during the government's audiovisual copyright review. The ARIA has urged the government to adopt a blank audio tape royalty. The findings of the survey probably support the Association's argument that the viability of the record industry is threatened by unauthorized and illegal home taping or private copying.

172. Home taping controversy goes Hollywood. *Broadcasting*, vol. 102, no. 16 (April 19, 1982), pp. 28, 29, 30.

The House Subcommittee on Courts, Civil Liberties and the Administration of Justice held hearings on April 12, 1982 in Los Angeles to hear testimony from members of the entertainment industry on the problem of off-the-air taping. Congress is currently considering measures that would impose a royalty on blank recording tapes as well as VCR equipment to be returned to creators of programming. Proponents argue that home taping of prerecorded music, movies and television programs is endangering the motion picture and recording industries. Opponents say that the situation has been exaggerated, and no royalty should be imposed.

173. HOOS, WILLEM. Dutch vid distrib assn. wins dealer piracy suit. *Billboard*, vol. 94, no. 33 (Aug. 21, 1982), p. 34.

Two video dealers in Amsterdam were found guilty of renting and selling pirated software. The dealers, Jan Drenth and William De Jager, were ordered to return all pirated cassettes to the companies owning the original rights. The mildness of the penalty was attributed to the newness of video in Holland.

174. HOROWITZ, IS. Classical radio seeks 'fairer' ASCAP pact. *Billboard*, vol. 94, no. 33 (Aug. 21, 1982), pp. 1, 46.

It was revealed at the Concert Music Broadcasters Assn. conference that classical radio stations are still seeking a workable per program license from ASCAP. The stations feel that the blanket license formula is unfair in that "60% to 80% of their programming involves material in the public domain." ASCAP offers a per program license, but the stations say that the society "has set such onerous conditions on record keeping that the option at present is not a viable alternative."

175. HOROWITZ, Is. Soviet-U.S. royalty \$\$ increase: VAAP official, visiting states, wants continued growth. *Billboard*, vol. 94, no. 24 (June 19, 1982), p. 6.

Yuri Rudakov of VAAP, the Soviet copyright authority, said that \$65,000 in 1979 music performance royalties was transferred to ASCAP and \$23,000 to BMI. The 1980 royalty figure for BMI was \$27,000, but the ASCAP figure was unavailable. Rudakov released the royalty information during his recent visit to the U.S.

176. House hears other side of home taping issue. *Broadcasting*, vol. 103, no. 7 (Aug. 16, 1982), p. 49.

The House Judiciary Subcommittee has continued hearings on H.R. 5705, a bill which would require manufacturers of video recording equipment and tape to pay a royalty fee which would be returned to program producers. The bill would also repeal the "first-sale-doctrine" as it currently applies to television production. In testimony, members of the electronics industry, video software dealers and an ad hoc committee of educators voiced opposition to the legislation. Opponents of the measure argued that the royalty fee would "require consumers to pay twice for home recordings and limit the development of the video business." They also contended that the repeal of the "first-sale-doctrine" would create a "vertical monopoly of the movie industry and imperil the independent video retail industry". Additional hearings are scheduled for September.

177. House panel votes to extend manufacturing clause. *Publishers Weekly*, vol. 221, no. 15 (April 9, 1982), p. 10.

A House Judiciary Subcommittee has approved a bill to extend the manufacturing clause in the copyright act for another four years. The clause scheduled to expire on July 1, 1982, was approved for extension at a meeting on March 26th.

178. House unit votes to extend manufacturing clause. *Publishers Weekly*, vol. 221, no. 24 (June 11, 1982), p. 16.

On May 27, the Trade Subcommittee of the House Ways and Means Committee approved a four-year extension of the manufacturing clause of the Copyright Act. The bill must still pass the Ways and Means Committee and the full House and Senate before the manufacturing clause can be extended beyond the expiration date of July 1, 1982.



179. HOROWITZ, IS. See new surge in counterfeiting: RIAA's Schoenfeld cites 'easier' retail penetration. *Billboard*, vol. 94, no. 23 (June 12, 1982), p. 3.

The Recording Industry Association of American reports that counterfeiting of sound recordings has increased while bootlegging has declined in the past year. Counterfeits' growth is attributed to more acceptance of illicit product by dealers seeking to increase their profits. Police raids are credited for the drop in bootleg recordings. Bootlegs are easier to identify than counterfeits in enforcement crackdowns and, thus, "have taken a heavier battering."

180. Hot Cakes files countersuit vs. plaintiffs in counterfeit case. *Variety*, vol. 307, no. 3 (May 19, 1982), p. 112.

In WEA Corp.'s copyright infringement suit against Hot Cake Music Inc., defendant filed a countersuit. The counterclaim charges that WEA and others conspired to destroy Hot Cake's business. WEA initiated the action following an investigation and raid in which Federal agents seized 8,000 allegedly counterfeit cassettes. Hot Cakes "denied all allegations of wrongdoing and indicated that damages in excess of \$6 million would be sought for plaintiffs."

181. HUGHES, CATRIONA. New technology okay; but legislators fail to update copyright regs. *Variety*, vol. 307, no. 2 (May 12, 1982), pp. 349, 436.

The legal research officer of the Australian Copyright Council says that the legislature's failure to quickly respond to the new technologies is eroding the rights of copyright owners. She says that copyright legislation has to be continuously and regularly reviewed and revised if proprietors are to be rewarded "for the exploitation of their material." She examines some specific areas where the law has not kept pace with the new technologies and points out their impact on both the public and creators.

182. IFPI survey: high disk taxes aid pirates. *Billboard*, vol. 94, no. 26 (July 3, 1982), p. 55.

A survey appearing in a recent edition of the IFPI News concludes that the high taxation of phonograms fosters activities which threaten the recording industry and reduce a government's overall revenue. The survey indicates that high taxation is fiscally

damaging because the "resultant high price of records and cassettes . . . encourages private copying and the sale of pirate recordings from which no sales tax revenue is derived."

183. In Amsterdam: pirate stations 'silenced.' *Billboard*, vol. 94, no. 33 (Aug. 21, 1982), p. 61.

With the help of officials from the Dutch Ministry of Communications, Amsterdam police raided ten pirate radio locations. No arrests were reported, but the names and addresses of the owners and key executives of the pirate stations were noted and their broadcasting equipment was seized.

184. Injunction restrains oz homevid company. *Variety*, vol. 306, no. 12 (Apr. 21, 1982), p. 30.

A court in Sydney, Australia has restrained Sonarta Music Service Pty Ltd. and others from "making, selling or renting pirate copies of certain videocassettes." Additionally, the court gave Warner Home Video and the other plaintiffs in the action permission to search defendant's premises and to remove any pirate copies of their titles or any videocassette recorders that they found.

185. Ireland's b'cast chief wants radio-newspaper link to combat pirates. *Variety*, vol. 306, no. 12 (Apr. 21, 1982), p. 104.

The chairman of Ireland's Broadcasting Authority has suggested that the state-sponsored Radio Telefis Eireann work with local newspapers to establish and operate twenty local stations. He believes that this kind of cooperative effort would be effective against pirate radio stations, especially since changes in government have delayed passage of a pending piracy bill for two years.

186. Japan assn. cautions on vid rentals. *Billboard*, vol. 94, no. 17 (May 1, 1982), pp. 1, 12.

In a letter to video software dealers and others, Japan's National Association of Manufacturers of Prerecorded Videotape said that unauthorized rentals violate articles 21 and 26 of the copyright law. The letter warned that unless such activity ceased, legal steps would be taken to protect and compensate software manufacturers. It also reminded the dealers that flagrant violations could lead to criminal penalties.

187. JONES, PETER. Fund established: U.K. vid assn. sets antipiracy campaign. *Billboard*, vol. 94, no. 18 (May 8, 1982), pp. 3, 36.

A British couple's agreement to pay \$1.3 million in damages and court costs to five video software manufacturers was the result of the British Video Assn.'s antipiracy efforts. In addition to getting involved in piracy investigations, the BVA has established a \$500,000 fund and has initiated a lobbying campaign to amend the United Kingdom's Copyright Act. The Association would like to see the law strengthened to increase penalties for video piracy convictions.

188. JONES, PETER. PRS backs U.K. blank tape levy: Society takes issue with gov't Green Paper on fee. *Billboard*, vol. 94, no. 17 (May 1, 1982), p. 54.

The U.K.'s Performing Right Society (PRS) announced its support for the payment of a levy by manufacturers and importers of blank tape and domestic recording equipment. The Society says that private taping violates the Copyright Act and results in serious economic loss to copyright owners. Since such taping cannot be effectively licensed under the current law, a blank tape levy would "enable the rights owners to enforce their rights" against those whose activities have contributed to the mass infringement that is currently taking place. This announcement was in response to the government's Green Paper on copyright law reform.

189. Judge orders big hike in CBS' interim blanket music payments to ASCAP. *Daily Variety*, vol. 195, no. 60 (May 28, 1982), p. 1.

Recently ABC-TV volunteered to pay ASCAP a yearly interim payment of \$5,000,000 pending a decision in their court contest regarding blanket licensing fees. Now the court has issued a decision under which the network must "pay ASCAP \$666,666 per month for . . . Sept. 11, 1981, through Dec. 31, 1981." ABC also has "to pay an interim blanket music fee of \$8,500,000 for 1982." ASCAP already has worked out a new agreement with CBS-TV and is currently negotiating a new license with NBC.

190. Judge's ruling in Eastern Microwave case muddies copyright waters. *Broadcasting*, vol. 102, no. 12 (March 22, 1982), pp. 29, 30.

A federal judge in Syracuse, New York has ruled that Eastern Microwave, Inc. (EMI) is liable for copyright payments to the

producers or suppliers of the programming they carry. EMI distributes WOR-TV in New York via satellite and microwave networks to WTBS-TV in Atlanta and WGN-TV Chicago, et al. This decision is in direct conflict with one issued by a Chicago district court. In that decision WGN-TV asked the court to prohibit EMI from removing its teletext service from the "vertical blanking interval" and replacing it with a text service of its own. The court dismissed the complaint, confirming that United Video had no copyright obligation. A proposal by NAB and NCTA to amend the cable provisions of the copyright law relative to the carrier exemption might render the court decisions moot if passed into law.

191. KAUFMAN, DAVE. CBS affils urge new way to pay ASCAP royalties. *Daily Variety*, vol. 195, no. 58 (May 26, 1982), pp. 1, 10.

Currently CBS and its affiliates pay music performance fees to ASCAP. The affiliates are proposing that CBS secure music performance rights as it does other program rights. They feel that the network is obligated to obtain performance rights to its programs, and they propose that program producers and syndicators bear the cost of acquiring such rights. If CBS adopts the affiliates' proposal, it could not be implemented until termination of the ASCAP/CBS settlement agreement that was reached last year over the issue of music clearance payments.

192. KELLMAN, JERROLD L. Judge gives copyright ruling on 'how to win at Pac-Man.' *Publishers Weekly*, vol. 222, no. 5 (July 30, 1982), p. 10.

Judge John F. Grady of the U.S. District Court, N.D. Illinois, has ruled that publishing accurate reproductions of a game's figures and mazes is not an infringement of copyright as long as those reproductions served a valid instructional purpose. The suit began when Publications International Ltd. (PIL) published a series of books entitled "How to Win at Pac-Man," "How to Win at Video Games," and "Pac-Mania," and a magazine entitled "Joy-stick." Included in the publications were illustrations of the Pac-Man figures and mazes. The judge ruled that the depiction of the figures and mazes in the books was protected by the fair use provision of the copyright law in that the illustrations served an educational purpose. However, he ruled that the front and back cover and several filler items in "How to Win at Pac-Man"—including one page of "How to Win at Video Games"—were commercial

and non-educational, and were afforded no protection by the fair use exception. PIL was enjoined from any further printing, publishing or distribution of copies of "How to Win at Pac-Man". [*Publications International Ltd. v. Bally Manufacturing Corp.*, Cause No. 82C2183, (N.D. Ill., July 14, 1982) ].

193. KIERNAN & LEWIS. Man pleads guilty to pirating videotapes of films. *The Washington Post*, vol. 105, no. 227 (July 20, 1982), p. C5.

Michael Mansour Rashid has been arrested and charged with copyright violations involving the illegal sale of videotape copies of three motion pictures. Rashid was arrested after he sold the films "Altered States," "Excalibur" and "On Golden Pond" to an undercover Washington, D.C. policeman for \$100. Police searched Rashid's home and confiscated about 200 videotapes made from television showings of films or from tapes borrowed from video clubs. Rashid has agreed to cooperate with federal officials, including the FBI, in an ongoing investigation into the illegal marketing of videotape films. Police began their investigation after they were informed of an advertisement Rashid placed in *The Washington Post* offering videotapes for sale or rent.

194. KIRK, CYNTHIA. Music publishers pressed to 'hang tough' and resist low royalty rates for tunes. *Daily Variety*, vol. 196, no. 15 (June 25, 1982), pp. 1, 21.

Reportedly, record companies are using what is called the "controlled compositions clause" to circumvent the four-cent mechanical royalty rate instituted by the Copyright Royalty Tribunal. The clause requires recording artists who publish their own songs to agree to a three-cent rate on their material. It also requires that when mechanical royalties on an album are in excess of thirty cents, the overage comes out of the artist's record royalties. In exploring ways to combat this situation, publishers are considering how to make the four-cent statutory rate a mandatory one.

195. KIRK, CYNTHIA. Pacific Arts wins a round in 'Elephant Parts' piracy bout. *Variety*, vol. 307, no. 4 (May 26, 1982), pp. 67, 73.

Pacific Arts Corp. is trying to stop the distribution of pirated copies of its "Michael Newsmith in Elephant Parts" film in Japan. Japan All-Round Music of Tokyo, which had been unlawfully exhibiting the film in Japan, agreed to destroy its illegal 16mm print of "Elephant Parts." But the firm continued its mail-order

distribution of an unauthorized videocassette version of the film and is believed to be offering at least two unauthorized Michael Newsmith albums.

196. KNOLL, STEVE. Congress likely to be ultimate arbiter of home-taping question. *Daily Variety*, vol. 196, no. 7 (June 15, 1982), p. 10.

Though the Supreme Court has decided to hear the *Betamax* case, William Borchard of the American Bar Association feels that the final decision will rest with Congress. As Borchard sees it, the issues in the case are: "(1) is home vidtaping off the air an infringement of the copyright law?, and (2) whether or not it is now, should it be?" He talks about other aspects of the case and explores possible resolutions.

197. KOZAK, ROMAN. Court ruling hits U.S. importers: copyright infringement decision favors CBS Records. *Billboard*, vol. 94, no. 31 (Aug. 7, 1982), pp. 1, 72.

In a precedent-setting decision, a federal district court in New York ruled that imported copies of recordings owned by a U.S. record company violate the copyright law. The action was brought by CBS against importer Important Records of Queens. Important conceded liability for importing the foreign manufactured copies. CBS hopes the decision will be helpful in a similar action against an importer in Philadelphia. That importer, Scorpio Records, has counterclaimed, charging CBS with restraint of trade.

198. KOZAK, ROMAN. Sparks fly at home taping NARAS panel. *Billboard*, vol. 94, no. 25 (June 26, 1982), pp. 4, 15.

Topics discussed during a NARAS panel on "To Tape Or Not To Tape" included home taping's impact on the music industry and proposed changes to the copyright law, especially the Mathias amendment. The discussion was opened with a brief legal history of the home taping issue by Royal Blakeman, who is the National Legal Counsel for NARAS.

199. K'Tel brings suit on 'Hooked On' lp. *Variety*, vol. 307, no. 6 (June 9, 1982), p. 55.

A copyright infringement suit has been filed against Sugarhill Records by K-Tel International Inc. The complaint alleges that defendant illegally released a disco album which closely follows

the format of plaintiff's "Hooked on Classics" and "Hooked on Swing" LPs. K-Tel seeks damages and injunctive relief.

200. L.A. Video Gems involved in two legal actions. *Billboard*, vol. 94, no. 15 (April 17, 1982), p. 40.

Video Gems has been named in a suit filed by Golden Harvest, Ltd. (Hong Kong) and others. The suits seeks to enjoin defendant from making and selling videocassettes of a copyrighted Bruce Lee martial arts film. In another action, Video Gems is the plaintiff. That suit alleges that Cineworld Pictures licensed video rights to a motion picture which it had no authority to license.

201. LEWIN, TAMAR. Music charges for local TV are ruled illegal. *The New York Times*, vol. CXXXI, no. 45,412 (Aug. 21, 1982), pp. 1, 37.

A federal district judge has ruled that the so-called blanket licensing system used by ASCAP and BMI to charge local television stations for their use of copyrighted music is illegal. Judge Gagliardi said that the practice not only violates the antitrust laws but hinders competition among composers and authors since TV stations are charged one fee no matter how much music they use, which leaves no incentive for composers to engage in price competition.

202. LICHTMAN, IRV. Judge decides in favor of Mills in 'Sorry' suit. *Billboard*, vol. 94, no. 28 (July 24, 1982), p. 68.

A dispute between Mills Music and Ted Snyder Music over mechanical royalties on the song "Who's Sorry Now?" has been decided in Mills' favor. Ted Snyder co-authored the song, and, apparently, licensed it to Mills. After the 1976 Copyright Act went into effect, Snyder's estate terminated the license and recaptured Snyder's rights under the reversionary provisions of the law. The court ruled that Mills was entitled to receive the mechanical royalties on the song even though its license had been terminated and the rights thereunder had reverted to the Snyder estate.

203. LICHTMAN, IRV. On mechanical royalties: publishers get \$5.98 guarantees. *Billboard*, vol. 94, no. 33 (Aug. 21, 1982), p. 45.

Guaranteeing music publishers minimum unit sales in return for lower mechanical rates is a tactic used by record manufacturers in negotiating publishing contracts. Publishers have no standard

policy regarding reduced mechanical rates, but will often agree to a three-cent instead of the statutory four-cent rate for each tune used on certain albums. The order in which the recording and publishing deals are negotiated is a factor affecting a publisher's willingness to reduce mechanicals.

204. LICHTMAN, IRV. Retailers cool to antipiracy funding plan. *Billboard*, vol. 94, no. 18 (May 8, 1982), pp. 3, 18.

Bob Summer of RCA Records appealed to record merchandisers at the NARM convention to make financial contributions to the organization's anticounterfeiting efforts. He proposed that they contribute according to one of two formulas that have been endorsed by the Recording Industry Assn. of America. "One formula calls for a  $\frac{1}{4}$  cent levy per unit sold to be remitted by manufacturers." The other plan sets out a tiered payment scheduled with donations based on a retail or racked location's yearly "operation billing."

205. Lotte Lenya estate to be divided. *Washington Post*, vol. 105, no. 263 (Aug. 25, 1982), p. B11.

A settlement was reached in the legal dispute over ownership of musical manuscripts, copyrights and royalties of the late Lotte Lenya and her husband, Kurt Weill. Lenya bequeathed royalties from the performance of Weill's musicals to the Kurt Weill Foundation for Music, and Weill's music manuscripts to the Music Library of Yale University. The Foundation and the executors of the Lenya will brought suit contending that the will did not convey the late singer's wishes concerning her property distribution. Under the settlement, the Foundation will "own and control all copyrights," including those pertaining to materials willed to Yale.

206. LOYND, RAY. Columbia sues Embassy over 'Blue Lagoon' in 'Paradise'. *The Hollywood Reporter*, vol. CCLXXI, no. 46 (May 18, 1982), p. 4.

Columbia Pictures is seeking to enjoin the distribution of the film "Paradise." Plaintiff claims that the movie, which is an Embassy Pictures release, infringes the copyright in its "The Blue Lagoon" feature. Pending action on its motion for a preliminary injunction, Columbia is asking the court to temporarily restrain print and television advertising for defendant's movie.



207. Marquee Television wins piracy damages in D.C. judgment. *Daily Variety*, vol. 196, no. 26 (July 13, 1982), p. 6.

An award of \$102,375 was granted to MDS distributor Marquee Television in its suit against Aida TV owner William Early. The court also issued permanent injunctions against Early and eleven other distributors who were found to have been selling illegal electronic equipment designed to pick up Marquee's signals.

208. McDOWELL, EDWIN. Publishing: Reagan veto is praised by authors. *The New York Times*, vol. CXXXI, no. 45,369 (July 9, 1982), p. C24.

H.R. 6198, a bill that would have extended for four years the manufacturing clause of the Copyright Act, has been vetoed by the President. The veto was somewhat a surprise since the bill had been passed by Congress with pressure from labor organizations who contended that without the clause many books would be printed overseas in low-wage countries.

209. McMASTERS, THERESA. NCTA seeking reversal of Eastern Microwave ruling. *The Hollywood Reporter*, vol. CCLXXI, no. 43 (May 13, 1982), pp. 1, 6.

The National Cable TV Assn. filed a friend-of-the-court brief in the Eastern Microwave Inc. copyright infringement case. The brief asks the court of appeals to reverse the lower court ruling in the suit. That ruling held that Eastern was not a passive carrier and was, therefore, liable for copyright payments for programs that it retransmitted to cable systems. The NCTA maintains that the district court erred in its interpretation of the law and argues that the ruling, if allowed to stand, "would have the effect of undoing the compulsory license provisions of the Copyright Act of 1976."

210. MPAA: Compulsory license watchdog. *Broadcasting*, vol. 103, no. 6 (Aug. 9, 1982), p. 30.

The Motion Picture Association of America (MPAA) has filed suit against the Arlington Telecommunications Corp. (Artec), for alleged failure to pay compulsory license fees. Eleven motion picture companies that belong to MPAA charged in the complaint that Artec infringed on their copyrights by underpaying its "dis-

tant signal" fees in 1979 and 1981 and paying no fees in 1980. MPAA said that cable operators used several techniques to avoid paying the fee, such as "erroneously classifying the type of stations carried, splitting systems so that their gross receipts are understated, reporting gross receipts by 'tier' rather than for the entire system and prorating the fees for signals added or deleted during the accounting period."

211. MPAA investigation leads to FBI nab of 2,000 film masters. *Variety*, vol. 308, no. 3 (Aug. 18, 1982), p. 38.

An FBI raid on the home of Air Force Captain Eugene Horvath netted some 2,000 master tapes of popular motion pictures. Taping and duplicating equipment, a TV camera and a computer were also seized. Since some of the confiscated films had not been released to the home market, authorities surmise that the copies were made from cable TV showings or from pirate prints.

212. MPAA lobs first CRT volley. *Broadcasting*, vol. 102, no. 25 (June 21, 1982), p. 50.

The Copyright Royalty Tribunal (CRT) has begun hearings into whether the rates for the cable compulsory license should be changed as a result of the FCC deregulation actions. MPAA President Jack Valenti said that the rates set in 1976 were arbitrary and should be increased ten to twelve times the present rates. Valenti argued that the rates should be equal the amount cable operators would have to pay for programs if they were secured in the marketplace rather than under controlled conditions.

213. Must-carry rules exemption request draws NAB's fire. *Daily Variety*, vol. 195, no. 60 (May 28, 1982), pp. 1, 24.

The Federal Communications Commission has been asked to exempt cable systems with fewer than twenty-one channels from must-carry rules. The request, which was made by the New Jersey Office of Cable Television, is opposed by the National Association of Broadcasters. The New Jersey office based its request on the contention that "special relief is warranted because . . . excessive saturation of television signals" exists in the state.

214. NAB asks for rehearing of '78 copyright decision. *Broadcasting*, vol. 102, no. 20 (May 17, 1982), p. 49.

The National Association of Broadcasters (NAB) has petitioned the U.S. Court of Appeals to rehear the 1978 allocation of the copyright royalty distribution case. The NAB says that the judges who heard the appeal of the Copyright Royalty Tribunal's decision erred in holding that the value of the copyrights the broadcasters held was *de minimis*. The NAB did not seek a rehearing on the decision of the CRT not to make awards to radio broadcasters.

215. New laws sought: Finns fighting record rental. *Billboard*, vol. 94, no. 33 (Aug. 21, 1982), p. 61.

Several Finnish music industry organizations, including TEOSTO, the copyright collection bureau, are planning to lobby the government for a law prohibiting record rentals. The industry claims that rentals, along with home taping and piracy, are affecting local record and prerecorded tape sales.

216. New penalties for piracy in Sweden. *Billboard*, vol. 94, no. 25 (June 26, 1982), p. 68.

July 1, 1982 is the effective date of Sweden's new piracy law. The law makes counterfeiting and piracy a felony and increases the maximum prison term for such violations from six months to two years.

217. New penalties for record, tape and film pirates. *The Washington Post*, vol. 105, no. 171 (May 25, 1982), pp. B10.

The President has signed into law S. 691 [P.L. 97-180], increasing the penalties for persons convicted of pirating and counterfeiting records, tapes and films. The maximum fines and imprisonment terms would be increased from \$25,000 and two years to \$250,000 and five years. First time offenders could also be subject to the maximum penalties.

218. Nigerian musicians assn. asks gov't to fight piracy. *Billboard*, vol. 94, no. 21 (May 29, 1982), p. 57.

The Performing Musicians' Association (PMA) of Nigeria is lobbying the government to take some antipiracy action. The organization is also seeking the aid of IFPI's anti-piracy experts. Nigeria is acknowledged to have one of the world's most acute record/tape piracy problems. The PMA claims that "the Govern-

ment could derive up to \$1.5 billion in revenue from the legitimate music industry" if pirate and bootleg activity were checked.

219. Paramount rebuffs Nash over rights to 'The Rainmaker.' *The Hollywood Reporter*, vol. CCLXXI, no. 47 (May 19, 1982), pp. 1, 12.

N. Richard Nash is challenging Paramount Video's right to photograph a live stage version of "The Rainmaker." Nash, who is the author of the work, contractually granted to Paramount the motion picture rights. He claims that those rights do not extend to the filming of a theatrical performance of the work. Paramount argues, however, that the rights do include the right to remake the film from a live theatrical production as long as the audience is a non-paying one.

220. Personalities. *The Washington Post*, vol. 105, no. 242 (Aug. 4, 1982), p. B3.

Lisa Litchfield, a writer, has filed suit against Steven Spielberg Productions and Universal Studios claiming that the movie "E.T.—The Extra-Terrestrial" was taken from a play she wrote. Ms. Litchfield says that "E.T." was based on a play she wrote in 1978 entitled "Lokey from Maldman", which she submitted to Universal for consideration as a film project, but which the studio rejected. The suit seeks \$750 million in damages.

221. Philippine music pirates doing record-breaking biz. *Daily Variety*, vol. 195, no. 30 (Apr. 16, 1982), p. 20.

Music piracy is a growing problem in the Philippines. The president of the Philippine Association of Recording Industry claims that the pirates make approximately \$6 million annually. With the country's 258 commercial radio stations, some of which openly encourage off-air-taping of recorded music, home taping is another problem that is plaguing the industry. Compounding this problem is the fact that the majority of station producers pay neither performing right royalties nor broadcast license fees for the music they use.

222. Piracy, local product lack worries Oz pioneer Walter Lehne. *Variety*, vol. 307, no. 1 (May 5, 1982), p. 78.

A major video distributor in Australia said that he feels piracy is a problem that is almost impossible to prevent. He said that

devices intended to defeat pirates are quickly overcome by new technology and that consumers always have and always will make copies.

223. Pirate eyes chase videocassette pirates. *Variety*, vol. 307, no. 8 (June 23, 1982), p. 37.

Ireland's Society of Film Distributors is employing detectives to conduct undercover video piracy investigations. Information uncovered by the detectives is turned over to the police for further action. The current fine for a piracy conviction is about \$7.50 per offense.

224. Pirated Pac-Man? FBI seizes games. *Billboard*, vol. 94, no. 33 (Aug. 21, 1982), p. 32.

Recent FBI raids on U.S. Amusements and Bagatelle Amusements in New Jersey netted sixty allegedly counterfeit video arcade games. The seizures were, reportedly, the first video game confiscations to be carried out under the Piracy and Counterfeiting Amendment Act.

225. Pirated product: Greece takes swift action in imported cassette case. *Billboard*, vol. 96, no. 27 (July 10, 1982), p. 59.

The threat of stopping legitimate supplies to local record dealers caught selling illegal product proved to be an effective antipiracy tool in Greece. Yannis Polydoros, a Greek record wholesaler/retailer, had stocked and distributed allegedly illegal cassettes bearing the IBM logo. Polydoros insisted that he had legally imported the cassettes from Singapore. The threat by major record companies in Greece of refusing to supply anyone stocking the pirate product prompted local retailers, including Polydoros, to remove the cassettes from their shelves.

226. Pirates fight back in the Philippines. *Variety*, vol. 307, no. 6 (June 9, 1982), pp. 37, 38.

Nine members of the Philippine Video Association are suing investigators who conducted a raid on a suspected pirate operation. More than 700 videocassettes of foreign motion pictures were confiscated in the raid. The seizure was prompted by a Twentieth Century-Fox official who claimed that illegal copies of copyrighted films were being openly sold in local shops.

227. Portugal introduces new antipiracy legislation. *Billboard*, vol. 94, no. 24 (June 19, 1982), p. 54.

Portugal's Minister of Culture Francisco Lucas Pires told the council meeting of the International Federation of Phonogram and Videogram Producers that his government is drafting a new copyright code. He said that the measure would include neighboring rights and antipiracy provisions. Pires also announced the ratification of the Rome and Geneva Conventions.

228. Prices, piracy and porn are factors in slow N.Z. h'vid buildup. *Variety*, vol. 307, no. 1 (May 5, 1982), pp. 107, 110.

Though New Zealand's video market is only sixteen months old, piracy is already a problem that has local distributors worried. Other problems confronting the fledgling markets are the high cost of video hardware and software and pornographic homevideo product. Distributors believe that these problems have slowed the market's growth.

229. Public broadcasting comes to copyright terms on music. *Broadcasting*, vol. 103, no. 5 (Aug. 2, 1982), p. 54.

The Corporation for Public Broadcasting, which represents PBS and NPR, has tentatively reached an agreement with ASCAP and BMI over music licensing. Although details of the agreement are not available, sources say that one of the provisions calls for a five-year contract.

230. Publishers chase rights as music usage grows. *Billboard*, vol. 94, no. 21 (May 29, 1982), pp. J-12, J-16, J-17.

Japan's Music Publishers Association (MPA) has made several achievements since 1980. Among them is the lowering of "the mechanical commission paid by publishers to" the Japanese Society for Rights of Authors, Composers and Publishers (JASRAC) from 11 to 10%. The formation of a committee to draft a new rate "for mechanical charges for video tapes and disks" is another of the MPA's accomplishments. The payment of JASRAC of royalties on imported records is also attributable to the MPA's efforts.

231. Publishers file suit vs. disk retailer. *Billboard*, vol. 94, no. 18 (May 8, 1982), pp. 4, 67.

Northern Songs Ltd. and Arc Music filed separate copyright

infringement suits against Allen Day and his Cheapo Records. The complaints, which seek \$50,000 per infringement and injunctive relief, alleges that defendant sold records containing songs for which no license had been granted.

232. Publishers see pros, cons in new entertainment technologies. *Variety*, vol. 306, no. 13 (Apr. 28, 1982), p. 95.

Such innovations as digital disk could be a prime income opportunity for music publishers. That is what Jay Lowy of Jobete Music told a gathering at a California Copyright Conference dinner meeting. He warned them, however, that such advances as cable and homevideo pose special problems for the music industry. Citing music use rights as one of the problem areas, Lowy said that music publishers have been intimidated into believing that cable-homevideo producers will accept nothing less than broad rights. Consequently, "few writers and publishers have seen any money from music usage in these fields."

233. Rights call: Granville CISAC paper suggests short-term pay, cable TV pacts. *Billboard*, vol. 94, no. 20 (May 22, 1982), p. 59.

In a paper entitled "The Impact of Cable on Broadcasting from the Perspective of Copyright Owners," BMI's Elizabeth Granville recommends short-term performing rights licenses for cable and pay-TV. The paper suggests that the licenses also include escalator provisions. The terms of such provisions should be determined by such factors as advertising revenue, subscriber income and the frequency, duration and type of use made of the copyrighted material. Ms. Granville's paper was delivered at the legal and legislative committee meeting of CISAC in Vienna.

234. ROBERTSHAW, NICK. British chain hit with parallel imports lawsuit. *Billboard*, vol. 94, no. 22 (June 5, 1982), p. 19, 60.

In the British Phonographic Industry's (BPI) suit against John Menzies, the Scottish Court of Session issued an ex parte injunction. The order enjoins Menzies, which is a 140-store retail chain, "from importing or selling (without prior consent) records to which BPI member firms have U.K. rights." The suit is in keeping with the BPI's efforts against illegal parallel imports.

235. ROBINSON, RUTH A. Antipiracy system developed for wide usage

in industry. *The Hollywood Reporter*, vol. CCLXXI, no. 34 (Apr. 30, 1982), pp. 1, 4.

Light Signatures Inc. has devised a computer generated light beam that can be used to fight record piracy. The beam converts paper patterns "to a unique number which is then cryptographically printed on the paper label, which then provides a 'natural fingerprint' to be electronically read." Counterfeit labels, when passed through the light beam, are instantly identified. The system also provides the identity of the record retailer that is selling counterfeit product.

236. ROBINSON, RUTH A. CEO bill now on its way to passage. *The Hollywood Reporter*, vol. CCLXXI, no. 39 (May 7, 1982), pp. 1, 4.

The California State Assembly's Revenue and Taxation Committee unanimously passed AB 2871, a bill that would exempt from state sales tax all copyrightable artistic and intangible elements of producing master recordings. Acting under its reinterpretation of a tax statute, the California State Board of Equalization (SBE) declared that engineers, producers and studio owners pay a retroactive sales tax on master recordings production expenses. AB 2871, which was drafted by the California Entertainment Organization and Assemblywoman Gwen Moore, would overturn the SBE's ruling.

237. ROBINSON, RUTH A. IFPI sets \$1 mil in antipiracy fund. *The Hollywood Reporter*, vol. CCLXXII, no. 15 (June 15, 1982), p. 21.

The International Federation of Producers of Phonograms and Videograms (IFPI) is implementing a new fund-raising strategy which it hopes will generate \$300,000 for the antipiracy war chest. Under the plan, some one hundred recording artists will receive mailings containing "confiscated pirate copies of their current albums."

238. ROBINSON, RUTH A. Japan broadcast royalty increase subject of talks. *The Hollywood Reporter*, vol. CCLXXII, no. 34 (July 13, 1982), pp. 1, 5.

A new royalty agreement has been negotiated between JAS-RAC, Japan's royalty collection agency, and broadcasters. The agreement provides that the government broadcasters association increase its royalty payments "from .069 in 1981 to .081 and the . . . private broadcasters union from .065 to .076 in 1984."



239. ROBINSON, RUTH A. Record rental stores on rise; activity linked to home taping. *The Hollywood Reporter*, vol. CCLXXII, no. 45 (July 28, 1982), pp. 1, 8.

In an interview with *The Hollywood Reporter*, Stanley Gortikov cited home taping as the reason for the rapid growth rate of the record rental business. Gortikov, who is president of the Recording Industry Assn. of America, talked about the damage being done by home taping. He also explained the status of various legislative measures that have been proposed as a result of the *Betamax* decision.

240. Rod Stewart sued over 'Only Joking'. *Daily Variety*, vol. 195, no. 56 (May 24, 1982), p. 14.

Rod Stewart is being sued for copyright infringement. The complaint charges that Stewart's hit "I Was Only Joking" violates the copyright in two songs written by Michael Bartling. Bartling seeks all profits from the sale of the song and an injunction against further sale.

241. RODRIGUEZ, CES. Philippine pirates getting out-of-court settlements. *Billboard*, vol. 94, no. 24 (June 19, 1982), p. 53.

PARI, the Philippine record industry association, is seeking out of court settlements as an alternative to piracy litigation. Litigation is costly and time consuming, whereas the settlement offers quick results and allows the association "the time and resources to step up its antipiracy campaign."

242. Rooney suit against eight majors dismissed. *Daily Variety*, vol. 195, no. 33 (Apr. 21, 1982), pp. 1, 10.

Mickey Rooney's antitrust suit against Columbia Pictures Industries, Inc. and others was dismissed. The complaint had charged that defendants conspired to commercially exploit Rooney's rights in pre-1960 films without compensating him. The court ruled that plaintiff had contractually granted to defendants "all rights to use and exploit in the alternative markets" the films in question.

243. ROWSON, RICHARD C. The television licensing center: a boon to students, teachers and researchers. *Videodisc/Teletext*, vol. 1, no. 2 (Spring 1981), pp. 104-107.

Mr. Rowson explains the establishing and workings of a national clearinghouse granting off-air videotaping licenses to leading resources centers, libraries and educational institutions. The television licensing center's (TLC) licensing fee varies depending upon the program and/or series. The normal fee is \$50 for one copy of one hour for one year, with per copy per hour costs decreasing as number of copies and period of use increases. Former Copyright Office consultant Ivan Bender is Executive Director of TLC.

244. SACEM chief wins case vs. Corsican newspapers. *Billboard*, vol. 94, no. 23 (June 12, 1982), p. 91.

The Paris High Court has rendered a judgment against two French newspapers over their coverage of an incident involving Corsican composers. The composers seized and occupied the SACEM (French copyright society) office in Corsica. The newspapers included in their account of the issues surrounding the takeover several criminal allegations that were made by the composers against Jean-Loup Tournier, who is the head of SACEM. The Court ordered one of the papers to pay approximately \$900 and the other to print the judgment in an edition of its paper.

245. SACKS, LEO. Grand jury probe: 'dance' pirates hit by raids. *Billboard*, vol. 94, no. 23 (June 12, 1982), pp. 3, 14.

Pirate raids on four New York record retailers and a dealer/distributor netted more than a thousand jackets and hundreds of finished 12-inch masters. The seizures were the result of a grand jury investigation into the manufacture, sale and distribution of illicit recordings of dance music compilations. Authorities would not divulge the names of the stores that were raided.

246. SAMPSON, JIM. German levy on hardware facing fight. *Billboard*, vol. 94, no. 27 (July 10, 1982), pp. 3, 59.

Since the mid sixties, West Germany has had a recording hardware levy to compensate rights holders for income losses from home taping. ZPU, the agency responsible for collecting the tax, has been negotiating with Japanese manufacturers in Germany to set a new rate because the old rate agreement expired in 1977. A few months ago, mediators from the German Patent Office recommended an interim "rate of 3.8% of manufacturer

domestic wholesale net on consumer video recorders and 2.8% on semi-professional units." ZPU accepted the proposal, but the Japanese firms rejected it. Both sides feel that the matter will ultimately have to be resolved by legislation clarifying rights protection and compensation.

247. Say it ain't so, John. *Variety*, vol. 307, no. 12 (July 21, 1982), p. 38.

While recently testifying before the Copyright Royalty Tribunal, John Evans of Arlington Telecommunications Corporation was asked to explain irregularities and shortages in his company's 1980 and 1981 cable royalty payments. Evans' testimony was to have focused on cable industry concerns about possible royalty fee increases.

248. SCHULMAN, LIEF. Swedes upset with low blank tape levy share. *Billboard*, vol. 94, no. 23 (June 12, 1982), p. 106.

Sweden's new blank tape levy imposes a \$6 tax on a 120-minute cassette and a \$9 tax on a 180-minute tape. Proceeds from the levy are expected to total about \$24 million annually. \$8 million of the funds will go to "support the local culture," and \$1.6 million of that figure will be distributed to copyright owners as compensation for losses from home taping.

249. School paper delivers how-to piracy. *Variety*, vol. 307, no. 3 (May 19, 1982), p. 2.

An article in a Boston high school newspaper resulted in Times-Mirror Cablevision losing thousands of dollars. The article detailed how cable customers could transpose the wires of their signal boxes to view pay channels for free. Times-Mirror says it will not take any legal action. However, it has begun removing the boxes from certain customers' houses and installing them on top of telephone poles.

250. See prison as potent U.K. piracy panacea. *Variety*, vol. 307, no. 2 (May 12, 1982), pp. 411, 413.

A motion is before the British Parliament calling for amendment of the United Kingdom's Copyright Act to provide punitive penalties, including imprisonment, for piracy. Piracy is a criminal offense, but the maximum penalty under the Act is a fine of \$88.50. Therefore, most plaintiffs in actions against video pirates choose the civil action route because they can sue for damages.

251. Seek tape royalty to offset \$5-10 mil annual Oz piracy loss. *Billboard*, vol. 307, no. 1 (May 5, 1982), pp. 76, 78.

The Video Copyright Owners Association of Australia has proposed a royalty on blank tape. The proceeds of the royalty would be used "to pay copyright owners for the use of their works." The proposal also recommends that a law be drafted legalizing home taping. With respect to piracy, the Association is actively working with the federal police and is diligently persecuting offenders.

252. Settle Manacher suit over 'Times Square.' *Variety*, vol. 308, no. 1 (Aug. 4, 1982), p. 17.

Gary Manacher and the Stigwood Group reached a settlement concerning the film "Time Square". Apparently, the film was similar to a dramatic work written by Manacher in 1973. The details and the amount of the settlement were not disclosed.

253. SIPPEL, JOHN. Register of Copyright: Ladd urges tough stance in home taping battle. *Billboard*, vol. 94, no. 33 (Aug. 21, 1982), p. 74.

Speaking at a dinner meeting of the California Copyright Conference, Register of Copyrights David Ladd said that the music industry must better support its position against home taping. He indicated that documenting economic harm would help to provide such support. The Register cautioned, however, that even with documentation it will be difficult to slow down the momentum of the legislative campaign launched by pro-home taping forces.

254. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXI, no. 29 (Apr. 23, 1982), p. 16.

The Supreme Court recently denied certiorari in a copyright suit involving the TV miniseries "Equal Justice Under Law." Though a half-million-dollar grant from the federal government helped to fund the project, copyright was claimed in the name of the public broadcast station that produced the miniseries. Two newspaper writers brought suit challenging the station's right to claim copyright in a work whose production was funded with public money. This article examined the issues and discusses the lower court decisions in the case.

255. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXII, no. 4 (May 28, 1982), p. 12.

As a general rule, parodies are exempted from copyright liability. Three recent suits, however, illustrate that "the line between permissible parody and impermissible copyright infringement is sometimes elusive." This article discusses these cases and examines the decisions rendered in each.

256. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXII, no. 8 (June 4, 1982), p. 11.

The "doctrine of substantial similarity" is applied in most copyright infringement cases. Generally speaking, the doctrine says that "one work infringes the copyright of another only if the two are 'substantially similar'." Mr. Sobel discusses the doctrine and examines several suits in which the test was applied. Among the cases examined are *Twentieth Century-Fox v. Universal*, involving "Battlestar Galactica" and "Star Wars", and *Warner Bros. v. ABC*, concerning "The Greatest American Hero" and "Superman".

257. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXII, no. 13 (June 11, 1982), p. 14.

An examination of the issues in two suits involving the movie and television rights to Thomas Thompson's book, "Blood and Money". David Merrick, who acquired the rights, charged copyright infringement in one action and breach of contract in the other. Both suits failed.

258. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXII, no. 23 (June 25, 1982), p. 10.

To get the Copyright Act passed in 1976, Congress made some compromises. Now Congress is considering several amendments that address some of the issues that were either compromised away or ignored when the law was enacted. One of these issues, performance rights for sound recordings, is examined in this article. Attention is also focused on a writing entitled "In Support of Performance Rights in Sound Recording" that appeared in a recent issue of the UCLA Law Review.

259. Songwriters sue pubbers. *Variety*, vol. 307, no. 2 (May 12, 1982), p. 465.

The authors of the song "Trying to Get to You" filed suit against Robert Chad and others. The complaint alleges that Charlie Singleton and Rose Marie McCoy, the plaintiffs in the action, never received payment or an accounting of royalties owing under their contract with the defendants. Plaintiffs claim that their son was recorded by several artists, including the late Elvis Presley.

260. Sony is target of another suit by Universal over videotaping. *Broadcasting*, vol. 103, no. 2 (July 12, 1982), pp. 52, 54.

Universal City Studios has filed a second lawsuit against Sony Corporation for allegedly illegal home videotaping. Filed in the U.S. District Court in Los Angeles on July 1, the suit covers 6,000 Universal motion pictures that have been televised since 1979. In addition to Sony, other defendants include Carter Hawley Hale Stores, Inc., Associated Dry Goods Corp., Federated Department Stores, Inc., Henry's Camera Corp., and Doyle Dane Bernbach, Inc.

261. SPAHR, WOLFGANG. Cites decreased income: German assn. renewing plea for blank tape levy. *Billboard*, vol. 94, no. 25 (June 26, 1982), p. 64.

The DMV, West Germany's publishing association, is striving to resolve problems that are plaguing the industry. Of major concern is home taping, for which the DMV would like to see a blank tape levy imposed. Another problem is the illegal photocopying of sheet music. The association would like to see stronger penalties for such violations. Finally, the DMV alleges that American publishers are illegally selling parallel imports of German-language songbooks at international music fairs and other events. The organization is threatening legal action against the publishers if the practice persists.

262. SPAHR, WOLFGANG. Overseas payment delays anger German publishers. *Billboard*, vol. 94, no. 30 (July 31, 1982), pp. 9, 46.

The delay in rights payments from overseas was among the topics discussed at the German Music Publishers' Assn. annual meeting. The publishers noted that the U.S. and Britain were particularly slow in this regard. An increase in the license fee for concert promoters, the unauthorized use of music titles in advertising, and plagiarism were also discussed.

263. SPAHR, WOLFGANG. West German assn. hits new high in royalty \$\$*. Billboard*, vol. 94, no. 26 (July 3, 1982), pp. 9, 55.

Last year the royalty income collected by GEMA, West Germany's copyright society, totaled \$209.4 million. Of that amount, \$109.6 million represented mechanical rights earnings and \$78.8 million was contributed for performing, broadcast, library music and associated rights.

264. Suit filed by Hendrix' father. *Billboard*, vol. 94, no. 22 (June 5, 1982), p. 40.

A suit has been filed against Media Home Entertainment by James A. Hendrix, the father of the late guitarist Jimi Hendrix. Plaintiff claims that defendant is illegally marketing two of his son's performances. The complaint seeks declarative and injunctive relief as well as \$1 million in exemplary damages.

265. SUTHERLAND, SAM. Pirates keep up with the trade: some are now duplicating anti-counterfeiting devices. *Billboard*, vol. 94, no. 24 (June 19, 1982), pp. 4, 15.

An intensive surveillance of the audio and video software market by Warner Communications indicates that counterfeiting is on the rise and that "pirates are increasingly sophisticated in their production and distribution of illicit merchandise." It shows that pirates are even trying to duplicate anticounterfeiting devices. Supporting these contentions is evidence of deliveries of suspect import product, greater quantities of pirate cassettes and 8-tracks seized and increased branching out of audio software pirates into videocassette counterfeiting.

266. Sweden sets levy on tape. *Billboard*, vol. 94, no. 21 (May 29, 1982), p. 3.

Sweden has passed a blank audio and video tape levy. The tax, which applies to all tapes that are more than thirty minutes long, "will be calculated at the rate of 0.5 cents per minute on audio tape and 5 cents per minute on video." The effective date of the levy is September 1.

267. Taking the VCR points of view to Congress. *Broadcasting*, vol. 102, no. 25 (June 21, 1982), pp. 26, 27.

In a meeting before the Congressional Arts Caucus on June

15th, former FCC chairman Charles Ferris said that "Hollywood producers are reacting to the new videocassette technology in the same way they reacted to the birth of TV: by trying to kill it." He also said that the technology that allows TV viewers to avoid commercials, and the editing devices that permit VCR users to skip them are no threat to the program industry. However, Jack Valenti, President of MPAA, said that his industry is embracing the new technology, and is trying to "define the rights of copyright owners."

268. TERRY, KEN. K-Tel first diskery to adopt Polaproof antipirate system. *Daily Variety*, vol. 196, no. 48 (Aug. 12, 1982), pp. 1, 6.

The Polaroid Corp. has devised what it calls the Polaproof anticounterfeiting system. K-Tel, the television record marketing firm, is adopting the system for its products. The unique anticounterfeiting feature of the system is that the labels are non-duplicable and are easily identified with the naked eye.

269. Thai piracy: IFPI campaign termed a success as many pirates 'go legitimate.' *Billboard*, vol. 94, no. 27 (July 10, 1982), p. 58.

IFPI reports that piracy is down in Thailand. The drop in activity is largely attributed to steps taken to allow pirates to become legitimate manufacturers and distributors. Raids on shops and stalls stocking illicit product also played a significant role in reducing illegal trade.

270. Three who sold bootleg LPs claim they took orders. *Variety*, vol. 307, no. 8 (June 23, 1982), p. 71.

Conspiracy charges were dropped against the managers of three Minnesota record stores who were accused of selling illegally reproduced albums. The charges were dropped in exchange for their pleading guilty to selling bootleg LPs to undercover FBI agents. The managers claimed that George Powell, the owner of the stores, had instructed them to sell the bootleg recordings. Powell is awaiting trial in federal district court.

271. Two raids recover 22,200 alleged bogus disks, tapes. *Variety*, vol. 307, no. 5 (June 2, 1982), p. 73.

Unrelated raids in California and Kentucky netted more than 22,000 allegedly illegal records and tapes. One man was arrested and charged with violating the copyright law in the California



seizure. Four persons were apprehended in the Kentucky raid. Each was charged with one count of "illegal possession of unauthorized reproductions of sound recordings."

272. U.K. cracking down on vid pirates; bill uses c'right power. *Variety*, vol. 307, no. 11 (July 14, 1982), pp. 1, 116.

The British House of Commons passed "a bill making possession, by way of trade, of material that infringes copyright an offense under the Copyright Act." Though they want total revision of the copyright law, the film, TV and music industries view this amendment as a satisfactory interim measure. The amendment becomes law at the end of June.

273. U.K. piracy pestilence propels proliferating video trade orgs. *Variety*, vol. 307, no. 2 (May 12, 1982), p. 412.

Various video trade associations in the United Kingdom are working to wipe out piracy. Some of these organizations investigate suspected pirate operations and initiate civil court proceedings. Others pass on "information about piracy to those able to take legal action." This article talks about these groups and about their antipiracy efforts.

274. U.K. pirate gets prison term. *Billboard*, vol. 94, no. 24 (June 19, 1982), p. 53.

In a copyright infringement action brought by the British Phonographic Industry, Steven Lambert was sentenced to four months in jail. Lambert, who is accused of distributing and manufacturing inlay cards for counterfeit cassettes, was jailed for failing to comply with an order allowing plaintiffs to seize three of defendant's cars as assets. He faces further penalties if found guilty of the counterfeiting charges.

275. U.K. vid piracy fight intensifies: raids net large amounts of allegedly illegal software. *Billboard*, vol. 94, no. 21 (May 29, 1982), p. 57.

Antipiracy efforts by Britain's motion picture organizations have resulted in suits against John Duggan and several video clubs. The clubs allegedly were manufacturing or renting pirated software, and Duggan is accused of operating one of the largest illegal factories uncovered to date. Plaintiffs in the actions are American and United Kingdom film and video distributors.

276. U.K. video organizations girding to battle piracy. *Billboard*, vol. 94, no. 28 (July 24, 1982), p. 29.

U.K. video and film distribution companies are being asked to join a new federation that is being formed by the British Videogram Association, the Society of Film Distributors and the Motion Picture Association. The main purpose of the new organization will be to combat video piracy and counterfeiting and to lobby for increases in criminal penalties for such offenses.

277. U Studios files 2d suit against Sony. *Daily Variety*, vol. 196, no. 20 (July 2, 1982), p. 13.

Universal Studios filed another hometaping copyright infringement suit against Sony. The defendants in this action are the same as those named in the original *Betamax* suit. The new action alleges that 6,000 additional violations have been committed since the first suit was filed.

278. Urge parliamentary action against pirates. *Variety*, vol. 307, no. 6 (June 9, 1982), p. 37.

A strong lobbying effort in the United Kingdom is being led by Nick Bingham of Thorn EMI's homevideo division. Bingham is seeking to persuade the British Parliament to amend certain penalties and power-to-search statutes. He says the provisions currently "hamper antipiracy work."

279. Video royalty deal aiding composers a first for France. *Variety*, vol. 307, no. 2 (May 12, 1982), p. 411.

SACEM, the French performance rights group, and France's homevideo trade association, GICA, have negotiated a rights agreement. Under the agreement, composers and writers will receive royalties on the sale and rental of videocassettes. The fees will be calculated on the publishers' wholesale price for videocassettes sales and distributors' receipts for rentals. The 1.8% royalty share that SACEM collects will be distributed on a film-by-film basis.

280. VSDA, MPAA team up to fight piracy and educate consumers. *Variety*, vol. 307, no. 8 (June 23, 1982), p. 38.

The Video Software Dealers Assn. and the Motion Picture Assn. of America are launching a two-phase joint antipiracy effort.

Phase I will focus on piracy investigations and convictions. Phase II will be devoted to consumer education and awareness.

281. WAY, MICHAEL. French writer charges plagiarism: Albert hit with 'Feelings' suit. *Billboard*, vol. 94, no. 24 (June 19, 1982), p. 54.

French writer Louis Gaste has brought a plagiarism suit against Morris Albert. The suit alleges that defendant's 1974 world hit, "Feelings," is an appropriation of a tune written by the plaintiff entitled "Pour Toi". Plaintiff, who claims that he wrote "Pour Toi" in 1954 and copyrighted it in 1957, says that an expert analysis of the two songs revealed that "even the bridge between their two main themes" is the same.

282. WAYMAN, JACK. Home taping: scapegoat. *Billboard*, vol. 94, no. 27 (July 10, 1982), p. 14.

In this commentary, the vice president of the Consumer Electronics Groups, Electronic Industry Association says that the recession and the emergence of the video revolution are responsible for the decline in audio sales. He maintains that home taping is only a minor contributor "to the conditions currently facing the recording industry." These conditions can be resolved, he feels, by the industry "competing in the marketplace with new and imaginative products." He argues that a tax on audio recording equipment and blank tape would unfairly penalize millions of people who tape for personal, educational or business reasons.

283. WCI counterfeit patrol prowling through stores. *Variety*, vol. 307, no. 6 (June 9, 1982), p. 59.

In furtherance of its antipiracy efforts, Warner Communications Inc. has employed investigators from Certified Marketing Services. The investigators will visit retail stores to authenticate WEA Corp. and Warner Home Video product via the use of hand-held verifiers. The verifiers are able to read the antipiracy sticker that is affixed to all WEA audio product and Warner cassettes.

284. West German TV marks programs to identify piracy. *Variety*, vol. 307, no. 6 (June 9, 1982), pp. 1, 78.

West Germany's Second TV Net is adopting an antipiracy plan to stop the illegal videotaping of television shows. The plan calls for the marking of programs with the station's symbol in the

upper right hand corner. The markings will make it easier to track and identify illegal videotapes of copyrighted material that is being sold and rented throughout Germany. The First TV Net is expected to also adopt an antipiracy plan.

285. Westlake files plagiarism suit vs. U. Studios. *Daily Variety*, vol. 196, no. 6 (June 14, 1982), p. 6.

Donald Westlake filed a plagiarism suit against Universal Studios. The complaint alleges that defendant's 1980 film "In God We Trust" is an appropriation of plaintiff's 1975 novel "Brother's Keepers". Plaintiff seeks \$100,000 in general damages and \$2,500,000 in punitive damages.

286. Will meet with execs: Soviet copyright reps to visit U.S. *Billboard*, vol. 94, no. 23 (June 12, 1982), p. 67.

At the invitation of the Copyright Service Bureau Ltd., three representatives of VAAP, the Soviet copyright agency, are visiting the United States. The purpose of the visit is to familiarize the VAAP officials with America's music industry interests. It is also to allow American music executives to become familiar with the methods and extent "to which Western music is exploited in the Soviet Union."

287. Williams wins copyright case. *Billboard*, vol. 94, no. 17 (May 1, 1982), p. 55.

The High Court in London enjoined Jan Olofsson from infringing the copyright in nine songs belonging to singer-songwriter Trevor Williams. The court rejected the contention that Olofsson had been assigned the songs by oral agreement with Williams and ordered Olofsson to make an accounting. Though Williams was declared the sole owner of copyright in the works, the court rejected his claim for substantial damages.

288. Writer files suit against U's 'E.T.' *Daily Variety*, vol. 196, no. 42 (Aug. 4, 1982), pp. 1, 5.

Writer Lisa Litchfield filed a \$750,000,000 copyright infringement suit against Universal Studios. Defendant alleges that the idea for the motion picture "E.T." was taken from "Lohey From Naldman", a play she wrote in 1978. She claims that "Lohey" was submitted to Universal in 1979 for consideration as a film project but that it was rejected.

289. Writers, producers divided on split of pic copyright. *Variety*, vol. 307, no. 1 (May 5, 1982), pp. 51, 70.

The Australian Writers Guild and the Film and Television Production Association of Australia are trying to finalize a standard feature film contract. The only remaining issue is copyright. The producers want to acquire the copyright as a whole. The Guild, on the other hand, wants to sell separate rights such as novelization, serialization, etc.

290. YOUNG, DEBORAH. Yanks war on copyright abuse by Italy's myriad TV pirates; \$385 against legit \$15,000. *Variety*, vol. 307, no. 2 (May 12, 1982), pp. 7, 447.

Film piracy is a problem that is plaguing Italy. Unlike other European countries, Italy's problem stems from the proliferation of private stations that broadcast pirated films. Budgetary constraints force these stations to depend on illegal film prints that can be obtained for about a fourth of the cost of legitimate product. Reportedly, antipiracy efforts are beginning to bear fruit for U.S. film distributors who have begun to employ several legal tactics to combat the problem.

## 2. Foreign

### 1. Great Britain

291. Advisory Committee formed for PLR. *The Bookseller*, no. 3983 (Apr. 24, 1982), p. 1558.

The newly formed Advisory Committee for PLR held its first meeting in early May 1982 with author Brigid Brophy and Mark Le Fanu from the Society of Authors attending.

292. BROPHY, BRIGID. Draft PLR scheme before Parliament. *The Bookseller* (Mar. 27, 1982), no. 3979, pp. 1207-1210.

An announcement of the delay of the draft scheme for authors. Ms. Brophy states that three years have passed since the passage of the first act. Under the original 1979 Act, eligible authors who want their Public Lending Right must register their books and they will be paid from a fund supplied by the govern-

ment. Eligibility is confined to British and other EEC nationals. Writers, illustrators and photographers count as authors but editors and translators do not. The author outlines further problems including photocopying and rights of authors and heirs and criticizes the government for its delay in debating the draft scheme, which in turn delays payments to authors.

293. CARTER-RUCK, PETER F. Book box-copyright compendium. *The Bookseller*, no. 3911 (Dec. 6, 1980), p. 2229.

A review of the twelfth edition of *Copinger and Skone-James on Copyright*, and also a history of the work since its first edition. The eleventh edition's chapters have been rearranged with separate sections on taxation and new sections on the European Economic Community, U.S. Code 1966 (Title 17), copyright conventions and agreements, United Kingdom Orders in Council and the Treaty of Rome.

294. Copyright infringement in South Africa. *The Bookseller*, no. 3981 (Apr. 10, 1982), p. 1405.

An account of the importing, selling and infringement of the U.S. edition of *The White Hotel*, authored by D.M. Thomas, by a Johannesburg bookshop, City Books Too. The infringing copies were removed and shipped back to the U.S.

295. Injunction against McGraw-Hill over *Cole's Notes* infringements. *The Bookseller*, no. 3970 (Jan. 23, 1982), p. 252.

A High Court hearing of proceedings against McGraw-Hill Book Co. (UK) Ltd. as a distributor of *Cole's Notes*, which are study aids published by Cole Publishing Ltd. of Canada. This suit was brought by the Society of Authors. High Court granted injunction to stop the import and sale of *Cole's Notes*.

296. Meeting the challenges of the future. *The Bookseller*, no. 3981 (Apr. 10, 1982), pp. 1399-1490.

A look at the Publishers Association meeting and a detailed analysis of the industry as a whole including the topics of photocopying, piracy and collective licensing. The article states that "photocopying in schools has now reached a level where in terms of sales, it is about 10 percent of the school book market."

297. NSW Supreme Court backs copyright owners. *The Bookseller*, no.

3977 (Mar. 13, 1982), p. 956.

A case brought by the Copyright Agency Ltd. against the attorney general and the director-general of education in New South Wales, Australia. The Supreme Court granted *quia timet* relief to plaintiffs, finding that plaintiffs had "cause to fear that their rights would be damaged by teachers who followed the director-general's memorandum no. 81-248." The memo concerns photocopying in schools and inspection of records of photocopying. The judge ordered the director-general to send out a corrective memorandum on the limitation of the powers of inspection of records.

298. Preparing for PLR. *The Bookseller*, no. 3989 (June 5, 1982), p. 2102.

An update on the parliamentary procedures for the Public Lending Right which is due to be completed on June 14, 1982. Some of the problem areas of PLR in Britain involve the fact that both the writer and the illustrator of a book count as coauthors and must be alive when PLR is applied for. This article suggests that writers locate and contact past colleagues in literary ventures.

299. A quick look at copyright. *The Bookseller*, no. 3983 (Apr. 24, 1982), p. 1566.

A look at a new book written by Gavin McFarlane, *A Practical Introduction to Copyright*, published by McGraw-Hill. The book has practical suggestions for authors on how to avoid copyright problems and how to deal with them if they arise. This book also has a section on piracy, the history of copyright and discusses the problems of the publishing, music, record, computer and television industries.

300. Worries over U.S. manufacturing clause continue. *The Bookseller*, no. 3983 (Apr. 24, 1982), p. 1558.

An announcement of the British Printing Industries Federation (BPIF) communication to U.S. Congressmen about retaining the U.S. manufacturing clause. BPIF's director, Stuart Henderson, states that U.S. printers exaggerate the likely damage to their industry if the clause is dropped. He also states that these predictions "are unnecessarily alarmist."

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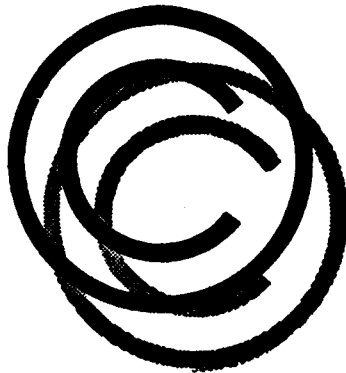




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**EDWARD A. SARGOY**  
**1902-1982**

Edward A. Sargoy, a most distinguished leader and good friend of the copyright community, died on August 10, 1982. In light of his many substantial contributions to The Copyright Society of the U.S.A., its Executive Committee on October 5, 1982, passed the following resolution:

**RESOLUTION**  
**THE COPYRIGHT SOCIETY OF THE U.S.A.**  
October 5, 1982

WHEREAS, the late Edward A. Sargoy, by reason of his dedication to the rights of authors and copyright owners, his scholarly contributions to the resolution of copyright issues, his untiring efforts on behalf of his clients before the courts, the Congress and the Copyright Office, established himself as a recognized leader of the copyright bar; and

WHEREAS, all of the foregoing accomplishments were attained with unfailing gentleness and humanity; and

WHEREAS, The Copyright Society of the U.S.A. in particular benefited from his Presidency of our organization and his service as a Trustee, it is hereby resolved as follows:

1. that The Copyright Society of the U.S.A. express its deep sympathy to the family of the late Edward A. Sargoy, our former President and distinguished leader of the copyright bar and copyright community;
2. that a copy of this resolution be forwarded to Mrs. Sargoy and a copy published in a forthcoming issue of the *Journal of the Copyright Society of the U.S.A.*



JUAN M. TERÁN C.

## PART I

## ARTICLES

301. INTERNATIONAL COPYRIGHT DEVELOPMENTS - A  
THIRD WORLD PERSPECTIVE - *The Twentieth Jean Geiringer  
Memorial Lecture on International Copyright Law\**

By JUAN M. TERÁN C.

First of all I want to express my deeply felt thanks to the Copyright Society of the United States of America for its kind invitation to deliver this Twentieth Jean Geiringer Lecture. I should also like to take this opportunity to give my special thanks to Professor Alan Latman and to my colleague Lewis Flacks of the U.S. Copyright Office.

I very much appreciate the honor of joining the distinguished company of those who have preceded me in delivering these lectures, and those who will surely follow, as a homage to the memory of one of the most outstanding personalities of the contemporary world of international copyright. I consider it an unwarranted distinction for a newcomer to this fascinating realm of law and policy. I prefer to recognize it as a distinction to my country, to my predecessors in our Directorate General of Copyright, and to all those others who in Mexico have dedicated their time, passion and life to building copyright institutions.

After nearly five years of my initiation in copyright matters as Director General of Copyright in the Mexican Ministry of Education, and after participating on a good number of occasions during that time in UNESCO and WIPO discussions on the subject, I will take advantage of your invitation to give you my current personal outlook on the chal-

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\*The Jean Geiringer Lecture was delivered on November 15, 1982 in the New York University School of Law.

\*\*Mr. Terán is the Director General of Author's Rights and the General Director of Educational Radio at the Mexican Secretary's Office of Public Education.

The views of the author expressed herein are strictly personal. The author regrets not mentioning all those friends and colleagues of the copyright world, from Mexico and abroad, whose ideas and comments have contributed to this work, for fear of involuntarily missing any mention. It would be unfair, however, not to acknowledge the contributions of Ms. Aurora Pierdant Grunstein in the research and draft of the notes and references herein included, the assistance of Mr. Juan Piñaloza in such research and the efficient support of Ms. Juanà Castel Martínez in deciphering and transcribing my handwriting through countless hours.

lenges that international copyright law seems to be facing and the sort of actions that in my view such challenges call for. In putting forth this outlook I assume there is, or ought to exist, a valid serious concern in society for the vitality and effectiveness of copyright law. I also admit, from the outset, that my own contribution at home as an official, and internationally as a partner of others similarly responsible, in facing the contemporary challenges to copyright, has surely fallen short. I admit this as a fact; it is not an apology.

The structure of copyright, as a legal institution, essentially attributes to someone—be it an individual, group, corporation, or agency—the original rights to exclude others from utilizing something in certain determined ways. The original holder of such rights of exclusion may then decide on the distribution of his rights, wholly or partially, to others, through licensing or assignment agreements.

In various countries, however, these rights of exclusion include rights that may not be assigned or licensed, i.e. “distributed”, to others, namely the moral rights of authorship, “integrity” and initial publication of the protected work. While the distributable rights are temporary, the non-distributable moral rights are usually permanent.

The structure of copyright as a set of rights of exclusion, however, does not imply a specific socially acknowledged rationale or rationales for the legal rules defining the extent of that set of rights and the original holder in whom they are vested. Domestic laws, doctrine, interest, international treaties, domestic and international binding or advisory decisions, court rulings, recommendations, etc. may, and do, find different rationales for copyright and give diverse weights on different occasions to the rationales that they consider relevant. One can put forth the human rights rationale, the incentive to creation rationale, the individual's natural rights rationale, the social-class-protection rationale, the equitable social treatment rationale, or any other that may be brought to bear, as long as it may be regarded as an essential or relevant—and socially acceptable—justification of copyright. The major rationale or rationales at play, at any given place and time, with regard to the discussion, advice, recommendation, or decision at hand, will mainly depend on the philosophical inclinations, convictions, interests and immediate concerns of those involved and of their formal or informal constituencies.

I underline the distinction between the core structure of copyright and the possible rationales behind it, in order to propose that such distinction reveals that while it is relatively easy to agree on the structure of copyright, as a set of rights of exclusion, regardless of differences in views, convictions, interests, concerns etc., it becomes impossible to find anything like a prevalent or general agreement on rationales for copy-



right and their relative weight.

Further, the substance underpinning any legal institution is a workable consensus and reasonable commitment supporting its everyday life against its transgression, and the heart of consensus and commitment is agreement, particularly regarding those legal institutions that depend largely on international conventions such as copyright. This dependency on agreement derives from the decentralized enforcement power that characterizes international law, as compared to the relatively centralized organization of domestic law enforcement in contemporary nation-states.

Therefore, it is important to clarify the above distinction between structure and rationales of copyright, if we want to insure a workable consensus and reasonable commitment over international copyright, and to face adequately the challenges that it is facing today.

The distinction made does not imply that we can surgically separate structure from rationale. They are bound inextricably by the content of copyright; in other words, by the content of the definition, features and extension of the set of rights of exclusion and their attribution, that constitute this legal institution. Different rationales will result in different decisions or advice about those rights. For example, an individual's natural rights rationale—whether stated explicitly or not—will probably be less amenable to agreement with statutory or legal licensing solutions limiting the extension of copyright, than would an incentive-to-creation rationale, when faced with the fatality of reprography facilities. The same natural individual's rights rationale, however, will likely be more amenable to preserving private use reproduction "rights," that may in practice restrict the extension of copyright even further than statutory licensing (as a matter of conflicting natural rights), than would the incentive to creation rationale.

It is the content of legal rules and the consistency of the principles that they portray, where structure and rationales of legal institutions meet and where agreement becomes tangible as a focus for social consensus, commitment and action. Thus, it is through the agreed establishment of general binding rules, pursuant to consistent principles generally shared, that the potential conflict of contesting rationales of legal institutions is narrowed and a workable consensus and reasonable commitment kept for their effectiveness.

When the latter fails, after a contest of rationales for the content of the rules and/or the principles at stake, these are changed, amended or reinterpreted (reconstrued), in order to continue the preservation of a workable consensus and reasonable commitment supporting the legal institution concerned. Eventually, obsolete institutions are abolished or replaced by new ones.

Within the foregoing framework that I have sketched of the workings of legal institutions, and specifically international copyright, I venture the notion that it is facing formidable challenges that imperil the preservation of its very structure for the future.<sup>1</sup> For how long may we still find a workable international consensus over copyright as a set of rights of exclusion to be distributed by decision of the original creator of the subject matter of exclusion? To what extent today can we honestly conclude that we have a workable consensus and reasonable commitment in the international copyright field, when facing the marvel of technological developments in the distribution, utilization and even creation of works?<sup>2</sup> To what extent can we actually speak of such an international consensus and commitment, when facing the less developed countries' educational demands and needs challenging the core of international copyright as an institution? Finally, to what extent can any such consensus be workable and working, when facing the low level of copyright consciousness in many countries of the Third World and the fragility of the required operational structures?

The questions posed regarding the reality of a workable consensus and reasonable commitment on international copyright, suggest that the formidable challenges faced arise from three sources at the very least:

a) Technological developments that threaten to stress to their limit the agreed content of general rules in international copyright treaties and to dismantle the consistency of their underlying principles. In the face of unforeseen social facts at the time of agreement, those rules seem increasingly unable to narrow sufficiently the contest of rationales involved in copyright, so that a workable consensus in their interpretation and a reasonable commitment to their effectiveness are preserved.

b) Educational demands and needs of the less developed countries ("LDCs") furnish a forceful impulse in questioning the core of international copyright as rights of exclusion. As LDCs meet what they regard as too limited and complex accommodations of their quest in international forums, they react with understandable unwillingness to fight

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<sup>1</sup> Professor Georges Koumantos from Greece has considered the challenges faced by copyright in connection with the preservation of its basic structure as a workable framework to cope with recent technological developments. He has found that the absolute and exclusive right vested in the original holder "... is in process of gradually becoming a simple claim against use securing the owner nothing but what it is customary to call 'equitable remuneration', asserting that these rights of exclusion "... find themselves the subject of criticism under the influence of the present trends towards collectivization of the economic process". *Challenges and Promises of the Mass Media for Copyright*, 17 COPYRIGHT, WIPO Monthly Review, 16-21 (Jan. 1981).

<sup>2</sup> See, Georges Koumantos, *id.*

thoroughly for international copyright and only apply the agreed rules—partially and half-heartedly.

c) Insufficient copyright consciousness and weak administrative infrastructure for compliance in many countries is particularly acute in the Third World,<sup>3</sup> due to the low priority that this policy aspect receives vis-a-vis more real or apparent urgent demands on their attention and resources for development. The low level of copyright consciousness and administration results in partial and defective application of the international copyright conventions;<sup>4</sup> this, in turn, may lead to deviations of their purpose and eventually discredit copyright altogether in many Third World countries.

To substantiate my arguments I will relate some examples, and discuss what in my own view they imply regarding international copyright law and its institutions.

Reprography as a fact of life has been with us now for roughly twenty years. It would seem enough time to have arrived at a minimum international consensus on how copyright should deal with it and to an ensuing reasonable degree of commitment to the effectiveness of copyright in reprography practices, since we do have rules in the relevant treaties.<sup>5</sup> Yet, as far as I know, in most countries reprography of protected works is in effect carried out freely, disregarding copyright altogether, unless it is done as a medium- or large-scale commercial undertaking.

Now, the two major intergovernmental organizations that administer the Universal Copyright Convention—UNESCO—and the Berne Convention—WIPO—discharge their responsibilities by convening the appropriate meetings of experts, government representatives and non-governmental organizations concerned. They provide efficient secretar-

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<sup>3</sup> See Alikhan, S. "Establishing the Protection of Copyright and Neighbouring Rights in Developing Countries," WIPO/UK Training Course on Copyright and Neighboring Rights, London, September 10, 1981.

<sup>4</sup> Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886, completed at Paris on May 4, 1896, revised at Berlin on November 13, 1908, completed at Berne on March 20, 1914, and revised at Rome on June 2, 1948, at Brussels on June 26, 1948, at Stockholm on July 14, 1967, and at Paris on July 24, 1971 (hereinafter cited as the "Berne Convention"), also the Universal Copyright Convention signed at Geneva, on September 16, 1955, and revised at Paris on July 24, 1971 (hereinafter cited as the "UCC").

<sup>5</sup> See, note 4, *supra* the specific provisions establishing the general rules of reproduction are Articles 9 and 10 of the Berne Convention, and Article III of the Appendix (Special Provisions Regarding Developing Countries) to the Convention. As to the UCC, the specific provisions regulating reproduction in general are Articles IV *bis*, V *quater*, and VI.

iat support to their tasks and, in general, they promote awareness of the problems involved to stimulate adequate action within the framework of the resolutions, programmes and budgets approved by their governing bodies.

Some of you may, therefore, recall the joint meeting held in Washington, D.C., in June 1975, of the Subcommittees on Reprography convened by UNESCO and WIPO within the frameworks of the UCC and the Berne Convention, respectively.<sup>6</sup> There were 24 countries represented at the meeting and seven non-governmental organizations; the Hon. Torwald Hessler, Justice of the Supreme Court of Sweden, attended also as an expert consultant. I'm sorry to say I missed this meeting, being appointed half a year later to our Copyright Office. I must confess that, at the time, my mind was galaxies away from copyright—as a topic absent from my legal culture—and I was obviously guiltlessly photocopying works needed for my teaching and professional tasks.

Not having witnessed the discussions at that meeting, reading the report one cannot fail to conclude that the participants were unable to arrive at any reasonable degree of consensus in coping with the issues of methods of compensation and control by copyright holders, and the views, problems and practices of the various types of users: libraries and other non-profit or profit documentation centers, educational institutions, government agencies and so forth. Moreover, the less developed countries' representatives produced a unanimous formal declaration reserving their position, and therefore their commitment, on the overall question of reprography of protected works.<sup>7</sup>

As I understand it, the essence of the nonbinding recommendation

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<sup>6</sup> The first meeting specially convened to deal with reprography was the Committee of Experts on the Photographic Reproduction of Protected Works, which met under the auspices of Unesco and BIRPI (now WIPO) in Paris, from July 1 to 5, 1968. Later on, the Working Group on Reprographic Reproduction of Works Protected by Copyright met, under the joint auspices of Unesco and WIPO, in Paris, from May 2 to 4, 1973. Thereafter, the Sub-Committee of the Executive Committee of the International Union for the Protection of Literary and Artistic Works on Reprographic Reproduction met together with the Sub-Committee of the Intergovernmental Copyright Committee on Reprographic Reproduction, in Washington, D.C., from June 16 to 21, 1975.

<sup>7</sup> This formal declaration of the LDCs was issued on the basis of the UCC and the Berne Convention, considering that these instruments contained the fundamental principles for protecting copyright. The way to resolve the problem was a question left to every nation-state, by means of domestic legislative measures, suitable to their educational, cultural, social and economic development, and corresponding to the provisions of the conventions. *See, Report of the Sub-Committees*, 11 COPYRIGHT 159–175 (Aug. 1975).

issued at the conclusion of the meeting was that each country should determine how to reconcile holders' rights and interests and users' needs, in accordance with the conventions' provisions, choosing or not among the inventory of alternative measures that were discussed.<sup>8</sup>

Mind you, my foregoing statements do not mean to indicate that the meeting was not illuminating or useful. Quite the contrary. But I am only addressing the problem of consensus and commitment. For this particular purpose, the outcome was perhaps an explicit agreement to disagree, feeding too little fuel into the institutional processes of each member country, to accommodate modern reprography practices within international copyright law.<sup>9</sup>

The degree of agreement and of disagreement, and the very lucid and interesting discussions collected in the Secretariat's report, also allow me to state other reflections on what seems implicit throughout the reported discussions. These reflections, *ceteris paribus*, can probably be applied to a number of new technological developments besides reprography, to throw light on the implicit quagmire posed by exploding realities, in the daily social context where copyright has to fend for survival. In my view, the following conclusions can be derived from that particular meeting.

a) Each country views and ranks the issues at stake, as well as the applicable rules of the conventions, largely on the basis of the actual

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<sup>8</sup> *Id.* The annex to the above mentioned Report of the Sub-Committees, containing the resolutions adopted at that time, reads as follows:

"... 1. It rests with each State to resolve this problem by adopting any appropriate measures which, respecting the provisions of the Conventions mentioned above, establish whatever is best adapted to their educational, cultural, social and economic development; to this end, it rests with each State to decide whether and to what extent the solutions described in document IGC/SC.2/8-B/EC/SC.1/8 (Report of the Sub-Committees on Reprographic Reproduction) can be applied, in order to assure authors the protection of their economic interests offered by the conventions.

2. In those States where the use of processes of reprographic reproduction is widespread, such states could consider among other measures, encouraging the establishment of collective systems to exercise and administer the right to remuneration . . . ."

<sup>9</sup> A somewhat different appraisal of the result produced by the Sub-Committees on Reprography is made by Mihály Ficsor: "... this recommendation was a little worse than complete silence could have been: that is because governments may then very easily feel that their hands are free and their steps justified even if it is obvious that they are in a collision course with the principles and provisions of the Conventions". He sees, though, a positive element in the recommended establishment of a collective agreement system for the collection of royalties. See, M. Ficsor, *Disquieting Report from the Maginot Line of Authors*, in 18 COPYRIGHT 104-115 (March, 1982).

pressures and lobbying groups that it is facing at home; pressures and groups that vary widely among countries. For example, in less developed countries at least, it is likely that educational institutions as users carry heavy weight vis-a-vis authors and publishers, and their organizations where there are any.

b) There are no general satisfactory formulas to reconcile reprography with copyright in all or at least significant groups of countries, given the widely differing impacts of exploding technical and organizational realities of supply of, and demand for, reprography vis-a-vis the aggrieved parties, as well as the relative political weight and copyright consciousness of right holders, suppliers and users of reprography services.

c) Exact compensation to the rightful beneficiary is impossible in actual practice, a fact of life that weakens the strength of copyright principles in the absence of articulate collective action by right holders.

d) However, no one apparently wanted to challenge reprography of protected works with the total enforcement of exclusion rights, to the point of stopping it altogether, unless prior authorization by the holder had been issued, that is, except where reprography as industrial and profitable piracy may be at play.

I now turn to another example, in connection with computer software. Within the overall framework of international law on intellectual property, the status of computer software would seem to be wide open, since internationally there is no general agreement on whether such software, or some types of such software, is a proper matter for copyright protection. At the same time, pursuant to decisions of the Executive Committee of the Paris Union,<sup>10</sup> because the issue closely concerns questions familiar to the Union, ongoing efforts towards a specific "sui generis" protection have been undertaken since 1974.<sup>11</sup> Pending any reasonably widespread consensus on this subject and the eventual outcome of the "sui generis" protection endeavour, one should expect countries to go their own way in the modes of protection or lack of it. In this

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<sup>10</sup> Paris Convention for the Protection of Industrial Property of March 20, 1883, revised on several occasions, and for the last time revised in Stockholm, on July, 14, 1967.

<sup>11</sup> In 1971 a Consultative Group of Governmental Experts for the protection of Computer Programs met in order to advise the International Bureau on the preparation of a study, requested by the U.N., on the best possible legal system for protecting computer software. This Consultative Group of Experts met again in 1974, 1975, 1976 and 1977. In 1979, another Group of Experts, convened by WIPO, met in Geneva to consider, among other issues, the possibility of protecting software through a "sui generis" international convention.

area again, there are risks of widely differing domestic approaches and solutions becoming entrenched, thus obstructing consensus on the extent of international copyright and, in this case—at least potentially—of copyright vis-a-vis other analogous intellectual property institutions.

For example, in Mexico, although a very small number of computer programs were admitted for copyright registration a few years ago, in view of the mentioned international situation, at least at the public administration or executive level, the current policy has been to reject computer programs for registration, but thus far no annulment action has been undertaken against already registered computer software. This registration, however, is optional since our statute follows the Berne approach of granting copyright protection without formalities.<sup>12</sup> At the same time, in the absence of a reasonable degree of agreement at the international level on the coverage of computer software by the copyright treaties, our government also has the choice of issuing special legislation on this subject.<sup>13</sup> This option has not been considered yet, but it is there and it will be tempting for policymakers if pressure develops for a certain definition of any intellectual property rights, or any other legal status, regarding computer software. As time passes and life goes on, of course, in our case the status of computer software becomes more uncertain. A recently enacted new law on the transfer of technology deals with computer program licenses separately from copyright licenses,<sup>14</sup> a fact which may, or may not, be eventually construed as a legislative confirmation of our administration policy of non-registration for copyright purposes.

Considering the relevance that computers are gaining in cultural and social life, and the dramatic impact they are likely to produce as they become more available and easy to operate—largely thanks to mass

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<sup>12</sup> Article 8 of the Mexican Copyright Act provides for protection of copyrightable works, even when they are not registered, published or communicated to the public, regardless of the use which may be given to them. (Nueva Ley Federal de Derechos de Autor, *Diario Oficial de la Federación*, December 31, 1963).

<sup>13</sup> The Mexican current legislation on patents and trademarks excludes the possibility of granting protection through patents to computer programs, *inter alia*. (Ley de Invenciones y Marcas, *Diario Oficial de la Federación*, February 10, 1976, articles 4 and 9).

<sup>14</sup> The new law on technology transfer sets forth the requirement of registration of all agreements by virtue of which a license is granted for, *inter alia*, the industrial exploitation of copyright works. It separately provides the requirement of registration of agreements relative to computer programs. (Ley sobre el Control y Registro de la Transferencia de Tecnología y el Uso y Explotación de Patentes y Marcas, *Diario Oficial de la Federación*, January 11, 1982, Article 2, paragraphs I) and m). I leave for another study, any questions regarding the legal implications of such provisions vis-a-vis any treaty commitments undertaken by Mexico.

consumption-oriented software facilities—from the overall intellectual property standpoint and international copyright particularly, one could become alarmed at the crisis of international consensus on the topics, issues and concerns that this technological and social development necessarily provokes for copyright matters and the people concerned. In an attempt to shun any such tragic feelings, one could also pose a series of perhaps sobering questions. Could it be, maybe, that copyright was obviously intended for a special realm of people and efforts, to which “*computerniks*” as such do not belong? Yet, we cannot overlook their obvious “inspirational” creativity, and hence judiciously deny all of those generous copyright rationales they could appeal to in their assistance. Could it be that copyright has filled its quota of manageable customers in the world as known thus far, so that these new “*computernik*” species with their machines ought to not only look elsewhere for legal protection, if they care, but at the same time make sure they refrain from any copyright infringements with their games or exploits? Yet, what kind of rationale could we invoke to support such a double standard; and, wouldn’t then the traditional copyright customers be risking a contest where results may boomerang against them? Could it be that another sort of neighbouring rights claimants are being confronted, to be granted surrogate protection if at all? Yet, how could they be made to fit in any of the pictures and justifications of principle that historically explain such surrogate status? Finally, a burning double-edged question: Could it be that copyright has fulfilled its role and cannot go any further, once the traditional and familiar tools of cultural production, distribution, and enjoyment, are so radically altered? Yet which can be the socially acceptable rationales to let copyright die of exhaustion, or to simply kill it off for that matter?

While it would be a tempting adventure to elaborate on those kinds of questions, in raising them now I only want to underline the drama of the dearth of international consensus and commitment in the field. Personally, having been intellectually and emotionally hooked by copyright, I would tend to advocate full-fledged application of copyright concepts in this area as far as feasible in practice, of course, with all those adaptations that in my own view may best serve the interests of my own country and my fellow countrymen, and, hopefully of mankind as a whole. I feel sympathy towards views such as those of Professor György Boytha from Hungary, currently Head of the Copyright Division at WIPO, in arguing that “software proves to be a category of copyright works”.<sup>15</sup>

<sup>15</sup> See Gy. Boytha, *Protection of Interests Related to the Creation and Use of Computer Programs*, in ACTA JURIDICA ACADEMIAE SCIENTIARUM HUNGARICAE, 349, to-mus 21 (3–4), (1979).



Personal preferences for copyright, however, cannot alter the facts of a lack of sufficient consensus and operative commitment on whether and how existing copyright conventions apply—if they do apply—and of the difficulties that must be overcome in order to arrive at an internationally workable consensus and reasonable commitment in the computer software field pursuant to intellectual property concepts, whether under the UCC and the Berne Convention, or under a “*sui generis*” protection instrument. The Brussels Satellite Communications Convention<sup>16</sup> and its ratification history attest to the problems of international agreement on intellectual property matters, and the risks that the time horizon thus poses. Too often, we appear to be getting too little agreement and, mainly, too late, while technology and its exploits, in turn, speed up their pace and boost their impact on social change.

Moving now to the other sources of challenges to international copyright that I have identified, the educational demands and needs of less developed countries, as well as LDC's scarcity of administrative resources to deal with the intricacies of international licensing negotiations, have been challenging and are likely to continue challenging the core of international copyright as exclusive rights distributable by deliberate decision of the holder.

The access rules established in the 1971 revisions of the Berne Convention and of the UCC, the UNESCO International Center for Copyright Information, the newly created UNESCO-WIPO Joint International Service to facilitate access by developing countries to protected works, the UNESCO International Copyright Fund Committee<sup>17</sup> (to which, incidentally, my own country was the first to contribute), the guidelines being prepared in connection with the conventions' access

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<sup>16</sup> The Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite was signed in Brussels, on May 21, 1974; nevertheless, it did not come into force until August 25, 1979, after the deposit of the ratification instrument of the fifth country (Federal Republic of Germany), on May 25, 1979. See 18 COPYRIGHT, No. 1 (Jan. 1982).

<sup>17</sup> For access rules established in the 1971 revisions of the conventions, see, note 4, *supra*; UNESCO International Center for Copyright Information was created in accordance with Resolution 4.122 adopted by the General Conference of Unesco in its XVI Session, held October and November, 1970; the UNESCO-WIPO Joint International Service to Facilitate Access by Developing Countries to Protected Works was created in compliance with Resolution 5/01 adopted by the General Conference of Unesco in its XXI Session, Belgrade, September 23 to October 28, 1980; the Unesco International Fund for the Promotion of Culture was established by Resolution 3.332, adopted by the XVIII General Conference of Unesco, which, in turn, created in accordance to article 5, paragraph 13 of its statute, a subsidiary body known as the Unesco International Copyright Fund Committee (COFIDA).

rules under the WIPO-UNESCO aegis, the copyright development assistance and training programs of these organizations and other related efforts, attest to the thrust of the challenge posed by LDCs. They also show the interest of many members of the international community and their organizations in finding ways to satisfy LDCs' demands and needs, while preserving the basic principles of international copyright. As a national of a country that partakes of those demands and needs, I sympathize whole-heartedly with all those efforts and I fully appreciate the understanding attitude that they imply from the international organizations concerned—mainly UNESCO and WIPO, as well as from the developed countries and their representatives in the pertinent international copyright decision and advisory processes.

While I personally believe that the access rules and the development of their international and national administrative infrastructure should have time to prove how effective they can be, the complexity of the internationally agreed rules and the time and resources consumption that their operation entails, are likely to render them often ineffective in the LDC context. Major efforts should be made by all those concerned, including rights holders and copyright officers, to help the development of workable access systems, mainly by means that counter-rule complexity with agile administrative instrumentation and imaginative new licensing schemes and holder authorization formulas, supported and stimulated by interpretations of the rules that may actually facilitate instead of hamper, access by LDCs to protected works for educational purposes.<sup>18</sup> I suggest that a strategy along those lines is more likely to contribute to raise copyright consciousness throughout Third World countries, than the prevalence of an obstruction-to-access philosophy, or business-as-usual inertia, that in actual practice will surely result in the ineffectiveness of access rules and in more frequent copyright transgressions in LDCs.

I regret to admit that I cannot feel too optimistic, though, about the timely success of access systems under present rules and prevalent attitudes. Internationally, discussions for the development of such systems often find an undercurrent of classical LDC-DC confrontation that contaminates the actual issues and tends to distort the whole purpose of access rules. Domestically, the demand over resources leaves little room for copyright concerns and actions, rendering infringement an easier route—despite its risks—in the face of what are regarded as almost

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<sup>18</sup> See, Recommendations contained in the Report of the Working Group on the overall problems posed for developing countries concerning access to works protected under copyright conventions, convened by UNESCO/WIPO, which met in Paris, from July 2 to 6, 1979 (UNESCO/WIPO/WG.1/CWA/4).

impossible compliance terms; this is particularly true for national educational institutions, which are inevitably privileged and politically forceful in most LDCs.

However, confrontation towards new rules as LDCs challenge international copyright restrictions today would likely add to the critical processes faced by consensus and commitment in international copyright. It would seem wiser for all to help formulating agreed rules in arriving at a politically acceptable effectiveness of their purpose,—efforts at which UNESCO and WIPO are thoroughly engaged—rather than wait for a new confrontation with rules and principles to develop while institutionalized infringement entrenches itself.

Lawyers are fully aware, consciously or not, of the ample room allowed by legal interpretation to adapt agreed rules and principles to new social needs and conflicts, if there is the will, and consensus and commitment are valued. A still fresh example of this sort of legal adaptability, in the international copyright field, is the relatively solid consensus developed at the discussions of the Berne Convention and UCC Subcommittees on Cable Television, regarding the flexibility of the conventions' rules via varied and legitimate alternative constructions of the "public communication" concept, in order to accommodate widely differing situations of rights utilization through cable transmission.<sup>19</sup> A brilliantly drafted analysis of the 1977 Berne-UCC Working Group Report on the subject by Mr. Michael M. Walter of Vienna<sup>20</sup> is a commendable example of how far legal creativity can go in rule construction, if there is the will, and need and circumstance demand it.

That sort of creativity and parallel will of all concerned, from LDCs and DCs alike, are still lacking in discussions of access rules, and in licensing and authorization practices. Perhaps in time they can be

<sup>19</sup> The discussions mentioned took place during the course of the following meetings: Executive Committee of the UCC (1975); Working Group on Cable Television, convened jointly by Unesco and WIPO, (Paris, June 13 to 17, 1977); Executive Committee of the Berne Union, sitting together with the Intergovernmental Committee of the UCC (Geneva, February 5 to 9, 1979); III Session of the Intergovernmental Committee of the UCC, sitting together with the VI Extraordinary Session of the Executive Committee of the Berne Union (Paris, October 24 to 26 and 30, 1979); Group of Independent Experts on the Impact of Cable Television in the Sphere of Copyright, convened jointly by Unesco and WIPO (Geneva, March 10 to 14, 1980); II Group of Independent Experts on the Impact of Cable Television in the Sphere of Copyright and Neighboring Rights (Geneva, May 25 to 27, 1981); Extraordinary Session of the Executive Committee of the Berne Union, sitting together with the Intergovernmental Committee of the UCC, (New Delhi, November 30 to December 7, 1981).

<sup>20</sup> See, Annex to document B/EC/SC.1/CTV/4-IGC/SC.1/CTV/4 IRC/SC.1/CTV/4 - UNESCO/WIPO.

brought forth to productively face the access challenge, as a substitute for the classical LDC-DC confrontation context, or the comfortable inertia of long-held business practices and licensing and rights assignment negotiations.

Thus far I have related examples (reprography, computers and their software, LDC access and its administrative infrastructure) that in my view reflect serious deteriorating risks for a workable consensus on international copyright and for a reasonable commitment to its effective vitality. Those examples refer to situations where, at the same time, there seems to prevail a stated approach to the issues faced, that is consistent on the whole with traditional intellectual property principles. These principles assign a major role to the attribution of the original rights of exclusion, and of decisions on their distribution, to whoever is considered to qualify as the original creator of the subject matter of exclusion. Such principles of selection of the creator or creators as the owners of the original claims to exclusion, explain and support historically the reference to the pertinent institutions as relating to intellectual property. The concern for the attribution of such rights to the deserving creators worthy of the privilege renders also the most forceful support to the various rationales of patent or copyright law and these still are the major and more traditional intellectual property institutions. Without this concern and the principles that it implies, it would indeed be hard to find acceptable social justification for exclusion rights that are pointedly exceptions raised against bans on privilege, particularly since such bans constitute a forceful democratic demand in the modern world. This demand explains, for example, anti-trust and public disclosure principles in Western democracies and egalitarian economic principles in Eastern popular democracies.

They are also examples of situations where a prevalent desire is apparent to preserve the distribution right of the original holder fully operational to the maximum extent feasible, since this is also a traditional major concern of intellectual property, similar to the attribution of such rights to the original creator or creators.

Such principles and concerns are clearly understandable and unquestionably legitimate, to the extent that they have been historically the very essence of patent and copyright law; principles that thus distinguish these legal institutions from others that partake of an analogous structure, by providing universal rights of exclusion, such as general property law. Indeed, in distinguishing intellectual property from other fields of law, the key underlying test has not been traditionally the subject matter of exclusion rights as such; it has been rather the identification of specific tasks or efforts that merit exclusion rights in recognition and, necessarily, the right to the decisions on the distribution to others of those exclusion

rights with respect to the exploitation of the intangible yield of such tasks or efforts. The determining or crucial element is not the nature or characteristics of a kind of product yielded as an intangible intellectual result—which incidentally may or may not turn out to be useful, valuable or cherished by others than its creator or creators; it is whether the tasks or efforts to yield such a result warrant recognition through exclusion rights on its utilization. Otherwise, if the nature of the result should be the crucial test, a wide range of intangible intellectual results—also regardless of their actual usefulness or value for society—should normally be included in the patent, copyright or, at least, neighbouring rights fields, such as statutes, regulations, governmental agency memoranda, court rulings, international treaties and so forth. Closer to the point, the legal protection of monuments of cultural heritage should then generally be a copyright matter, and not a matter to be dealt with by statutes and conventions about *national* cultural heritage empowering government authorities to insure its preservation and adequate use. The latter, incidentally, could eventually become an increasingly appealable policy option as copyright protection periods grow to cover several generations.

With the foregoing in mind, I will turn to other examples of international copyright situations, where I find that the concern for intellectual property principles on the attribution of rights of exclusion and control of their distribution to the creators seems to be waning. And more significantly, that such weakening concern seems to be implicitly shared by many in the development of international copyright solutions to new problems and challenges, and of new intellectual property institutions closely akin to copyright.

In effect, the discussions under the Berne Convention and UCC framework carried out through various levels of intergovernmental authority until 1979 with regard to the legal problems posed by videocassette and audiovisual recordings tend to indicate that there was a reasonable degree of consensus at each level on the legal issues posed by reproduction for private use of protected works through those means. However, the overall result practically left matters at a standstill. At the working group and subcommittee levels, consensus on the subject gyrated towards a recognition-of-facts attitude that centered on a compensation solution to be assured on sales of reproduction machines and/or tapes. The supporting reasoning behind this was explained and set forth as an *indemnity* to right holders for the impossibility of exercising their rights of exclusion under the circumstances and the ensuing damage to their interests. A clear-cut approach to conflicting individual rights rationales, or a feasible mediating balanced result under an incentive-to-creation rationale, for example, are things on which I could comment. But at higher levels of intergovernmental authority, such an approach

did not receive full endorsement; emphasis then developed around the central copyright elements of exclusive rights and their distribution by holders' decisions, and to their effectiveness in the field of private reproduction as a primary concern. The latter evidently cannot be made easily compatible with the indemnity notion to the extent that it may imply a surrender of copyright to the "fatality" of home taping and to the widening circulation of its product. Thus one now finds ongoing scholarly and institutional efforts to substitute an equitable compensation notion, to be designated as a "royalty",<sup>21</sup> or some other name akin to it, for the indemnity concept, in order to substantiate a charge on sales of equipment and/or tapes, on the basis that "a new mode of exploitation of works" is involved.<sup>22</sup>

The entanglement of approaches that has been at play in the case of private recording reflects in my view a sort of consensus crisis in international copyright that relates to its basic structure and principles. This goes beyond the problem of consensus and commitment that I have been discussing thus far, in connection with reprography and computer software, limited to the facts vis-a-vis agreed international rules. Of course, one should expect that difficulties in achieving a workable consensus and a reasonable commitment on how to face the forceful thrust of current challenges to international copyright should imply differing and competing principles at work, whether they remain hidden or eventually come to the fore. But the relevance of the indemnity versus equitable compensation approaches to home taping, as stated alternative principles, and their confrontation in the course of international official discussions and scholarly and institutional reactions to them, lies in the contrasting concern that they each show for the control of exclusive rights distribution.

A different instance which, from a broader outlook, in my view similarly reflects that lessening concern for the traditional core structure of intellectual property law, in the struggle for the pertinent institutions, refers to the folklore protection area.

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<sup>21</sup> Mihály Ficsor remarks that "... Such payment—that is to say, payment for the utilization of protected works—could not be called anything else than what it is. It is not a tax, not a levy, nor any other fiscal imposition, and it is not even really a special compensation or indemnification. It is a royalty to be paid by users and collected for copyright owners". See Ficsor, *Private Recording of Protected Works*, in INTERGU COPYRIGHT SYMPOSIUM 1980, 73–80 (Wien, 1981).

<sup>22</sup> See Masouyé, *Private Copying: a New Exploitation Mode for Works*, in 18 COPYRIGHT, No. 2, 81–90 (Feb. 1982). See, *Views of the International Non-Governmental Organization on Private Copying*, in 18 COPYRIGHT, Nos. 7–8, 211–232 (July/August, 1982).

Folklore,<sup>23</sup> as a topic of intellectual property law, traditionally has been addressed only marginally and incidentally, mainly in connection with the copyright issues pertaining to works that include folklore as an input. Generally, rights are attributed to authors of such works, without prejudice to the legal status of the folklore elements included in copyrightable matter. The legal status of folklore, when addressed by copyright legislation, has been usually assumed to be, or occasionally defined to be, either that of common property, *res nullius* or cultural heritage,<sup>24</sup> subject to the corresponding rules of law. But in effect folklore has largely remained a no-man's land, with few probable exceptions. Internationally, only monuments of folklore tangibly embodied in physical objects have fallen within the scope of conventions<sup>25</sup> dealing with the

<sup>23</sup> The definition and meaning of the word "folklore" has been the subject matter of several studies and meetings, both scholarly and in international legal forums. By the term "folklore" I herein refer to the strict definition of the word as conceived by ethnography, as well as traditional popular or folk art. See Pzoniak-Niedzielska, *The Problems of Folk-lore Protection in Copyright*, in PANSTWO I PRAWO (English Summary), Year XXV, Nos. 8 and 9 (Warsaw, Poland Aug.-Sept., 1970). Dr. Narayana Menon, while defining folklore, cites an unidentified expert of a Tunis Symposium, who said: "The term 'folklore' includes all cultural expressions that make use of forms practiced or understood widely by the members of a society as an integral part of their way of life. Included in these are 'creative expressions' in movement, sound, verbal, visual and plastic media identified with individuals, social groups and communities sharing common beliefs and common values that form the basis of their social life. Because these expressions are integrated with social life, their organization and use are regulated by the customs and traditions of the people. Hence they do not generally require the support of separate institutions for their practice and promotion. The foregoing definition presupposes that there are different types of folklore: (i) Folklore concerning the field of knowledge, e.g. medicine, botany, philosophy, etc.; and (ii) folklore in the field of the arts: music (including folk song, instruments), dance, plastic art, visual art, verbal art (including folk tales, proverbs, verse, etc.)." See Menon, *A Definition of Folklore* in INTERGU YEARBOOK, 1979, pp. 209-212.

<sup>24</sup> An example of this treatment is found in section 6 of the Tunis Model Copyright Law for developing countries adopted by the Committee of Governmental Experts convened by the Tunisian Government, jointly with Unesco and WIPO, which met in Tunis, February 23 to March 2, 1976.

<sup>25</sup> Convention on the means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property, approved by the General Conference of Unesco, during its XVI Session, in Paris on November 14, 1970; Convention for the Protection of World Cultural and Natural Heritage, approved by the General Conference of Unesco, during its XVII Session, in Paris, November 16, 1972; Convention for the Defense of the Archeological, Historical and Artistic Patrimony of American States (Convención de San Salvador), approved by the General Assembly of the Organization of American States (OAS), during its VI Ordinary Session, held on June 16, 1976.

overall subject of cultural heritage goods. From the international copyright perspective, it has been the prevailing view that the Berne Convention implicitly covers "works of folklore" as a specific instance of anonymous works, allowing member states to designate a competent authority to represent the "*author*".<sup>26</sup>

Concern for a more definite and clear legal protection of folklore at the international level has been growing in recent years<sup>27</sup> and, after a protracted stalemate centered around the technical difficulties posed by the definition of this undeniable cultural reality,<sup>28</sup> joint UNESCO/WIPO efforts got under way to deal with the "intellectual property aspects" of folklore protection. The scope of these efforts, defined as a matter of "intellectual property," appropriately leaves for UNESCO consideration, under its independent separate programs, all other legal and non-legal questions relating to folklore and its protection. The joint UNESCO/WIPO endeavour thus launched since 1977 has advanced at the working group and governmental experts levels<sup>29</sup> towards a set of model provisions for national statutes, with a view to eventually inspiring domestic legislation and, hopefully, regional and international multilateral agreements.

Presumably, the theory behind the launching of these joint UNESCO/WIPO efforts was that folklore merited—at least from certain angles—protection according to the sort of principles that have traditionally been the framework of intellectual property institutions. As a participant in the discussions, I can say that among Third World countries, an important part of the impulse to advocate such joint UNESCO/WIPO efforts came from a gut feeling that just as copyright

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<sup>26</sup> Article 15, paragraph 4, of the Berne Convention.

<sup>27</sup> The first request to undertake any actions aiming at the protection of folklore was addressed by the Government of Bolivia to Unesco, in April, 1964, and thereafter readdressed to the same organization for the second time in 1973. The specific request made to the Director General of Unesco was to include the issue of protection of folklore in the Agenda of the Intergovernmental Committee of the UCC, in order to consider the possibility of granting protection to folklore through an international instrument. The first meeting specially convened by UNESCO to deal with the issue was the Committee of Experts on the Legal Protection of Folklore, held in Tunis, July 11 to 15, 1977. See Unesco document Folk/1/3.

<sup>28</sup> For the progress made on the definition of Folklore, see draft definition contained in Annex I to Document UNESCO/CPY/TPC/I/DR.15 produced at the Committee of Governmental Experts on the Safeguard of Folklore, which met in Paris, February 22 to 26, 1982.

<sup>29</sup> After the Tunis meeting in 1977 (see note 27, *supra*), two jointly convened UNESCO/WIPO working groups met, the Working Group on the Intellectual Property Aspects of the Protection of Folklore, (Unesco-WIPO, Geneva, January 7 to 9, 1980 and Paris, February 9 to 13, 1981). In 1982, the Committee of Governmental Experts cited below was held (see note 30, *infra*).



attaches exclusive rights and their distribution to the identifiable creators of copyrightable works, a similar formula was in order regarding folklore creations. However, as the design of model provisions has advanced, the prevailing approach of the participating experts has centered on the attribution of *governmental authority* to protect folklore from unauthorized utilization.<sup>30</sup> This approach, undoubtedly, is a viable means of addressing the problems of protection of folklore against abusive exploitation. It should be satisfactory, for Third World countries in particular, to finally see that progress is taking place in attending their long-held and much awaited demands for international recognition of those problems.

Yet, from the point of view of international consensus and commitment over intellectual property law institutions, the mentioned experts' approach suggests a widespread underlying assumption that in this field of legal endeavour the traditional concern for creators' rights of control over their creations does not play any longer a paramount role. It further tends to indicate a new readiness to accept the attribution of such control to government authorities, rather than to the creators themselves, as a general rule and not as an exception, in certain contexts of intellectual property areas. The trend is there regardless of personal likes or dislikes, and we can starkly detect it in the growing inroads of legal licensing approaches taken in facing various contemporary challenges to copyright. This is a trend that, aside from its possible and probable justification or unavoidability with regard to different areas and problems of intellectual property, carries the distinctive feature of entitling government to determine the distribution of rights to use creations, either by the built-in automatic operation of statutory provisions or by specific case-by-case grant.<sup>31</sup> This trend is obviously many light-years away from the core features and major principles that have traditionally distinguished intellectual property from other fields of law, i.e., the attribution of exclusive rights to creators, with regard to the intangible yields of their tasks or efforts.

Should one be right in finding that international copyright is at a critical cross-roads junction, not only because the consensus and commitment around it are dangerously deteriorating, but also because the traditional principles of intellectual property, of which copyright is a

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<sup>30</sup> See Report of the Committee of Governmental Experts on the Intellectual Property Aspects of the Protection of Expressions of Folklore, convened jointly by Unesco/WIPO, which met in Geneva, June 28 to July 2, 1982 (Document: UNESCO/WIPO/FOLK/CGE/1/6, discussion of section 3 of the model provisions, and discussion of section 9 thereof, pp. 4–5).

<sup>31</sup> Mihály Ficsor has remarked on the unavoidability of nonvoluntary licenses as a solution to modern copyright problems, especially when the alternative of collective action is not an available and timely solution. See note 3, *supra*.

species, seem to be suffering radical transformations, the questions that should follow must necessarily relate to the appropriate reactions to those developments. If one believes that individuals and society still value and need copyright—and intellectual property law as a whole—as traditionally conceived, in the form of exclusion rights of the creators of cultural wealth themselves, politically forceful endeavours must be rallied, in order to counter such developments and preserve at least a minimum vital effectiveness for such “*exclusive rights of exclusion*” that creators should enjoy. Otherwise, absent such a belief as a generally shared concern of mankind, or absent any reasonable optimism about the feasibility of rallying the required support to counter the challenges to international copyright, it would be wiser to surrender and join the ranks of heresy, in order to help insure an easier path, and therefore a better outcome, for any new legal institutions that should then be accepted as appropriate substitutes.

Not being ready to surrender, nor to join copyright heretics, although I understand how much pessimism can often cloud minds and souls of sensible believers in intellectual property institutions, I would like to put forth my views on the action and approaches that are more likely to assist in the battle for copyright.

In putting forth these views, I confess that I place the weight on political considerations which may indirectly provide a new life influx to traditional principles. In so doing, I do not mean to imply that such principles are secondary. On the contrary, principles count first. But experience shows me that we must recognize that the crisis of consensus and commitment over international copyright is a political question, by definition and as a matter of fact. Precisely what we would seek in worrying about such consensus and commitment as a political issue, is consensus on principles and commitment to their effectiveness.

Practical realities determine that the organization and management endeavours required for cultural creation to transcend the creators' realm and become social enjoyment, perception and recreation, necessarily call for a number of professional, technical, industrial and commercial human efforts.<sup>32</sup> These do not belong to the predominant realm of authors. While they often involve creativity, and must involve it to be efficient in their role, it is creativity of a different sort from copyrightable creativity. The people behind those efforts, however, also have reasons to be deeply interested in copyright institutions. From them derives the socially sanctioned assurance of the exclusion of illegitimate competitors

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<sup>32</sup> It is at this high level of experience and understanding that one can interpret expressions of an *alliance* between publishers and authors stated by authorized representatives of their respective organizations.

in the distribution of the cultural creations that they undertake. Without an assurance of exclusion, many of such efforts are likely to be wanting and cultural creations are sure to suffer from insufficient flow towards their social enjoyment, perception and recreation, impoverishing culture as a whole. The immediate interests in exclusion, of those dedicated to the distribution of cultural creations by various means, may and do often conflict with authors' interests, but they all meet in the undeniable need of assuring the exclusion of illegitimate competition.

Practicalities also determine that creators as such ought not be often burdened—and fortunately are not often easily burdened—by demands to apply substantial talent and time in organizing efforts to fend for their rights, to the detriment of their creative dedication. The representative organizations of authors and rights holders, and those others interested in excluding illegitimate competition, should bear the main burdens of any such defense efforts.

Those practical realities about the interests involved in exclusion and the cultural creators' role suggest that in the fight against piracy one should be able to elicit organized long-term political commitments in the direction that the battle for copyright demands.

Piracy of protected works is currently not only a tragic reality multiplied by the technological challenge to copyright, but the most clearly perceived menace to authors' rights and to cultural creation and its efficient dissemination.

A world forum recently organized by WIPO to foster consciousness and stimulate appropriate commitments and actions against piracy of sound and audiovisual recordings shows the high degree of world-wide consensus that can be explicitly brought forth around this problem from the most varied fields of cultural, professional and governmental concern.<sup>33</sup> The success of WIPO's efforts in organizing this event, and the resulting unanimous resolution calling for urgent antipiracy measures,<sup>34</sup> tend to suggest that in other areas of cultural creation and its distribution, antipiracy action is also a potentially powerful focus for international consensus and commitment in facing current challenges to copyright. In fact, further efforts by WIPO in this direction are already in the making. For in March 1983, WIPO is sponsoring a World Forum on the Piracy of Books, Magazines and Radio and Television Broadcasts.

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<sup>33</sup> Worldwide Forum on Piracy of Sound and Audiovisual Recordings, convened by WIPO (Geneva, March 25 to 27, 1981), *Publicación OMPI No. 640(s)*, WIPO, 1981.

<sup>34</sup> Resolution adopted by the participants at the Forum under the recommendation made by the delegations and experts of Czechoslovakia, Guinea, Hungary, India, Mexico, United Kingdom and Sweden, *see* note 33, *supra*.

A special emphasis on piracy and a gradually more detailed discussion and agreement on measures to combat it with conviction and effectiveness, as shown by the mentioned world forum, may not only yield opportunities for a better meeting of the minds of those traditionally concerned; it should also help to raise copyright consciousness levels in general and to enlist a more extended commitment of policymakers, organizations and authorities from other fields, who would otherwise tend to pay marginal attention to copyright violations.

For example,, a likely goal of antipiracy action in several countries ought to be the incorporation of copyright crimes in their general criminal statutes,<sup>35</sup> instead of keeping them in specialized copyright legislation rarely known by other than copyright experts and lawyers. Such a clear recognition of copyright crimes as harmful behaviour for society as a whole should upgrade the social awareness of copyright and help raise the level of copyright consciousness in the countries concerned, in addition to the immediate aim of expediting enforcement of criminal penalties against piracy by putting the required provisions within easy reach of prosecution authorities. Our Copyright Office in Mexico has undertaken such an effort before the Attorney General's office, although we have not yet succeeded, partly on account of constitutional gaps in the attribution of federal powers regarding copyright matters, a question about which we are also proposing convenient amendments.

At the very least, should one feel pessimistic about the by-products that piracy, as a focus for international consensus and commitment, may bring for the vitality of copyright principles, I would argue that, faced with the deteriorating consensus and commitment over such principles, it is worth a try as a potential opportunity to rearm copyright forces and boost their morale.

I would further advocate to accompany an emphasis on piracy and the fight against it, with efforts at exploring the feasibility of developing consensus, and the ensuing commitment, to extend the concern for piracy to other uses of protected works that technology is spreading beyond any reasonably foreseeable expectation when international copyright rules were agreed upon. What I have in mind is a deliberate endeavour addressed at exploring the degree, nature, sources and expectations of the apparently wide concern for what is happening with technology as it relates to copyright and, perhaps, intellectual property in general, not so much as an intent to evaluate the correspondence, or

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<sup>35</sup> An example of the incorporation of copyright infringement into general criminal statutes is the case of Brazil, where illicit reproduction of phonograms is punished with one to four years of imprisonment, and considered a crime equivalent to theft. See WIPO document PF/I/S/3, note 31, *supra*.

more often the lack of it, between practices and agreed rules, but to identify and enlist—through discussions from a wider perspective and, hopefully, with the participation of amply representative views—potential recruits who are as fully conscious as possible of the crucial issues at stake. An effort should be deliberately directed to a spill-over of anti-piracy consensus and commitment on those other uses that perhaps eventually ought to socially bear the imprint of illegitimacy, albeit with a somewhat lessened force than actual piracy. In suggesting this strategic proposal in connection with the development of concerted action against piracy, I am moved by a suspicion that we are likely to unearth valuable supporting ore in the universally existing feelings of cherished identification of people with their own creations, legitimate and normal sentiments that nourish the flesh and blood of copyright, and that may be vigorously summoned in its defense. As a folk saying goes in my country: “Each one of us has within himself a bit of the musician, the poet and the lunatic . . .” (and I hope I’m not distorting folklore with this translation!).

At the other end of the battlefield, the rearguard should be covered while embarking on a consciousness-raising fight against piracy and an indoctrination campaign against other illegitimate exploitation of protected works. Symbolically, I designate as rearguard the core structure and traditional principles of copyright, where a careful consistency ought to be safeguarded as thoroughly as possible when designing necessarily new approaches, methods and solutions to cope with new copyright problems. The indispensable willingness to protect rightful interests and to strike a sensible balance between the competing demands spurred by technological and social change, as they may relate to international copyright, should stimulate us to find the interpretations of agreed rules and the perceptive attitudes that best accommodate new problems and goals within such rules, without sacrificing consistency with the relevant underlying principles. The foregoing could smack of the self-evident, were it not for the confusion and retrenchment trend of intellectual property principles that one now sees.

Finally, a more vigilant attitude and long-term perspective ought to become a permanent state of mind of all those directly affected by copyright and worried about its future. Any temptation to wait and see or, equally cowardly, any shortsighted view must be energetically shunned. For too long lately, events have been out-running copyright institutions and international copyright in their wake.

Therefore, concentrated and extended efforts for the development of domestic and international administrative infrastructures and resources, mainly in Third World countries, should receive further attention. WIPO and UNESCO technical assistance and training programs,

often involving cooperation between developing countries themselves,<sup>36</sup> are an invaluable contribution in this quest, as well as the regional seminars they have periodically conducted in Asia, Africa and Latin America.<sup>37</sup> Regional programs in these areas of the world are also increasing under the UNESCO and WIPO aegis—and progress is undoubtedly taking place. However, the budgetary restrictions on national and international organizations in general are a threat to the continuity that such programmes require for their long-term success. I would once again underline the importance of the national educational institutions arena in the struggle for copyright as far as the Third World countries are concerned. The copyright-consciousness-raising proposals that I have put forth would hopefully also yield a less vulnerable ranking for copyright administration development programs and budgets. Copyright-consciousness raising and talent-recruiting meet definitely in the quest I propose.

All in all, a thorough renewal of social attitudes, educational efforts, institutional commitments and experts' approaches must be sought and engineered. It must happen soon, too, if we are to buy the necessary time and muster the will, consensus and confidence that may allow us to assure long-standing vitality to our international copyright conventions. Then we ought not fear to eventually face the prospect of their updating revision, but regard it optimistically, as an opportunity to gain rather than lose ground for copyright principles and for authors' rights.

I would like to end this lecture, thanking all of you for your patient attention, with a final thought borrowed from a quotation of Edmund Burke made by Ms. Barbara Ringer: "All government—indeed, every human benefit and enjoyment, every virtue and every prudent act—is founded on compromise and barter";<sup>38</sup> wise words to which I would add, that they are also founded on timely and forceful will for renewal rising to the occasion.

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<sup>36</sup> Mexico has cooperated with WIPO in these training programs since 1977, and has received eleven trainees from various Latin American countries. Reportedly, similar WIPO programmes are being conducted with Algeria, India and Senegal. See generally Alikhan, S., *WIPO, Copyright and Neighboring Rights in Developing Countries*, WIPO/UK Training Course on Copyright and Neighboring Rights, September 10, 1981.

<sup>37</sup> Examples of these seminars are the Regional Seminar on Copyright and Neighboring Rights for the States and Territories of Asia and the Pacific, held in New Delhi, in December 1978, and the Regional Seminar on Copyright for Latin American and Caribbean Countries of Roman Legal Tradition, held in Buenos Aires, in November, 1979.

<sup>38</sup> See Ringer, *First Thoughts on the Copyright Act of 1976*, in 13 *COPYRIGHT*, No. 6, 187 (June, 1977).

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302. PRIVATE HOME TAPING UNDER SEC. 53(5) OF THE GERMAN COPYRIGHT ACT OF 1965

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By JUERGEN WEIMANN\*

*I. INTRODUCTION*

The scope and growth of home recording by individuals for their private use has caused concern to copyright holders in many countries. The Federal Republic of West Germany was the first country in the world to enact an express copyright provision dealing with this problem of an unverifiable mass use of protected works. The German Copyright Act of September 9, 1965,<sup>1</sup> which went into effect on January 1, 1966, provides in Section 53(5)<sup>2</sup> for compensation to copyright owners for the

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<sup>1</sup> Gesetz ueber Urheberrecht und verwandte Schutzrechte (Urheberrechtsgesetz), published in *§GBL*. 1965, 1273, Teil I.

<sup>2</sup> Sec. 53 reads as follows:

Reproduction for Personal Use

(1) It shall be permissible to make single copies of a work for personal use.

(2) A person authorized to make such copies may also cause such copies to be made by another person; however, the provision shall apply to the reproduction of a work on a visual or sound record and to the reproduction of artistic works only if no payment is received therefor.

(3) The copies may neither be distributed nor used for public communication.

(4) The recording of public recitations, representations or performances or presentations of a work by visual or sound fixations, the execution of plans or sketches intended for an artistic work and the copying of a work of architecture always require the consent of the copyright owner.

(5) If from the nature of the work it is to be expected that it will be reproduced for personal use by the fixation of broadcasts on visual or sound records, or by transferring from one visual or sound record to another, the author of the work shall have the right to demand from the manufacturer of equipment suitable for making such reproductions a remuneration for the opportunity provided to make such reproductions. Any person who for commercial purposes introduces or reintroduces such equipment within the jurisdiction of this Act shall be jointly responsible with the manufacturer. This right shall not exist if, from all of the circumstances it appears probable that the equipment will not be used within the jurisdiction of this Act for the said purposes. This right may only be enforced through collecting societies. By way of remuneration, each copyright owner shall be entitled to an equitable participation in the proceeds realized by the manufacturer from the sale of such equipment; the total claims of all copyright owners, including those coming within Articles 84 and 85, paragraph (3), and Article 94, paragraph (4), shall not exceed five per cent of such proceeds.

private taping of their protected works. The legislative history of §53(5), its mechanics and some experiences under this law are the central issues of this article.

## II. LEGISLATIVE HISTORY

The legislative history of §53(5) is marked by the efforts of GEMA<sup>3</sup> to establish, by obtaining court judgments, that the mass utilization of works by private audio taping is a copyright infringement and also to enforce claims based on such presumed infringement against the actual infringers, i.e. the individual users of recording devices. This undertaking by GEMA inevitably forced the courts to deal with the question whether the predecessor of §53, namely §15(2)<sup>4</sup> of the Law concerning the copyright for literary and musical works of June 16, 1901, applied to home audio taping.

In 1955 the German Federal Supreme Court (Bundesgerichtshof) rendered in short sequence two judgments concerning the issue of copying for personal use. Both decisions have decisively influenced the development of the law in this area. In order to be able to fully understand the legal "environment" in 1955 one has not only to recall the law governing at that time, §15(2) of the 1901 Act, but also to know of the existence of a legislative proposal of 1954, which provided in §47 for the permissibility of reproductions for personal use regardless of the means by which the copy was made.

### 1. Supreme Court decision of May 18, 1955<sup>5</sup>

The suit had been brought by GEMA against the Grundig corporation, a major German manufacturer of tape recorders. In its advertising brochures for tape recorders, Grundig had set forth the different possibilities for using the tape recorders and especially pointed out that jacks to tape records were installed. The material contained explicit

<sup>3</sup> Gesellschaft fuer musikalische Auffuehrungs—und Vervielfaeltigungsrechte, GEMA is the largest of three collecting societies which existed prior to the enactment of the 1965 Copyright Act; it administers the rights of authors of musical works.

<sup>4</sup> §15 of the 1901 Copyright Act reads as follows:

"(1) To copy without the consent of the owner of rights is illegitimate, no matter by what means it is done; it does not make any difference, either, whether the work is being copied in one or more copies.

(2) A copy for personal use is not infringement, provided there is no intent to gain financial profit from the reproduction."

<sup>5</sup> BGHZ 17, 266.



instructions on how to tape phonorecords and radio broadcasts.

Plaintiff GEMA sought to enjoin Grundig from selling the tape recorders without reference to the legal situation and to the responsibility of the buyers to observe the exclusive rights of the copyright owners. GEMA had also sued for damages.

Defendant Grudig relied on §15(2) of the 1901 Act. Thus the question before the court was whether this provision applied to the reproduction of copyrighted works by means of tape recorders.

The Court first confirmed its own former holding of November 21, 1952<sup>6</sup> that the reproduction of a work from a phonorecord by means of taping constitutes copying within the meaning of the copyright law. The Court then turned to the central issue of the scope of §15(2) of the 1901 Act. It conceded that the language of §15(2) clearly excluded any exclusive right of the copyright owner as to home taping. The Court, however, stressed that in delineating the scope of §15(2) one must consider that neither at the enactment of §15(2) in 1901 nor at its amendment in 1910 was the reproduction by means of tape recorders envisioned by the legislators. As then intended, §15(2) was to be applied only to written copies. The Court continued by stating that since §15(2) was a genuine exception to the fundamental rule that copying without permission is an infringement, an interpretation of the law according to its objectives and purposes is paramount to its language, because the conflict of interests which were the subject of the suit could not have been predicted at the time of enactment of the law, because it only became possible through a later change of conditions. The Court reasoned that in order to solve conflicts not foreseen by the legislators, it was entitled to develop the law by interpretation.

An eminent authority<sup>7</sup> on copyright considers the following statements by the Court of far-reaching importance even for the present discussion of copyright issues in Germany and possible amendments of the 1965 Act:

“Important in construing statutory copyright provisions is the legal principle which governs copyright law, namely that the author’s control over his work is the natural consequence of his intellectual property, which merely found its recognition and formation through legislation. According to this notion new possibilities to use an author’s property, provided for by development of technology, are to be included in the exclusionary right of the author. A general principle that the rights of authors cease in the

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<sup>6</sup> BGHZ 8, 88.

<sup>7</sup> Dr. A. Dietz, GRUR 1978, 457.

private sphere of an individual is unknown to copyright law. Generally the author is entitled to compensation for any use of his or her work, even if no direct commercial profit is gained."

The Court held that the recording of copyrighted audio works by means of a tape recorder constitutes a copyright infringement even if intended for merely private use without any intent to earn a profit. The Court had stated that home audio recording would lead to a decrease in the sale of records and, thus, was likely to adversely affect the economic interests of copyright holders. Furthermore, the Court granted plaintiff's motion to enjoin defendant to sell its tape recorders without imposing an obligation on buyers not to record works without the permission of the copyright holders. During the appeal the argument had been made that such an obligation was not enforceable. The Court made clear that enforceability was not relevant for the question whether copyright owners had certain legal claims or not.

The Court enjoined defendant from selling tape recorders without giving notice as to possible copyright infringements. The Court did not adjudicate damages against Grundig on the ground that the main issue prior to the decision had been unresolved so that Grundig could not be charged with negligence.

*2. Supreme Court decision of June 24, 1955<sup>8</sup>*

This second case with considerable impact on the solution of the issue of copying for personal use involved the photocopying of articles from scientific periodicals. Defendant, a commercial enterprise, had subscriptions for a number of scientific journals. From time to time the photocopy departments of the corporation copied articles from particular issues of the periodicals. This was done usually upon request of employees, sometimes however, also upon instructions of the management. The copies were given to the respective employees. In all cases it was assumed that they either were needed by the employee for the fulfillment of his special assignments or were of some interest to him for professional reasons. Defendant moved to dismiss the action on the ground that §15(2) of the 1901 Act applied to reproductions of any kind regardless of the process by which they were made and on the ground that it had made the photocopies for personal use.

The Court left unanswered the question whether and if so to what extent reprographic reproductions were within the scope of applicability

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<sup>8</sup> BGHZ 18, 44.

of the provisions of the 1901 Act concerning copying for personal use. In this context the Court had reiterated the interpretation guidelines it had established in the "tape recorder decision" and concluded that in light of these considerations a narrow construction of §15(2) was appropriate. It went on to state that it need not reach a conclusive result as to what such a narrow interpretation meant for reproduction by reprographic techniques because in the case before the court an application of §15(2) was prohibited—and without any restrictions—since the photocopies could not be considered "copies for personal use" within the meaning of §15(2).

The Court then turned to the question of the meaning of the term "personal use." It stated that a legal person cannot make "personal use" of a copy within the meaning of §15(2), when, as was true for defendant in the case at bar, the legal person is a commercial, i.e. profitmaking enterprise. Therefore §15(2) would without more clearly be inapplicable if defendant itself were the "user"—in the sense of the law—of the photocopy.

The Court held that §15(2) can also not be applied if one focuses solely upon the use of the photocopies by the individual employee. After a recitation of the facts, the Court concluded that the photocopies were intended to be used in the course of the operation of defendant's business and for its commercial purposes. The Court held that it is not necessary to resolve the question whether a use for commercial purposes excludes the application of §15(2) in any case, since "personal use" within the meaning of this provision requires the use to satisfy predominantly the personal needs of the person who uses the copy. To what extent this criterion is met when a lawyer, physician or professor makes copies for professional purposes would have to be decided on the particular facts of such a case; in this case, the Court continued, the use of the photocopies by the employees of a commercial enterprise, which had been made by the corporation just to serve its own interests, goes, in any case, beyond the scope of use for private purposes. Thus, use of the photocopies by the defendant is not covered by the §15(2) exception of the exclusive right to reproduce the copyrighted work.

On the above grounds, the Court decided for the plaintiff. The Court expressly pointed out that its decision was not meant to stop photocopying for internal use in commercial enterprises; but authors and publishers should have the right to condition the copying upon payment of an adequate compensation. This claim to compensation was implemented soon after the decision was published, by a framework agreement between the Federal Association of German Industry and the former collection office of the German Publishers and Booksellers Association.

### 3. *First reaction to the "tape recorder decision"*

A first reaction to the "tape recorder decision" was manifested in the legislative proposal of 1959 (which was not the version finally enacted). It provided that the recording of publicly performed works by audio or video recording devices and the reproduction of works by tape was not covered by the provision allowing copying for personal use. However, the proposal contained an exception permitting the recording of a broadcasted work if the fixation was destroyed not later than one month after its making.

### 4. *Section 53(5)*

In §53(5) of the 1965 Act the legislators have chosen an indirect course by making the compensation claim applicable against manufacturers and importers of tape and video recorders rather than against the individual private user. The background of this particular feature of §53(5) is interesting considering the efforts of GEMA to reach the individual users of taping devices. As already mentioned in the "tape recorder case", GEMA had sued a manufacturer of tape recorders and not a private user. GEMA had chosen this strategy on the assumption that a judgment in its favor would have a warning effect on the direct infringers and cause these private users to pay "voluntarily" a yearly flat fee to GEMA.

In several other lawsuits following the "tape recorder case" GEMA came to realize that, despite precautionary measures and warnings, it was ultimately impossible to reach the large number of private owners of recording devices. Following is a summary of GEMA's efforts after the "tape recorder decision." In the latter, the producer had been enjoined from selling tape recorders without reference to the legal situation and the obligation of the buyers to observe the rights of copyright holders, the so-called "GEMA-notice." Grundig, the defendant in that case, tried to circumvent the judgment by deleting from its advertising material any reference to the suitability of the tape recorders for recording or transferring copyrighted works. This way, Grundig assumed, it would rid itself from its obligation to provide its products with the "GEMA-notice." In a new lawsuit, commenced by GEMA, it was made clear that such a "GEMA-notice" has also to be included in so-called "neutral advertising." The Court in its decision of January 22, 1960<sup>9</sup> held that a distributor of equipment whose use may infringe copyrights of third

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<sup>9</sup> GRUR 1960, 340 (legal periodical: Gewerblicher Rechtsschutz und Urheberrecht).

parties is obligated to take reasonable steps to prevent any infringing use by the employment of adequate safety measures. It is therefore the duty of the producers of tape recorders not only in the distribution of its products, but also in its advertising, to clearly and visibly give notice.

After this decision the manufacturers of tape recorders, who were not willing to enter into some kind of licensing agreement with GEMA, were not required to employ the "GEMA notice." Subsequently GEMA also succeeded in obtaining judgments in the Federal Supreme Court that the producers of tapes<sup>10</sup> and the retailers<sup>11</sup> of tape recorders also were obligated to employ the "GEMA-notice" in their advertisements and in their sale negotiations with their customers.

These victories in court did not have the effect GEMA had hoped for. Only an insubstantial number of private users were moved to pay voluntarily a flat fee to GEMA. During this struggle of GEMA, a legislative proposal by the government was presented to Parliament in 1962.<sup>12</sup> This proposal, predicated on the "tape recorder decision" of 1955, provided for a reasonable compensation to authors for the recording by visual and sound recording devices.<sup>13</sup> The proposal did not follow the suggestion to impose this liability upon the manufacturers of recording devices.

In the meantime GEMA had started its last attempt to enforce the theoretically existing claim against the private users. It had commenced a lawsuit in order to obtain the addresses of buyers of tape recorders. In its decision of May 29, 1964<sup>14</sup> the Federal Supreme Court held that there is no right which would allow GEMA to demand that manufacturers and retailers sell tape recorders only upon presentation of a personal identification card and that they pass on names and addresses of the purchasers to GEMA. The court argued that an identification of names and addresses of buyers of tape recorders only makes sense when there is an intent to find out whether the recorder is used for copyright infringing purposes. Since GEMA had already announced that it would enforce this intent upon information from apartment neighbors or doormen, this would raise the danger of inappropriate interference with the absolute right of *privacy*. The court added an important consideration.

<sup>10</sup> Decision of June 12, 1963; GRUR 1964, 91.

<sup>11</sup> Decision of June 26, 1963; GRUR 1964, 94.

<sup>12</sup> Printed in Parliament Gazette (Bundestagsdrucksache) IV/270.

<sup>13</sup> §54(3) reads as follows:

"For the recording of a performance or broadcast of a work on visual or sound records and for the transferring of a work from one visual or sound record to another an appropriate remuneration has to be paid to the author."

<sup>14</sup> BGHZ 42, 118.

It pointed out that in light of the lack of success in enforcing copyrights against the private owners of tape recorders, the manufacturers could be held liable as contributory infringers. This would leave GEMA with the possibility of allowing the sale of tape recorders only on the condition that the manufacturers pay in substitution for the compensation for reproduction a just and reasonable flat fee.

The question of a direct payment of a compensation by manufacturers was also examined by the Judiciary Committee of Parliament. This body was in favor of such a solution. The Committee referred to the decision of the Supreme Court of May 29, 1964, just discussed, with its reference to the manufacturers being contributory infringers. It pointed out that the manufacturers deliberately took advantage of the growing popularity of private home taping. This led the Committee to propose the levy which is now contained in §53(5) of the current law.

In its written report<sup>15</sup> the Committee further explained its decision in favor of the importance of the levy on the manufacturers. Among other reasons it considered infringement claims against private users to be unenforceable. There was no doubt however that the system was an indirect way of getting to the individuals, because it was always understood that the producers could pass on the compensation to the purchasers by way of an adjusted price. The Committee emphasized that this pass-on system was not new, but had existed before, e.g. in connection with publishing licenses and the production of records. Thus §53(5) was based on some well-known copyright practices.

The Committee also dealt with the argument that some purchasers might use their recorders only in non-infringing ways. The counter-argument of the Committee was that it was rather unlikely "that recording equipment suitable for private taping would never be used in that way during its whole lifetime." Blank tapes were not made subject to the levy, because it was thought impossible to distinguish whether they would only be used for clearly noninfringing purposes (such as dictating) or to record copyrighted works.

In 1966 an equipment manufacturer challenged the constitutionality of §53(5) as violative of the producers' rights under Article 2 (freedom of action), Article 3 (equal protection), Article 12 (freedom of profession) and Article 14 (protection of property). The Federal Constitutional Court in its decision of July 7, 1971<sup>16</sup> held that the provision was constitutional. It explicitly rejected the constitutional objection which was based on the fact that the legislature had chosen among several possibilities—owners of tape recorders, manufacturers of recorders,

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<sup>15</sup> Annex to Parliament Gazette (Bundestagsdrucksache) IV/3401.

<sup>16</sup> BverfGE 31, 255.

manufacturers of tapes, retailers—and had imposed the equipment levy on the manufacturers of tape recorders. The Court reasoned that the provision provided for direct liability of the manufacturers, but that the cost of compensation was passed on to the purchasers of the recorders. It was added that the statutory solution was justified for practicability reasons and with respect to the right of privacy.

### III. INTERPRETATION OF § 53

§53 applies exclusively to natural persons, not to legal entities. The purpose of making the copy has to be for personal use. This requirement is missing if the intent is from the beginning to sell the copy or give it as a present. "Personal use" has been defined by one commentator<sup>17</sup> as use within the private sphere by the person who made or caused the copy to be made, and by closely related persons. A professor may excerpt parts from works for his own research or for use by his students.

Another commentator<sup>18</sup> states that, for example, the making of a copy by an attorney in order to work it in into a brief or to enhance his library is not considered to be a "personal use".

The method by which the copy is made is irrelevant. §53(1) allows—within its limits—reproduction by hand, typewriter or a mechanical process. §53(1) provides that it is permissible to make single copies. Therefore in most cases only one copy is allowed. However it is conceivable that reproductions for several closely related persons, e.g. a circle of music lovers, can be made for personal use. The courts have assumed that the making of more than seven copies cannot be considered "personal use" any more.

§53(2) makes clear that the copies can be made by a third person, e.g. a secretary or a copy shop. The underlying notion was that persons who do not possess a photocopy machine can have the copies made by a third person. Libraries can make copies upon request of their users. The rapidly growing use of this provision, which denies authors not only the right to withhold permission but also a compensation, has drawn strong criticism. The criticism has focused upon the requests for photocopies directly from centralized libraries and other information sources and not on copies made by libraries to replace missing originals or in the course of inter-library lending practices.

§53(3) is designed to prevent any misuse of copies made for personal use by prohibiting their distribution and public performance. Professor Ulmer states that for example the author can preclude a concert pro-

<sup>17</sup> Fromm/Nordemann, Komm. 7 UrhC 4th edition, 1979, §53, 5.

<sup>18</sup> Ulmer, *Urheber v. Verlagsrecht*, 1980, p. 299.

ducer from using for a public performance copies made for "personal use", even if the producer has obtained the performing rights from GEMA.<sup>19</sup> The right to copy is limited to purposes of personal use.

§53(4) sets forth exceptions to the principle of freedom to make copies for personal use. The right to make copies for personal use does not apply to the recording of public speeches and public performances of a work by audio and video recorders. For example a person in the audience of a concert is not allowed to make a recording of the performance. The legislators reasoned that in such cases the copy is not made in the private sphere but in public. It is irrelevant whether the recording device is publicly visible.

The execution of plans and drafts for works of the visual arts and the copying of a building is permissible only with the consent of the author. The objective of this provision is to protect the authors in the field of visual art against the execution of drafts or plans even if the single product is intended for personal use such as the decoration of private rooms.

§53(5) applies to single copies which are made for personal use either by means of the audio and video recording of broadcasts or by the transfer from one audio or video recording to another. According to §53(1) such reproductions can be made without the prior permission of the copyright holder. §53(5) codifies the new idea that although the private user can copy the protected work, such use of the work creates a right in the copyright holder to a compensation. This compensation must be paid directly by the manufacturers of sound and visual recording equipment.

Both domestic and foreign manufacturers are subject to the compensation claim. Due to the difficulty in enforcing this claim against foreign manufacturers, importers and reimporters are jointly liable with foreign manufacturers. A person is considered a "manufacturer" when he completely assembles the recorders. Suppliers to the manufacturers or persons who distribute recorders under their own name but made by a third person are not "manufacturers" within the meaning of the law.

§53(5) protects only authors whose works are likely to be taped or transferred. This means that not all works which can be taped are covered, but only those which by their very nature can be expected to be taped or transferred, such as literary and musical works, pantomimes and certain categories of works of art. Commentators<sup>20</sup> are of the opinion that buildings, paintings, sculptures and scientific or technological works will probably be taped or transferred only under exceptional circum-

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<sup>19</sup> *Id.* at 301.

<sup>20</sup> See note 17 at §53, 9.



stances. The same commentators state that news broadcasts or weather forecasts are not considered to be works under the copyright law and therefore their authors cannot avail themselves of the rights under §53(5).

The compensation claim does not exist with respect to recorders produced in Germany but intended for export. This makes clear that the objective of §53(5) is to reach only recording equipment which is intended to be used within the jurisdiction of the Copyright Act. In other words, the provision is directed to cover only home taping that occurs in Germany. Recorders from foreign countries intended for use outside the Federal Republic of Germany do not fall under §53(5). The action for which a manufacturer of recorders can be held liable is that he provides the opportunity to make "such reproductions" within the jurisdiction of the Act. This warrants the conclusion that the §53(5) levy is not a tax, but a copyright compensation for certain exploitation activities of protected works within the jurisdiction of the German Copyright Act.

§53(5) does not apply to recorders not suitable for personal use, e.g. dictating machines or large recorders used by commercial studios; they are because of their size and price unlikely to be used by individuals for home taping purposes.

The compensation to which the authors are entitled under §53(5) is a percentage of "the proceeds realized by the manufacturer from the sale of such equipment." This is the factory price of the producer. The provision does not prescribe a fixed percentage, but sets a ceiling: the aggregate of all compensation claims may not exceed 5% of the factory price charged by the manufacturer. The compensation is understood to be the total of the compensation claims of all parties entitled thereto, including—according to other provisions of the Act—the performing artists and producers of records and films, in addition to the authors.

The claims of the copyright holders under §53(5) cannot be put forward individually but must be brought through a collecting society. It is not necessary for the holder of the claim to be a member of the collecting society. The purpose of this feature is to simplify the collection and to avoid exposure of the manufacturers and importers to an intolerably large number of individual compensation claims. This solution is well known to the copyright law (see the claim under §27(1) of the 1965 Act, public lending right). It has been used when the collective enforcement of rights was more reasonable or was the only viable alternative in comparison to individual enforcement.

The German collecting societies are subject to a specific statute, the Act dealing with the Administration of Copyright and related Rights of September 9, 1965. An indispensable requirement for the operation of

the collecting societies is the grant of an authorization by the supervising authority, which is the Federal Patent Office. The authorization may be withheld if the by-laws of the society are inconsistent with the provisions of the Administration Act, the collecting society is represented by untrustworthy persons or if a sufficient economic basis is missing. According to §6 of the Administration Act, the society, upon request of a copyright holder, *has* to administer on equitable terms the rights and privileges pertaining to its scope of business. §7 and §8 of the Administration Act regulate the allocation of the funds which the society has collected under its activity. The law requires that the distribution plans shall foster works of cultural value. The societies are furthermore obligated to establish beneficial and supporting programs for authors whose rights they administer.

§13 concerns the relationship between a society and a user. The societies have to establish and publish schedules of the compensations and fees they are charging. Cultural and social aspects have to be taken into consideration when the schedules are set up.

§11 of the Administration Act makes clear that the collecting society is required to enter into a licensing agreement with any person so requesting regarding copyrights which it administers, provided the proposed terms are equitable.

Other obligations of the societies are the duty to provide information and to account. Under §10 anybody is entitled upon written request to receive information as to whether the society administers certain rights and if it does, as to their nature.

The duties of the society in respect to accountability and inspection are set forth in §9.

It has also to be mentioned that §16 provides for certain obligations of the grantees of rights. These are basically contained in the Copyright Act and the agreements with the societies. A few are included in the Administration Act. Under §16(1) a producer has to obtain the approval of the society prior to the public performance of a protected work. Under §16(a), after the event the producer has to present to the society a report on the works he used.

§16(3) imposes the duty upon a broadcasting company to provide the collecting societies with information about broadcasted programs if that is necessary for the society to determine the distribution of funds. The broadcasting company in such a case is entitled to a refund of its expenses.

It is undisputed that §53(5) applies to sound and video-recorders but cannot, by analogy, be applied to photocopy machines. The legislature thought it to be premature to provide for a compensation claim against producers of photocopying machines. At the time of the drafting

of the 1965 Act the importance of §53 was very limited in this area, because photocopying of protected works in the private sphere occurred relatively seldom. For this reason no equipment levy was introduced for Xerox-machines. However, §54(2)<sup>21</sup> of the 1965 Act grants a claim to authors for compensation when the copy is made for commercial purposes. This provision applies to photocopies.

The law makes very clear what is permissible and what is not but it does not do justice to the current situation. The daily practice of photocopying copyrighted works has reached such proportions that a revision of the provision concerning the making of reprographic copies and photocopies is called for.<sup>22</sup>

#### IV. EXPERIENCES WITH §53(5)

To make the following points more comprehensible a few details of the system of collection and distribution of the §53(5) compensation are appropriate.

Collection is handled by a joint collecting society, Zentralstelle fuer private Ueberspielungsrechte (Central agency for private recording rights), ZPU. ZPU was founded by the three preexisting collection so-

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<sup>21</sup> §54 reads as follows:

Reproduction for Other Informal Uses—(I) It shall be permissible to make or to cause to be made single copies of a work:

1. for one's own scientific use, if and to the extent that such reproduction is necessary for this purpose;
2. to be included in internal files, if and to the extent that reproduction for this purpose is necessary and if one's own copy of the work is used as a model for the reproduction;
3. for one's own information concerning current events, in the case of a broadcast work;
4. for other internal uses,
  - (a) with respect to small parts from published works or single articles which have been published in newspapers and periodicals.
  - (b) in the case of a work which is out of print and the copyright owner cannot be traced. If the copyright owner can be traced and the work has been out of print for more than three years, he may refuse his consent to such reproduction only for a valid reason.

2. If the reproduction is for commercial purposes on the part of the person authorized to reproduce the work, he shall pay to the author an equitable remuneration.

3. The provisions of Article 53, paragraphs (3) and (4), shall apply as appropriate.

<sup>22</sup> See Ulmer, note 18 at p. 308 and Dietz "Copyright Law in the European Community 1978," at p. 126/7.

cieties, GEMA, VG Wort<sup>23</sup> and GVL.<sup>24</sup> GEMA represents composers, VG Wort writers and GVL performers and producers.

The legal form of ZPU is comparable to a partnership. The sole objective of ZPU is the enforcement of §53(5) compensation claims. Its managing director is GEMA.

ZPU operates by negotiating with the manufacturers and importers of recorders or their respective associations. In most cases ZPU enters into a master agreement with the association of German producers which fixes the compensation on a lump-sum basis. With importers ZPU frequently deals individually.

ZPU has attempted to enforce the 5% maximum percentage whenever possible. In a settlement however with the German Association of Electronic Industry, it was agreed that the Association pays a yearly lump sum of four million German Marks. For the years 1966–1968 this amount proved to be less than 3% of the proceeds of the manufacturers from the sales of electronic equipment. Since the settlement only applied to domestic manufacturers ZPU tried to enforce the maximum 5% percent against the importers. This attempt however was held by the Federal Supreme Court to constitute an unlawful discrimination against importers versus domestic manufacturers. ZPU is now left with the need to attempt by regularly renegotiating to get close to the maximum percentage. This has been considered a weakness of the system. In 1966, when §53(5) became effective, ZPU collected 4 million German marks (this is roughly \$2 million) whereas in 1978 ZPU obtained 24 and in 1980, 30 million German marks.

The funds collected by ZPU are distributed in two steps. First they are allocated among the three member societies of ZPU, i.e. GEMA, VG Wort and GVL. The current scheme provides that GEMA and GVL each get 42% of the collected levy revenue and VG Wort is entitled to 16%. This ratio is apparently based on the proposition that home taping affects the rights of composers, performers and record producers to a larger extent than the copyrights of writers who are exclusively represented by the VG Wort.

Then, in the second phase, GEMA, GVL and VG Wort distribute their shares among their members and clients. Each society distributes this money according to methods it applies to its other income.

It is obvious that a completely just distribution, i.e. one which awards money corresponding to the exact numbers of private recordings of the work, is hardly possible. A solution has been attempted by forming

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<sup>23</sup> Verwertungsgesellschaft Wort, collecting society of the written "word".

<sup>24</sup> Gesellschaft zur Verwertung von Leistungsschutzrechten, collecting society for the enforcement of neighboring rights.

different categories of works, e.g. classical music, musicals, pop-music etc. in order to arrive at equitable distribution quotas. Indicators as to the frequency of home tapings of a work may be in case of musical works the number of public broadcasts, or in case of a record its sales figures.

GEMA's method of allocation takes into consideration the sales of a work as a record, the time of broadcasting and the number of public performances. These three indicators are monitored by GEMA. The administrative costs of the collecting societies are deducted from their respective shares prior to distribution. Out of all collected fees GEMA is first remunerated for its services as managing director of ZPU.

In Germany §53(5) is considered to be an important phase in the evaluation of the law concerning copying for personal use. It is not thought to be a final solution. Numerous commentators call for revision or an amendment. Some points which have proved to be problematic under §53(5) and have to be taken into account when amendments are proposed will be discussed below.

As far as imported recorders are concerned, it is not easy for ZPU to register *all* imports. There is no doubt that this is a weakness of the system.

German manufacturers complain that the system favors foreign producers, because high labor costs and expenses for advertising and warranties force them to charge higher prices than their foreign competitors. The foreign manufacturer leaves advertising and matters of warranties to his importers and thus can charge a lower factory price, which leads to a lower §53(5) compensation and finally a lower consumer price.

The collecting societies today stress that the price for recorders has decreased immensely, resulting in the fact that the average levy per unit is 4.50 German marks. The legislators when drafting §53(5) had assumed a price of 300 German marks per unit and an average compensation of 15 German marks per unit. This situation is in sharp contrast to the rapid increase of both home taping and production of blank tapes. One commentator<sup>25</sup> has suggested that a combination of a levy on recorders and a levy on blank tapes would result in a more reasonable balance between the possession of a recorder and its use. The main argument against a levy on blank tapes is the fact that many tapes are used in clearly non-infringing ways, such as for language schools, audio libraries for the blind and dictation. The argument which was made in support of the levy for recorders, namely that it is unlikely that the machine during its whole lifetime will never be used in infringing ways, is not so persuasive with respect to blank cassettes. This is especially true for

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<sup>25</sup> A. Dietz, GRUR, 1978, 457.

video-tapes used for filming with a video-camera. In this regard the experiences of the solution in the copyright law of Austria might be of considerable interest. The Austrian Copyright Revision Act of 1980 provides for a compensation which has to be paid by the commercial distributors of blank audio and video tapes.

There is another concern regarding a levy on blank tapes. It is possible to produce cassettes which contain prerecorded public domain works which can easily be erased. Thus the levy would be circumvented. There are also questions as to the nature of the levy—a fixed sum for every unit or a percentage of the retail or factory price?

A legislative proposal which was introduced in Germany on September 8, 1980 omits the statutory ceiling of 5% for the flat-fee and instead provides for a right to the payment of an "appropriate compensation." It seems, however, likely that before §53(5) is amended to reflect the growing demand for a statutory regulation which imposes a compensation and claim upon the manufacturers and importers of audio- and video-tapes and related devices suitable for recording and transferring protected works, there will be extensive discussion. Since the current law, §53(5) has proved, in principle, to be practicable and has been accepted by the involved parties, a further step to do justice to a new situation caused by rapid technical innovation, should not be withheld.

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## PART II

## LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

## 1. United States of America and Territories

## 303. U.S. CONGRESS. HOUSE.

H.R. 6983. A bill to amend title 17 of the United States Code to improve the protection afforded to computer software, and for other purposes. Introduced by Mr. Kastenmeier on August 12, 1982; and referred to the Committee on the Judiciary. (97th Cong., 2d Sess.).

This bill would provide for greater protection for computer software by redefining computer programs to incorporate the instructions therein, as well as define "a program description" and "supporting material." In addition, the bill would list computer software with literary works, and the definition of "publication" would be changed to exclude the placement of the copyright notice on a work as constituting publication or public disclosure.

## 304. U.S. CONGRESS. SENATE.

S. 2881. A bill to amend the copyright law respecting the limitations on exclusive rights to secondary transmissions. Introduced by Mr. Specter on September 9, 1982; and referred to the Committee on the Judiciary. (97th Cong., 2d Sess.).

This bill would clarify the status of retransmission carriers and companies that utilize satellites or terrestrial microwave repeater stations to retransmit television signals to cable operators. It would also make technical changes to section 111(a) (3) of title 17 U.S. Code, thereby clarifying the congressional intent with respect to the limited exemption from copyright liability for retransmission carriers.

## 305. U.S. COPYRIGHT OFFICE.

37 CFR 203 and 204. Privacy Act of 1974; Freedom of Information Act; policies and procedures; correction. Final regulations; correction. *Federal Register*, vol. 47, no. 174 (Sept. 8, 1982), p. 39483.

On August 24, 1982, the Copyright Office announced that

it was amending Sections 203 and 204 of its regulations. The announcement failed to indicate that August 24, 1982 was the effective date of the amendments.

306. U.S. COPYRIGHT OFFICE.

Affixation of the Copyright Office seal. Notice of new procedure. *Federal Register*, vol. 47, no. 170 (Sept. 1, 1982), p. 38654.

The Copyright Office gives public notice that its seal may in the future be affixed to certain certificates of registration by means of a printing process. The embossing process that has been, and is now in use, may continue to be used. The change is adopted to help accelerate the issuance of certificates.

307. U.S. COPYRIGHT ROYALTY TRIBUNAL.

37 CFR 308. 1980 adjustment of the royalty rate for cable systems. Final rule. *Federal Register*, vol. 47, no. 197 (Oct. 12, 1982), p. 44728.

The Copyright Royalty Tribunal amends its final rule concerning the inflation adjustment of the statutory royalty rates for secondary transmissions by cable systems. The amendment, which reflects a court ordered revision of the inflation formula, provides that the statutory rates be increased by 18.35%. The new rates are effective as of the first accounting period of 1981.

308. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Declaration of controversy concerning distribution of 1981 jukebox royalty fees. *Federal Register*, vol. 47, no. 196 (Oct. 8, 1982), pp. 44605-06.

The Copyright Royalty Tribunal announces the existence of a controversy in the matter of the 1981 jukebox royalty distributions and directs claimants to submit by November 12, 1982 any evidence pertinent to such distribution.

309. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Possible declaration of controversy concerning distribution of 1981 cable royalty fees. *Federal Register*, vol. 47, no. 196 (Oct. 7, 1982), p. 44606.

The Copyright Royalty Tribunal instructs claimants in the 1981 cable royalty distribution proceedings to submit "comments concerning whether a controversy exists." The submissions should be made no later than November 12, 1982.



## 310. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Amendment of the Commission's rules relative to diversification of control of community antenna television systems; and inquiry with respect thereto to formulate regulatory policy and rulemaking and/or legislative proposals. Proposed rule withdrawn. *Federal Register*, vol. 47, no. 173 (Sept. 7, 1982), pp. 39207-12.

Twelve years ago the Commission issued a proposed rulemaking concerning the placement of restrictions on multiple ownership of cable television systems. The comments and evidence in response to the proposal show that the "cable industry has not reached, nor is likely to reach in the near future, a level of concentration that endangers diversity of viewpoints received by the public." The Commission concludes, therefore, that the adoption of regulatory constraints on multiple ownership for the cable industry is not justified at this time. Accordingly, the proposed rulemaking is terminated.

## 311. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Amendment of the Commission's rules relative to elimination of the prohibition on common ownership of cable television systems and national television networks. Proposed rule. *Federal Register*, vol. 47, no. 173 (Sept. 7, 1982), pp. 39212-19.

The Commission recommends the deletion of its rule prohibiting common ownership of cable television systems and national television networks. The rule was intended to foster diversification of control of the channels of mass communications by limiting entry into and ownership of the new technologies by existing television networks. A study of the issues involved and the changes in the video marketplace revealed that the original reasons "for adopting the network/cable cross-ownership prohibition . . . are . . . not supported by the realities of current conditions." It also indicated that the rule may be negatively affecting certain benefits that could be derived from "the vertical integration among networks and cable systems." Rescission of the rule would permit the "marketplace to operate more freely, enhance competition and permit realization of the potential in terms of reduced costs which network/cable cross-ownership could bring."

## 312. CALIFORNIA.

A.B. 3483 [CCH Copr. L. Rptr., Para. 10,867].

This bill, which has been signed into law by Governor Brown, amends the California Civil Code granting authors the exclusive rights of ownership of original works not fixed in any tangible medium of expression. The bill also repeals the provision of the California Code that granted authors or proprietors of original works fixed in any tangible medium an exclusive right of ownership in their works.

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## PART IV

**JUDICIAL DEVELOPMENTS IN LITERARY AND  
ARTISTIC PROPERTY**

313. **TANDY CORPORATION v. PERSONAL MICRO COMPUTERS, INC.**, 524 F. Supp. 171 (N.D. Cal. Aug. 31, 1981) [Peckman, D.J.].

McCutchen, Doyle Brown and Everson, San Francisco, Cal., John N. Hauser, Barry P. Goode and Jesse W. Markham, Jr., of Counsel, for plaintiff; Thomas E. Schatzel, Santa Clara, Cal., Peter W. Gumaer, of Counsel, for defendants; Shider, McBroom, Gates and Baldwin, Seattle, Wash., James R. Irwin, of counsel, and Dinkspiel and Dinkspiel, San Francisco, Cal., John F. Taylor and Linda E. Stanley, of counsel, for third-party defendant.

Motion to dismiss action for infringement of plaintiff's copyright in a computer program. Motion denied. *Held*, under sections 101 and 102 of the Copyright Act of 1976, a ROM (read only memory) is a copy of the program contained in the ROM.

Plaintiff Tandy Corporation manufactures a computer designed for home use—the Radio Shack TRS-80. The TRS-80 contains an “input-output” computer program routine in a silicon chip called a “read only memory” or ROM. An input-output routine is a program which translates information entered in a computer in one computer language into a language used by the computer. In this action, plaintiff claimed that defendants copied the TRS-80 input-output routine by incorporating a ROM with that program. Defendants moved to dismiss the complaint on the ground that, for copyright purposes, a ROM is not a copy of the program contained in it. Defendants based their argument on section 117 of the Copyright Act of 1976, as originally enacted, and *White-Smith Publishing Co. v. Apollo*, 109 U.S. 1(1908). Section 117 provided that a copyright owner's rights with respect to the use of a work in conjunction with a computer would not be affected by the Act. *White-Smith v. Apollo* held that a reproduction of a work which is incorporated into a mechanical device is not a copy for copyright purposes.

The court rejected appellant's argument, holding that section 117, as originally enacted, did not require it to determine whether

a ROM is a copy of the computer program in it under the law prior to the enactment of the Act. According to the court, section 117 applied only when copyrighted material was entered into a computer. Section 117 referred to the use of a work in conjunction with a computer, not the duplication of a work. The 1980 amendment to section 117, which was not applicable, defined the right of a lawful owner of a copyrighted program to enter it into a computer. A computer program in a ROM is an original work of authorship fixed in a tangible medium of expression from which the program may be perceived with the aid of a machine, and therefore is protected by copyright under sections 101 and 102. The court found it improbable that Congress would provide for the protection of computer programs in those sections and render such protection meaningless in section 117. Thus, the court held that a ROM may be an infringing copy of the program contained in it.

However, the court would have denied defendants' motion even if it had accepted their interpretation of section 117. Plaintiff might be able to show that defendants' ROM was made after a visual display or printout of plaintiff's program was produced. If such is the case, then a copy would have been made whether or not the ROM was a copy.

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## PART V

## BIBLIOGRAPHY

## A. BOOKS, TREATISES AND CASSETTES

## 1. Foreign Publications

## 1. In English

314. CORNISH, W.R. Intellectual property: Patents, copyright, trademarks and allied rights. Sweet and Maxwell, London (1981), 630 pp. [Reviewed in *EIPR*, vol. 4, no. 5 (May 1982), pp. 154–156.]

In this book on intellectual property, Professor Cornish of the London School of Economics discusses the intellectual, religious and political bases of copyright law and their meshing with the “economic interest of the bookseller and later the publisher.” The author also discusses the U.K. Copyright Act, Anton Pillar Orders, the overlapping of copyright and registered design protection, and the extension of copyright protection to technical drawings.

315. MCFARLANE, GAVIN. A practical guide to copyright. McGraw-Hill Book Company (UK) Limited, Maidenhead (1982). [Reviewed by Michael Hicks in *EIPR*, vol. no. 7 (July 1982), p. 212.]

Mr. Hicks gives an unfavorable review of this book as he states that too much space is devoted to the Report of the Whitford Committee and too little space is devoted to copyright problems.

## B. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

## 1. United States

316. Attorneys fees demand as a counter-punch weapon. *Copyright*

*Management*, vol. V, no. 8 (Aug. 1982), p. 3.

Rosella Werlin was awarded \$500. for unjust enrichment in her copyright infringement suit against Reader's Digest. Because plaintiff's copyright infringement claim was rejected, defendant is seeking to recover \$800 in court costs and \$12,000 in attorneys' fees that it paid as a result of Werlin's allegedly frivolous claim. This article examines the application of the attorneys' fees provisions of the copyright law in this and similar suits.

317. BOORSTYN, NEIL AND MARTIN C. FLEISHER. Copyrights, computers and confusion. *California State Bar Journal*, vol. 56, no. 4 (Apr. 1981), pp. 148-154.

Computers and copyrightability are the main thrust of this article. The author discusses trade secret laws, section 117 of the Copyright Law and the *Data Cash* case (*Data Cash Systems v. J.S. & A Group*, 480 F. Supp. 1068). The authors state that the repeal of former section 117 "provides much needed clarification of old doctrines and renders the 1976 act fully applicable to all computer uses."

318. CATANESE, THOMAS R. *National Subscription Television v. S & H, TV*: The problem of unauthorized interception of subscription television—are the legal airwaves unscrambled. *Pepperdine Law Review*, vol. 9, no. 3 (1982), pp. 641-675.

A definition of "subscription television" along with a view of *National Subscription Television v. S & H TV*. The author "traces the historical development of cable TV and the rules and policies of the Federal Communications Commission as they relate to subscription television and also makes some forecasts as to the implications of the *National* decision."

319. COHEN, JERRY. Record renting: is there a problem? If so, are the solutions worse? What are the radio implications? *Copyright Management*, vol. V, no. 8 (September 1982), pp. 1-4.

In discussing record rentals and their impact on copyright proprietors, Mr. Cohen explores program techniques, relevant legislation and contributing economic factors. He also references a recent issue of "Copyright" which offers the "views of international organizations on copying of the type associated with record rental and on audio and video home taping."

320. Derivative works rights extension. *Copyright Management*, vol. V, no. 8 (Aug. 1982), pp. 3-4.

An examination of rights in derivative works after termination of the copyright license. This issue was raised in *Harry Fox Agency v. Mills Music*, a suit involving mechanical royalties on the song "Who's Sorry Now." The court in the case ruled that Section 304(c) of the Copyright Act permitted defendant to continue receiving royalties after termination of the license.

321. Fair use clipping service. *Copyright Management*, vol. V, no. 8 (September 1982), pp. 6-7.

In Pacific and Southern Company's suit against TV News Clips, defendant is alleged to have infringed the copyright in a work broadcast by WXIA-TV in Atlanta. Because "a news exemption variant of the fair use defense" is raised in the case, this report discusses the implications the decision could have for "free speech values implicit in" fair use. It also mentions the burden of the defense as it applies to the news media.

322. FISCHER, MARK. Records: is section 602 a private "manufacturing clause"? *Copyright Management*, vol. V, no. 8 (September 1982), pp. 4-6.

An examination of the issues raised by the decision in *CBS v. Important Record Distributors, Inc.*, a suit which alleged violations of Section 602 of the Copyright Act. This article also focuses on the manufacturing clause, the record import business and another suit involving the sale in the U.S. of items intended for distribution in foreign markets.

323. FRANCIONE, GARY L. The California Art Preservation Act and the federal preemption by the 1976 copyright act—equivalence and actual conflict. *California Western Law Review*, vol. 18, no. 2 (1982), pp. 189-218.

A recap of the art-related statutes that California has enacted since 1971, particularly the California Art Preservation Act. This Act prohibits "the physical defacement, mutilation, alteration or destruction of a work of fine art except by the artist who owns and possesses that work of fine art." The scope of protection of the Art Preservation Act is investigated and the evolution of the Act is reviewed. The author then discusses whether the Art Preservation Act is preempted by Federal Copyright Law.

324. GREENMAN, FREDERICK F., JR. and DEUTSCH, ALVIN. The Copyright Royalty Tribunal and the statutory mechanical royalty: history and prospect. *Cardozo Arts & Entertainment Law Journal*, vol. 1 (Spring 1982), pp. 1-90.

This article traces the history leading up to the adoption of the Copyright Royalty Tribunal in 1976. It also discusses the proceedings which took place in 1980 to adjust the mechanical royalty rate and makes some observations on the future of the Tribunal.

325. GLUCKSMAN, CAROL P. Note: Art resale royalties: Symbolic or economic relief for the fine artist. *Cardozo Arts & Entertainment Law Journal*, vol. 1 (Spring 1982), pp. 115-136.

This note questions the justification for creating a resale royalty for the fine artist in addition to discussing the problem of applying copyright to visual art. It also gives an overview of one legislative response to the enactment of resale royalties legislation.

326. HARRIS, ROBERT W. Memorandum: Introductory guide to academic risks of copyright infringement. *The Journal of College and University Law*, vol. 7, no. 3-4, pp. 328-346.

This guide lists what kinds of works can be copyrighted, what kinds of acts can infringe the copyright in a work, and what fact situations can prevent copyright infringement liability.

327. JACZI, PETER. When works collide: derivative motion pictures underlying rights and public interests. *UCLA Law Review*, vol. 28, no. 4 (Apr. 1981), pp. 230-252.

The importance of public access, copyright conflicts and classic motion pictures are some of the topics addressed in this study. The author also analyzes the statutory treatment of derivative works in the 1909 and 1976 Acts and the problem of balancing public and private interests in the resolution of copyright conflicts involving derivative motion pictures. The cases discussed include *Gilliam v. American Broadcasting Cos.*; *Rohauer v. Killiam Shows, Inc.*; *Classic Film Museum, Inc. v. Warner Bros.*; and *Russell v. Price*.

328. Japanese copyright law. *Copyright Management*, vol. V, no. 8 (Aug. 1982), pp. 1-2.

This article focuses on a lecture that Professor Teruo Doi of Waseda University in Tokyo delivered at NYU Law School. The



subject of the lecture was the Japanese copyright law. Prof. Doi said that Japan is a member of the Berne Union and, accordingly, provides copyright protection for life of the author plus fifty years and recognizes author's moral rights. He cited several copyright cases, discussed the home taping exemption and pointed out the effect record rental stores have had on audio recording. Doi also talked about Japan's unfair competition and trademark laws and protection for video games, cartoon characters and artistically elaborated trademarks.

329. KAYTON, IRVING. Copyright in living genetically engineered works. *The George Washington Law Review*, vol. 50, no. 2 (Jan. 1982), pp. 191-219.

The advantages of copyright protection, copyright remedies and damages, and copyright protection of genetic works under the 1976 Act, are discussed by Mr. Kayton. The author concludes this article with an analysis of the comparative effectiveness of patent and copyright.

330. LAEL, SCOTT. Note: Direct broadcast satellites: Public access or exclusive use. *Cardozo Arts & Entertainment Law Journal*, vol. 1 (Spring 1982), pp. 91-113.

This article addresses the question of who should have access to direct broadcast satellites (DBS) and reviews the FCC's current regulations affecting television programming. It also discusses the FCC's policy report on the analysis of potential competition in the television industry as it relates to access to and content control over DBS programming. It concludes with a proposal for DBS regulation and discusses reasons why it best accommodates First Amendment rights.

331. MELVILLE, LESLIE. Indirect copying I. *Law of Copyright*, vol. 131, no. 602 (Oct. 1981), pp. 1031-1035.

A look at "artistic works" within the definitions contained in Great Britain's Copyright Act. An overview of Design Rule 26 and the articles exempted from registration are also listed. The author addresses the problems of registration, the effect of the Design Copyright Act and indirect copying.

332. MELVILLE, LESLIE. Indirect Copying II. *Law of Copyright*, vol. 131, no. 6022 (Oct. 1981), pp. 1055-1058.

The author continues his study of indirect copying, discussing such cases as *Br. Leyland Motors v. T. I. Silencers* (1981); *Turner v. Robinson et al.*; and *Darling v. Hannor Marine* and the Registered Designs Act.

333. MEYERSON, MICHAEL J. The First Amendment and the cable television operator: An unprotected shield against public access requirements. *Communications and Entertainment Law*, vol. 4, no. 1 (Fall 1981), pp. 1-66.

The author discusses whether state-imposed public access requirements violate the First Amendment rights of the cable television operator. The author concludes that such requirements "do not hinder, but in fact further, fundamental First Amendment interests." Additionally, they fulfill the standards of the constitutional tests for each classification into which they could be placed.

334. MILLER, NICHOLAS, RANDOLPH W. YOUNG and ROBERT H. RUXIN. The regulatory status of cable television leased channels: Issues of common carriage and preemption. *Communications and Entertainment Law Journal*, vol. 4, no. 2 (Winter 1982), pp. 269-289.

This article is an overview of cable leased channels in terms of common carriage and possible jurisdictional questions raised between the federal, state and local governments. The author concludes that local governments should recognize and understand the implications of common carrier classification on both federal and state authority over cable in designing any leased channel requirements.

335. PALUMBO, NORMAN A. JR., Obscenity and copyright: An illustration past and future. *South Texas Law Journal*, vol. 20, no. 1, pp. 87-102.

A review of the relationship between obscenity and copyright infringement, particularly as it pertains to the 1973 motion picture "Behind the Green Door". The author then discusses the emerging American obscenity standard and the courts' decisions concerning constitutional questions regarding obscenity. Particular attention is given to the case of *Mitchell Brothers Film Group v. Cinema Adult Theater*.

336. ROSE, ALAN C. Protection of intellectual property rights in com-

puters and computer programs. Recent developments. *Pepperdine Law Review*, vol. 9, no. 3 (1982), pp. 547-569.

Mr. Rose analyzes computer programs and the protection offered to them. He provides a historical and definitional overview of patent protection and a look at three pro-patent decisions of the U.S. Supreme Court. Also included are the statutory changes to the 1976 Copyright Act and a discussion of copyright protection for computer memory chips and a recent video game copyright decision.

337. SARET, LARRY L. and MARTIN L. STERN. Publicity and privacy—distinct interests on the misappropriation continuum. *Loyola University Law Journal*, vol. 12, no. 4, Summer 1981, pp. 675-705.

A look at the right of publicity as a property right and as a personal right. Cases discussed include *Pendleton v. Time, Inc.*; *Eick v. Perk Dog Food Company* and *Leopold v. Levin*. The author also gives a comparison of the rights of privacy and publicity in misappropriation cases.

338. WARD, NICHOLAS D. Copyright in museum collections: An overview of some of the problems. *The Journal of the College and University Law*, vol. 7, no. 3-4, pp. 297-321.

Mr. Ward reviews the old Copyright Law and highlights provisions of the new act, including the five rights acquired by copyright. He gives attention to special copyright problems for archives, and museum acquisition through purchase, gifts and loans to and from museums.

339. WEBB, M. KATHRYN. Copyright: No fair use excuse for Sony's home videorecording infringement. *California Western Law Review*, vol. 18, no. 2 (1982), pp. 679-689.

An analysis of the *Universal City Studios, Inc. v. Sony Corp.* case along with a history of the copyright law and the fair use doctrine. The author also discusses what constitutes copyright infringement. [*Universal City Studios, Inc. v. Sony Corp.*, 659 F.2d 963 (9th Cir. 1981).]

340. WEIL, STEPHEN E. Some thoughts on art law. *Dickinson Law Review*, vol. 85, no. 4 (Summer 1981), pp. 555-565.

Mr. Weil provides an introduction to a symposium issue on Law and the Arts. He speaks about the emergence of art law particularly in the past ten years and those workshops concerned with the legal and business problems of art galleries (sponsored by the Practising Law Institute). He also discusses "art law" cases including *Bleistein v. Donaldson Lithographing Co.* and *Brancusi v. United States*.

341. WORKS, JOHN H. JR. Pirates walk the plank. The unauthorized interception of pay television transmissions. *Communications and Entertainment Law*, vol. 4, no. 1 (Fall 1981), pp. 141-171.

The author discusses the unauthorized interception of subscription television transmission and explains how the FCC and courts determine if television piracy is illegal. The article concludes that the survival of pay television systems depends largely on the transmitter's ability to limit his audience to paying subscribers. In order to do this, the author offers three solutions: "1) more widespread use of more sophisticated coding systems, 2) application of section 605 to all pay TV transmissions and strict enforcement of that statute, and 3) amendment of section 605 to clearly indicate that the piracy of pay TV transmissions is prohibited."

#### C. ARTICLES PERTAINING TO COPYRIGHT FROM MAGAZINES

##### 1. United States

342. ADILMAN, SID. Valenti to Canada: 'Get off the stick on c'right protection.' *Variety*, vol. 308, no. 7 (Sept. 15, 1982), pp. 4, 30.

In a speech at the Toronto Festival of Festivals, Jack Valenti urged Canada to revise its copyright law. He said that the "right to payment for cable and satellite retransmission is recognized generally in major countries of the world, but not in Canada." He indicated that new technology has surpassed the existing law and unless something is done to reverse the pattern, copyright protection will be "devalued."

343. ALA talks tough on copyright. *LF/SLJ Hotline*, vol. XI, no. 27 (Sept. 6, 1982), pp. 2-3.

In a statement to the Register of Copyrights, the American

Library Association decried the findings of the 1982 King Research report on library photocopying. The Association statement says that the report failed to give sufficient "attention to the experience (rights?) of creators themselves, as mandated in the law; . . . to quantify the amount of foreign and public domain materials; and . . . to focus as much attention on publishing practices as on library practices."

344. ALA urges Supreme Court to overturn Betamax ruling. *Publishers Weekly*, vol. 222, no. 13 (Sept. 24, 1982), pp. 13, 14.

The American Library Association (ALA) has filed an amicus curiae brief urging the Supreme Court to overturn the lower court's decision that limits copying of copyrighted material. The ALA brief, filed on August 28th, says that the lower court decision "has major implications for libraries and librarians and for the public's rights of access to information and entertainment." It also said that the lower court ruling "is likely to be construed as a definition of all of a library's reproduction rights, when in fact [the law] was meant to allow libraries to engage in certain additional activities, such as inter-library loan arrangements, which may not otherwise be deemed fair use."

345. Alleged counterfeits are seized in Montreal raid. *Variety*, vol. 308, no. 7 (Sept. 15, 1982), p. 79.

An investigation by the Canadian Recording Industry Association resulted in the Montreal police confiscating alleged counterfeit recordings from three locations owned by Disques Imperial. The police also seized \$2,500,000 worth of manufacturing equipment and charged three persons "with conspiracy to commit fraud."

346. AMOA asks high court to review juke box fee. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), p. 80.

The Amusement and Music Operators Association filed a petition for certiorari with the Supreme Court. The Association is seeking review of an appellate decision upholding the Copyright Royalty Tribunal's decision increasing the compulsory license fee for jukeboxes. The annual fee was raised from \$8 to \$25.

247. Appeals court reverses federal bench in 'H'wood-Ukraine' case. *Variety*, vol. 308, no. 7 (Sept. 15, 1982), pp. 85, 91.

A court of appeals found that the Broadway show by Frank Lazarus and Dick Vosburgh did not violate the Marx Brothers' publicity rights in "A Day in Hollywood—A Night in the Ukraine." Groucho Marx Prods. and a Marx heir brought the suit alleging that "publicity rights which they inherited . . . had been appropriated by the show without a license fee or any other compensation." Reversing the lower court decision, the appellate panel ruled that California instead of New York law should have been applied in the case. The only inherited rights of publicity California recognizes are those "connected with merchandising which the celebrity originated" during his or her lifetime.

348. ASCAP, BMI request one-year transition period on TV fees. *Variety*, vol. 308, no. 10 (Oct. 6, 1982), p. 91.

ASCAP and BMI submitted a proposal to the court for enforcing the judgment against their blanket music licenses for local television stations. The proposal calls for a one-year transition period during which the broadcasters could "continue blanket licenses, take per program licenses, engage in direct licensing agreements with producers and producer-syndicators, or have the producers and producer-syndicators of tv . . . (shows) negotiate their own source licenses with music copyright holders." At the end of the transition period, the blanket license would be abolished and the alternative licenses would go into force. The proposal also recommends that the courts resolve the issue of license fees for programs produced prior to the effective date of the judgment.

349. ASCAP to appeal Buffalo blanket licensing decision. *The Hollywood Reporter*, vol. CCLXXIII, no. 13 (Aug. 23, 1982), pp. 1, 10.

ASCAP intends to appeal the decision finding its blanket license for local television stations in violation of antitrust laws. The ruling was issued in a suit filed by Buffalo broadcasting stations. ASCAP contends that this decision should have been the same as that reached by the Supreme Court in CBS' challenge of the blanket licensing system. That ruling held that "blanket licensing was not illegal price fixing, in part because the networks had the option to negotiate with individual songwriters for licensing rights."

350. BEERMANN, FRANK. Playoffs, playoffs, who's got the rights? *Variety*, vol. 308, no. 7 (Sept. 15, 1982), p. 58.

If the Atlanta Braves win the western division title of the National League, a battle could occur between WTBS-TV, the local cable superstation, and ABC-TV over rights to broadcast the games. Under the Major League Baseball contract, ABC and local TV station WTBS are entitled to carry the play-offs. Since WTBS and the superstation are owned by Ted Turner, Mr. Beermann speculates about what could happen if Turner shows the games via satellite.

351. Blank tape rush in Sweden. *Billboard*, vol. 94, no. 36 (Sept. 11, 1982), p. 48.

September 1, 1982 was the effective date of Sweden's new blank tape levy. The tax, which reportedly will almost double tape prices, is expected to produce around \$20 million a year. Two-thirds of the funds will go to the government. The remaining third will be divided among the Swedish Film Institute, the performing rights society, the Musicians Union and record companies.

352. BMI jukebox crackdown working. *Billboard*, vol. 94, no. 41 (Oct. 16, 1982), p. 48.

Since last September, BMI filed 125 court actions against the owners/operators of unlicensed jukeboxes. Fifty of these actions were settled out of court and fifty other would-be suits were settled before reaching court. Compliance was sought under copyright provisions requiring jukebox owners/operators to pay an annual compulsory license fee on each of their machines or be liable for copyright infringement.

353. British gov't plans penal action vs. vid'cassette pirates. *The Hollywood Reporter*, vol. CCLXXIII, no. 30 (Sept. 16, 1982), pp. 1, 5.

At the London Multi-Media Market, Britain's Minister of State for Consumer Affairs mentioned measures that his government is considering for updating protection and strengthening remedies against video pirates. The measures he named included "extending the scope of British courts so that they can award exemplary penal damages in cases of flagrant infringements, and increasing the fines . . . to a level that will act as a deterrent."

354. CACNIO, PAUL. Thai counterfeiters go legit as gov't presses legal charges. *Variety*, vol. 308, no. 5 (Sept. 1, 1982), p. 78.

Rather than face legal penalties for piracy, many illegitimate cassette manufacturers and retailers in Thailand volunteer to turn legitimate. Itthivat Bhiraleus, who heads the country's antipiracy drive, indicated that this factor has contributed to the success of the music industry's efforts against illegal duplication.

355. Calif. Senate ok's repeal of sales tax on prod. expenses. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), p. 77.

The California Senate approved a bill repealing "a retroactive state sales tax on master recording production expenses." The measure was introduced in response to lobbying efforts against the reinterpretation of a 1975 state law. Under the reinterpretation of the statute, the State Board of Equalization was seeking a 6% levy on production expenses retroactive to 1976 plus penalties and expenses.

356. CARR, JOHN. Greek industry protests TV talk show on piracy. *Billboard*, vol. 94, no. 36 (Sept. 11, 1982), p. 50.

Greece's recording industry protested a television talk show on the problems of copyright theft. The program featured artists and publishers as well as cassette pirates voicing their views. The industry charged that the program encouraged piracy because the pirates were allowed to justify their illegal activity with claims of helping the "people by offering inexpensive music."

357. Cashwest to keep master, c'rights to Croce's songs. *Daily Variety*, vol. 197, no. 22 (Oct. 6, 1982), pp. 3, 4.

A federal court in New York awarded attorney's fees to the widow of the late Jimmy Croce in her suit against Cashwest Prods. The court ruled, however, that she was not entitled to her husband's master tapes and copyrights. Mrs. Croce sought the masters and copyrights on the ground that the recording/publishing management contract that her husband signed was unconscionable and unfair. The court found the contract to be similar to ones signed by other new artists, but did note that Croce should have been advised of his right to retain independent counsel.

358. CBS Records sues over Springboard masters rights. *Daily Variety*, vol. 196, no. 59 (Aug. 27, 1982), p. 3.

CBS Records filed another suit over rights to masters that it



claims to have acquired from the now-defunct Springboard Records. The suit claims that Andrew Ligouri was involved in a scheme to sell the rights. In an earlier action, CBS won an injunction prohibiting Ligouri "from asserting any rights to the former Springboard catalog."

359. COLVIN, GEOFFREY. A scrambler's gamble in pay TV: direct broadcasting by satellite is the latest acorn at burgeoning Oak Industries. *Fortune*, vol. 105 (June 14, 1982), pp. 129–30, 132, 134, 136.

After years of manufacturing components and electronic materials, Oak Industries expanded into the pay-TV business. This article details that expansion and Oak's plans to undertake a new venture—direct broadcasting satellite. It focuses on the company's achievements in signal scrambling technology and its court cases concerning the sale of unauthorized descrambling devices.

360. Courts slow, but fines deter Norway vid pirates. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), p. 52.

The Norwegian Videogram Distributors Association says that "slow courts and small fines make it difficult to stamp out piracy" in Norway. The Association reports that there are some thirty cases pending involving either pirating or the illegal importation and distribution of unlicensed videocassettes. One such case involves pirated videocassettes that were recently seized in a raid on a video shop owned by an alleged pornography magnate.

361. Dallas police charge 'wizard' in television decoding device scam. *Washington Post* (July 18, 1982), p. A3.

Two men tried to blackmail VEU, a subscription television service in Dallas. Robert G. Lemire and his bodyguard offered to prevent the sale of decoding devices capable of unscrambling the VEU signal in exchange for \$1 million. The pair were arrested and charged with extortion after they accepted a check for \$250,000 from an undercover officer posing as a VEU official. The officer had bargained the original price down to the \$250,000 figure.

362. DANIELL, TINA. Billion-dollar lawsuit filed re 'false' Beatles recordings. *The Hollywood Reporter*, vol. CCLXXIII, no. 12 (Aug. 20,

1982), pp. 1, 8.

Singer Tony Sheridan filed a lawsuit against Polydor International alleging that eighteen of his recordings were falsely released as Beatles records. The suit also claims that songs that Sheridan recorded with the Beatles were subsequently rereleased by defendant and represented as Beatles-only records. Plaintiff contends that defendant's actions have resulted in defrauding the public and depriving him of royalties and recognition. The suit seeks more than \$1 billion in damages.

363. Disk biz loss figures disputed: Coalition challenges record industry's stats on impact of personal-use taping. *Daily Variety*, vol. 197, no. 13 (Sept. 23, 1982), pp. 1, 14.

The coalition of electronics manufacturers and consumer groups commissioned a poll which indicates "that home taping is not as prevalent nor as harmful as recording industry studies claim." The poll shows that "a fourth of those who tape at home never record albums and that home rerecording actually boosts record sales." It also shows that cost is usually a factor in the decision to tape at home and that "more than half of all home recordings of prerecorded material are made from records or tapes already owned by the tapers."

364. Dutch company launches retail antipiracy push. *Billboard*, vol. 94, no. 37 (Sept. 18, 1982), p. 28.

A Dutch video firm recently implemented a campaign aimed at convincing Holland's retailers to "stop trading in pirated video software." Video For Pleasure, which is sponsoring the campaign, will pay 59 Dutch guilders (approximately \$24) for every pirated tape that dealers hand over. The dealers, in turn, must buy a "legitimate videocassette costing about \$40 from Video For Pleasure." The illegal cassettes will be turned over to the companies that own the copyrights.

365. Economic effects of terminating the manufacturing clause. *Information Hotline*, vol. 14, no. 9 (Oct. 1982), p. 3.

The International Trade Commission is preparing a study on the economic effects of terminating the manufacturing clause. The report, which is to be released July 1, 1983, will include information on the impact on employment, imports and "condi-

tions of competition by . . . U.S. and foreign" printing industry concerns.

366. Editorial: in defense of copyright. *Billboard*, vol. 94, no. 37 (Sept. 18, 1982), p. 5.

This editorial criticizes a *Rolling Stone* article entitled "The War Against Home Taping", which decried attempts to enact blank tape royalty legislation.

367. Edward Ray renamed to Royalty Tribunal. *Billboard*, vol. 94, no. 38 (Sept. 25, 1982), p. 6.

President Reagan renominated Edward Ray to the Copyright Royalty Tribunal for a term of seven years. Ray was originally appointed to fill the position vacated by Clarence James. Another commissioner, Frances Garcia, will be leaving the Tribunal on the effective date of Ray's appointment.

368. 'E.T.' jewelry halted. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), p. 3.

A U.S. District Court enjoined Caress Jewelry and others from manufacturing and marketing "E.T." jewelry until a determination is made as to whether they have violated trademark and copyright laws. The injunction was issued in a suit filed by Universal City Studios and the Merchandising Corporation of America.

369. EVANS, ANITA. Raids signal new Singapore piracy stance. *Billboard*, vol. 94, no. 34 (Sept. 4, 1982), pp. 1, 59.

Singapore police conducted two raids that netted approximately \$23,000 worth of record equipment and some 15,000 allegedly pirated tapes. The success of the seizures was attributed to the implementation of provisions of the country's Criminal Procedure Code and antipiracy statute. Respectively, the provisions authorize "the seizure of property believed by police to have been used in the commission of an offense" and "arrest without warrant."

370. EVANS, ANITA. Stringent new regulations: Singapore crackdown. *Billboard*, vol. 94, no. 41 (Oct. 16, 1982), pp. 16, 36.

Singapore's new regulations governing the licensing of video

dealers are expected to curtail the sale of uncensored as well as pirated product. The "regulations are in line with the Films Act of 1981, which provides that no person shall carry on any business, whether or not it is for profit, of importing, making, distributing, or exhibiting films, without a valid license."

371. FBI arrests two for counterfeiting of videocassettes. *The Hollywood Reporter*, vol. CCLXXIII, no. 46 (Oct. 8, 1982), p. 4.

An FBI Motion Picture Assn. of America investigation resulted in the arrest of Donald Ewald and Tudor Taylor for "illegally duplicating and selling videocassettes of copyrighted" films. At the time of his arrest, Ewald was awaiting trial on charges stemming from an earlier FBI raid involving illicit cassettes. Those charges were the first brought in the U.S. under the new law making "copyright infringement a felony with a maximum penalty of five years in prison and/or a \$25,000 fine."

372. FBI Philadelphia raid nets 200 bogus vid'cassettes. *The Hollywood Reporter*, vol. CCLXXIII, no. 27 (Sept. 13, 1982), p. 7.

In a raid on the Philadelphia residence of Leonard Silow, FBI agents seized more than 200 pirated videocassettes. Silow reportedly was operating a mail-order business from his home.

373. Florida piracy case. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), p. 52.

Claud Sigman, a Florida video dealer, was indicted for selling pirated videocassette copies of copyrighted films. Approximately 1200 videocassettes were found at Sigman's store and home.

374. GODREY, STEPHEN. How to put a stamp on thin air. *Entertainment* (Aug. 28, 1982), p. 17.

Performance licensing for choreographic works and dance copyright are problems that have plagued dancers for years. Canada's dance industry hopes to soon improve the situation in their country. Currently, the only protection afforded choreography under the Canadian Copyright Act is via its dramatic work classification (which means that the dance has to have a storyline). The Act is expected to be revised in 1983, and the Dance In Canada Association drafted seven proposals which could change "the way dance is . . . defined and protected."

375. GOLD, RICHARD. NPR, Panasonic, Codart team in automated

home taping scheme; no major diskeries signed yet. *Variety*, vol. 308, no. 7 (Sept. 15, 1982), pp. 75, 79.

National Public Radio, Panasonic and Codart Inc. are offering a music home taping service. Codart will program the music for the service; NPR will broadcast the music via satellite; and Panasonic will manufacture decoders to automatically turn on and switch off home recorders. For a small fee, subscribers will be able to select tunes from a monthly catalog and order them by phone. Copyright royalty payments "will be worked out on a company by company basis."

376. GRAHAM, JEFFERSON. A. C. Nielsen survey finds cassette sales outnumber rentals. *The Hollywood Reporter*, vol. CCLXXIII, no. 20 (Sept. 1, 1982), pp. 1, 18.

A Nielsen survey of five Chicago video retail stores "found that 95.4% of all transactions were rentals versus 4.6% sales." The study also offered findings on the video format and the MPAA rating of films being rented.

377. GRAHAM, JEFFERSON. Cal. subscrip. TV raids bogus units; nets 400 illegals. *The Hollywood Reporter*, vol. CCLXXIII, no. 16 (Aug. 26, 1982), pp. 1, 4.

Illegal home decoders were confiscated from ten stores in California. The seizures, which resulted from complaints by California Subscription TV (CSTV), netted 400 of the illicit units. CSTV "offers the Z Channel as a MDS service" in the Greater Los Angeles area.

378. Helps music users: U.K. firm specializes in synchronization rights. *Billboard*, vol. 94, no. 37 (Sept. 18, 1982), p. 48.

London has a new company that specializes in "helping music users to negotiate synchronization rights for films, commercials and video programs." The firm, The Music Clearance Organisation, was organized by Martin Couche, formerly of the Mechanical Copyright Protection Society.

379. HENNESSEY, MIKE. German tape levy gets gov't support. *Billboard*, vol. 94, no. 37 (Sept. 18, 1982), pp. 1, 70.

West Germany issued a legislative proposal calling for a levy on blank audio and video tape. The document proposes a tax of

four cents per hour on audio tape and sixteen cents per hour on videotape. It also provides for the existing levy on tape and video recorders to be changed from five percent of the manufacturer's price to a flat fee of \$2 and \$6, respectively.

380. HENNESSEY, MIKE. IFPI: act on vid piracy. *Billboard*, vol. 94, no. 41 (Oct. 16, 1982), pp. 3, 37.

The International Federation of Phonogram and Videogram Producers (IFPI) appealed to the British government to increase criminal remedies for copyright infringement. The appeal was made in a submission addressing the Green Paper on revision of the United Kingdom copyright law. The IFPI document, like those of various other copyright owner groups, lent support "to the call for a levy on blank tape and hardware."

381. HENNESSEY, MIKE. IFPI-GEMA dispute over royalty to arbitration? *Billboard*, vol. 94, no. 34 (Sept. 4, 1982), pp. 3, 58.

Arbitration may be the next step in the dispute between the German branch of IFPI and GEMA, Germany's mechanical rights organization, over mechanical royalties. The main obstacle to reaching an agreement is their inability to find "an acceptable base for the 8% mechanical royalty." Previously the rate was based on recommended retail prices, but most BIEM (European mechanical rights bureau) member countries have abolished that practice. The GEMA dispute has, therefore, also delayed the negotiation of a new IFPI-BIEM mechanicals contract.

382. HENNESSEY, MIKE. Survey finds composers are mostly poor. *Billboard*, vol. 94, no. 41 (Oct. 16, 1982), pp. 3, 9.

The discussions at the 33rd International Conference of Societies of Authors and Composers (CISAC) Congress focused on such topics as authors' and composers' income and the status of intellectual property protection in the world. An issue that aroused much discussion concerned a broadcast industry licensing practice, which requires salaried or commissioned authors and composers to "assign rights to their music for cable diffusion without compensation." CISAC deemed that the practice violated the Berne Convention because it expropriates authors' rights "to negotiate terms for the use of their works."

383. HENNESSEY, MIKE. U.K. broadens drive against direct imports.

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*Billboard*, vol. 94, no. 38 (Sept. 25, 1982), pp. 1, 66.

The British Phonographic Industry adopted a new policy concerning parallel imports. The new policy provides that the list of restricted imports include catalog items that are still actively selling. It also calls for intensifying efforts against American and Canadian cutouts.

384. HENNESSEY, MIKE. U.S. TV rights ruling spurs concern in Europe. *Billboard*, vol. 94, no. 37 (Sept. 18, 1982), p. 5.

The recent Federal court decision concerning blanket music licensing for local television stations aroused concern among European performing rights societies. The ruling held that such licenses violate U.S. antitrust laws. Therefore, the societies fear that the interpretation, if not overruled, "would be detrimental to the interests of copyright owners everywhere."

385. HOLLAND, BILL. Trade leaders hit tape 'report.' *Billboard*, vol. 94, no. 37 (Sept. 18, 1982), pp. 1, 67.

A *Rolling Stone* (RS) special report on home taping aroused the anger of record industry figures. The report rebutted industry claims "that home taping is responsible for more than \$1 billion in lost sales, and that a royalty on blank audio tape and audio tape hardware is necessary for industry survival." The RS is expected to publish a reply article by the president of the Recording Industry Assn. of America.

386. HOLLINGER, HY. AFMA urged to get involved in pic piracy fight. *Daily Variety*, vol. 196, no. 58 (Aug. 26, 1982), pp. 1, 4.

The American Film Marketing Association was asked to participate in the piracy fight. The request was made by two of its New York members who want the organization to use its computer to "compile an international list of pirates and other abusers of rights."

387. Hong Kong court action hits Pac-Man imitators. *Billboard*, vol. 94, no. 39 (Oct. 2, 1982), p. 58.

A Hong Kong court granted an interlocutory injunction to Atari in its copyright infringement suit against Video Technology and Soundic Electronics. The order restrains defendants from the "manufacture, sale, distribution, import/export, advertising

and promotion" of games closely resembling Pac-Man. Plaintiff, which owns the exclusive rights to the home video version of Pac-Man, also has similar suits pending against the defendants in the U.S. and Britain.

388. HOROWITZ, IS. ASCAP, BMI freeze advances: cite financial questions raised by indie TV ruling. *Billboard*, vol. 94, no. 38 (Sept. 25, 1982), pp. 1, 60.

Owing to the federal court decision against their blanket music licenses for local TV stations, ASCAP and BMI "suspended all cash advances to writers and publishers." Both organizations indicated that they are assessing "the potential financial impact" of the ruling, especially since some stations have already stopped paying the license fees.

389. House Commerce Committee passes cable copyright bill. *Broadcasting*, vol. 103, no. 13 (Sept. 27, 1982), p. 36.

By a vote of 347 to 53, the House has approved H.R. 5949, a bill that deals with compulsory licensing for cable retransmission of broadcast signals, syndicated exclusivity protection for local broadcasters, and must-carry rules for cable. The bill as passed provides no limit on the number of distant signals that a cable system may import. Cable systems with 36 or fewer channels may refuse to carry any station that receives neither a 1% share of viewing hours in non-cable homes in the cable system's home county nor a 2% share in all homes of the county. Cable systems will be liable for copyright infringement if, upon demand, they fail to delete from other signals any syndicated series or feature film to which a must-carry station has exclusive territorial rights.

390. Illegal film biz booming in Italy: pix turning up on TV, elsewhere; government faces court problems. *Variety*, vol. 308, no. 10 (Oct. 6, 1982), pp. 61, 88.

Film piracy is rampant in Italy where the pirates include distributors as well as commercial television stations. Among the problems facing the local film industry in trying to curtail piracy are identifying authorized distributors, eliminating illicit product from network catalogs and programming, and reducing the amount of time that it takes to resolve pirate litigation.

391. ITC begins year-long study of manufacturing clause. *Publishers*



*Weekly*, vol. 222, no. 13 (Sept. 24, 1982), pp. 16, 18.

When Congress extended the manufacturing clause for four years, it mandated that a study be conducted to determine the effects on the publishing industry. The International Trade Commission has begun the study which is due next year. Public hearings have been scheduled for March and will address the clause's impact on employment, imports, exports, and foreign competition.

392. JACQUES, BETH. Counter to courtroom: keeping it legal in a fast-changing market. *Billboard*, vol. 94, no. 34 (Aug. 28, 1982), pp. VM-9, VM-18 to 19.

In discussing keeping it "legal in the video retailing trade," Ms. Jacques focuses on things retailers should do to avoid dealing in illegal products. She talks about organizations that will verify the authenticity of suspicious videocassettes and takes a look at the growing video piracy problem. She also discusses criminal copyright infringement, innocent infringers and indemnity agreements.

393. John sues James over copyrights; won't reveal basis. *Variety*, vol. 308, no. 10 (Oct. 6, 1982), p. 91.

In a suit against Dick James Music, writer-performer Elton John is seeking the return of copyrights to 150 songs that he wrote. The suit stems from a publishing contract covering the period 1967 through 1975.

394. KAHN, HENRY. Composers of French hit on trial: court to hear plagiarism case. *Billboard*, vol. 94, no. 37 (Sept. 18, 1982), p. 48.

The French court will be hearing a case involving rights to the song "Danse De Canards". The tune was originally composed by Tony Randal and titled "Danse De Oiseaux". Later Georges Delfosse and Gigi Lionel of Belgium changed the title and adapted it into the popular piece that it is today. Now Jean Constantin and Norbert Clanzberg are alleging that the later version plagiarizes the opening bars of their hit "Mon Menage A Moi". The Belgian copyright society conducted an inquiry into the matter and concluded that "the only resemblance was in the first four notes." Nevertheless, the "Menage" authors are pursuing their claim in court.

395. KLEIN, RICHARD. Video outlet dupes, sells (legally) old pix, shows in public domain. *Variety*, vol. 308, no. 5 (Sept. 1, 1982), p. 56.

Woody Wise, a Burbank, California video dealer, has made a business out of duplicating public domain works. Wise has built a catalogue of more than 300 titles of old television shows, serials and movies which he copies "for the purpose of renting or selling to the public."

396. KOZA, PATRICIA. Cable stations' copyright royalties are raised. *The Washington Post*, vol. 105, no. 321 (Oct. 22, 1982), pp. C14, C15.

The Copyright Royalty Tribunal (CRT) has adopted new royalty rates that could cost cable operators as much as \$20 million or more per year in royalties to copyright owners. The CRT also rescinded the right of local broadcasters to require cable systems to black out programs they obtain from distant stations that already had rights to show the program. The rates will take effect on January 1, 1983.

397. KOZAK, ROMAN. CBS develops taping 'spoiler.' *Billboard*, vol. 94, no. 39 (Oct. 2, 1982), pp. 1, 70.

CBS, reportedly, has developed a device that is able to prevent home taping. For the device to be installed on recorders, however, Congress has to issue a mandate. A CBS source indicated that the absence of a law declaring home taping to be illegal makes the passage of such legislation extremely unlikely.

398. Labels sue Texans for \$1.3 million in c'right suits. *Variety*, vol. 308, no. 10 (Oct. 6, 1982), pp. 91, 93.

Convicted record pirates Jerry and Jean May are being sued for copyright infringement by CBS Records and several other record companies. The defendants' former criminal piracy convictions as well as the new civil suits are the result of raids that the FBI conducted on a business owned by the Mays. If the record companies win their court actions, up to \$1,300,000 in damages could be assessed against the defendants.

399. LICHTMAN, IRV. For music performance rights: local TV blanket license 'unreasonable,' says court. *Billboard*, vol. 94, no. 34 (Aug. 28, 1982), p. 54.

A U.S. District Court in New York ruled that for local tele-

vision stations the ASCAP and BMI blanket license "unreasonably restrains trade" and violates antitrust laws. The decision was rendered in a class action suit brought by five TV station owners who argued that the blanket license was unfair because most "of the music used by them is background and theme music in syndicated programs" over which they have no control. The court found that, unlike CBS, plaintiffs "could not by virtue of their market power effect the transition to a reasonably practical, centralized system of direct licensing . . ." Thus, for plaintiffs, "direct licensing is not a realistically available marketing alternative to the blanket license."

400. LORD, PETER. Piracy flourishes in Britain as copyright revision lags. *Variety*, vol. 308, no. 6 (Sept. 8, 1982), pp. 41, 66.

A discussion of copyright in Britain. Mr. Lord, who is chief executive of the Video Copyright Protection Society, focuses on the subject of copyright law reform. He also examines video piracy and the ineffectiveness of the current law to control the problem.

401. Maine tavern fined for videocassette showing in bar. *The Hollywood Reporter*, vol. CCLXXIII, no. 21 (Sept. 2, 1982), pp. 1, 5.

The Godfather, a restaurant in Maine, was found guilty of copyright infringement for engaging in the unauthorized exhibition of prerecorded videocassettes. The establishment was fined \$10,585.58. The Motion Picture Assn. of America hopes the ruling will deter others from similar practices.

402. Marcos comes out on side of recording biz in Filipino piracy fight. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), p. 79.

During a ceremony sponsored by the Philippine Association of the Recording Industry, Imee Marcos spoke out against record piracy. Marcos is chairman of the board of the Music Foundation of the Philippines and director general of the Experimental Cinema of the Philippines. She said that the piracy problem has to be solved immediately in order for the country's recording industry to fully grow and remain a vital factor in the development of Filipino music.

403. MAYER, CAROLINE E. ARTEC pays \$60,000 in film copyright suit. *The Washington Post*, vol. 105, no. 293 (Sept. 24, 1982), p. D10.

The Arlington Telecommunications Corp. (ARTEC) has

reached an out of court settlement with nine motion picture companies which had brought suit for copyright infringement. The settlement calls for ARTEC to pay \$60,000 in damages, and royalty fees in the amount of \$35,000. The motion picture companies had charged that ARTEC had failed to pay royalty fees in 1979 and 1981 and no royalty fees at all in 1980 for the retransmission of broadcast distant signals.

404. MCMASTERS, THERESA. Artists implore senators plug Copyright Act loophole. *The Hollywood Reporter*, vol. CCLXXIII, no. 42 (Oct. 4, 1982), pp. 1, 6.

A coalition of artists, writers and photographers recently appeared before a Senate committee in support of the proposed Cochran amendment. The bill could exempt certain categories of commissioned works from the work-for-hire provisions of the Copyright Act. The coalition maintains that the measure would force buyers of creative works "to negotiate for only the rights they need." Various publishing groups and 20th Century-Fox oppose the bill.

405. MCMASTERS, THERESA. CBS loses appeal in copyright ruling. *The Hollywood Reporter*, vol. CCLXXIII, no. 43 (Oct. 5, 1982), pp. 1, 29.

An assessment against CBS for \$326,000 in damages for violation of the copyright and unfair competition laws was left undisturbed by the Supreme Court. The network sought the appeal in a suit involving its broadcast of segments from films of the late Charlie Chaplin. CBS argued "that damages should have been awarded under either the federal or state" law but not under both.

406. MPAA settles copyright suit against Virginia CATV station outside of court. *Daily Variety*, vol. 197, no. 14 (Sept. 24, 1982), p. 1.

An out-of-court settlement was reached in the Motion Picture Association of America's suit against Arlington Telecommunications Co. (ARTEC). The settlement agreement provides that ARTEC pay a total of \$50,000 in cable copyright fees and \$10,000 in attorney's fees over a twelve-month period. The suit arose out of ARTEC's delinquent royalty payments for 1979, 1980 and 1981.

407. Nab 1,000 pirate tapes. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), p. 54.

Some 1,000 uncensored videocassettes were confiscated in raids on three Singapore businesses. The seizures were part of a police crackdown on illegal video lending libraries and were carried out under Singapore's Film Act. The Act makes possession of an uncensored videocassette unlawful.

408. NCTA football squabble erupts in Georgia as ABC sues Turner. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), pp. 58, 72.

WSB-TV Atlanta and ABC are appealing the court's decision in their suit against the NCAA. The order enjoins WTBS, a superstation cable service in Atlanta, from televising NCAA football games after this season. Plaintiffs maintain that WTBS should also be prohibited from carrying this season's games because WSB will suffer irreparable harm. They contend that WTBS' broadcast of the games on Saturday nights will over-saturate the Atlanta market with football and interfere with the advertising and ratings for WSB's carriage of certain ABC Saturday night programming.

409. New French stations: Indie radio causes c'right headaches. *Billboard*, vol. 94, no. 36 (Sept. 11, 1982), p. 49.

France's new independent radio stations have created problems for SACEM, the country's copyright society. More than 60% of the programming broadcast by these stations consists of music, and the Society is responsible for negotiating the rights thereto. In this respect, SACEM is currently meeting with record companies, other rights organizations, radio/television stations and authors' societies to work out agreements.

410. Nigerian police arrest four in piracy raids. *Billboard*, vol. 94, no. 34 (Aug. 28, 1982), p. 40.

Piracy raids in Lagos, Nigeria resulted in the arrest of four men and the confiscation of approximately 3,000 albums. It also led to allegedly "pirate studio" locations in two other Nigerian states. Police believe that the illegal operations were part of a highly-organized and complex underworld network.

411. One more setback for cable c'right; now it's religion. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), pp. 63, 75.

House Telecommunications Subcommittee staff circulated a draft copyright bill. The measure provides that the carriage of teletext programming offered by the stations not be required by the must-carry signal provisions. It also proposes that current Copyright Royalty Tribunal cable fee adjustment proceedings be stopped in exchange for cable endorsement of religious television stations.

412. Oppose MPAA plan for OZ piracy ops, cite dupe efforts. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), pp. 52, 54.

John Hayes, the director of the Video Copyright Owners Association of Australia (VCOAA), expressed skepticism about the opening of the new Motion Picture Assn. of America (MPAA) antipiracy office in Sydney. The VCOAA has been conducting its own antipiracy offensive, and, for that reason, Hayes is fearful that the MPAA move will be counterproductive and will fragment the fight against illegal copying.

413. Players on strike vs. Israeli labels; royalties at issue. *Variety*, vol. 308, no. 7 (Sept. 15, 1982), p. 75.

A dispute over royalties led Israel's recording session musicians to go on strike. The strikers want local record companies to pay the Musicians Union overdue royalties from airplay. They also want a share of mechanical royalties from record sales. The companies refused the demands and vowed to "limit themselves to production of foreign records."

414. Publishers, authors spar in work-for-hire testimony. *Publishers Weekly*, vol. 222, no. 16 (Oct. 15, 1982), pp. 10, 12.

Hearings were held on S. 2044 on October 1, 1982. The bill would eliminate collective works, compilations and instructional texts from the "work-for-hire" provision of the Copyright Act. Authors, graphic artists and photographers argue that freelancers are denied substantial amounts of work unless they sign work-for-hire contracts. And as a result, freelancers cannot force publishers to transfer copyright for the work performed, even after the 35 years provided for in the Copyright Act.

415. QUAYLE, LYN. Aussie disk volume slides by 20–30%: hometaping has been factor. *Variety*, vol. 308, no. 6 (Sept. 8, 1982), pp. 107, 111.

The Australian recording market "is experiencing a slump."

Industry leaders attribute the slump to the availability of fewer leisure dollars, home taping, increased production and labor costs and higher copyright royalties.

416. RITZER, TERI. Film chiefs threaten embargo to light fire under Congress. *The Hollywood Reporter*, vol. CCLXXIII, no. 21 (Sept. 2, 1982), pp. 1, 4.

Motion picture industry leaders are threatening to impose an embargo on the sale of theatrical productions to commercial and pay TV. The threat is intended to force Congress to act on creative copyright and home taping issues. An embargo could affect television revenues as well as union pension plans that derive income from television exhibition.

417. ROBINSON, RUTH A. Jukebox royalties controversy raised. *The Hollywood Reporter*, vol. CCLXXIII, no. 44 (Oct. 6, 1982), pp. 1, 8.

When the issue of jukebox performance royalties arose at the MUSEXPO convention, one video jukebox manufacturer maintained that broadcast royalty collection was not his province. He suggested that distributors "charge an extra fee at the time the videobox" goes into a location. That fee could then "be ultimately turned over to agencies for distribution" to rights holders.

418. ROBINSON, RUTH A. WB, others face \$75 mil lawsuits in Hendrix hagggle. *The Hollywood Reporter*, vol. CCLXXIII, no. 17 (Aug. 27, 1982), pp. 1, 8.

A 1969 contract between the late Jimi Hendrix' manager and Gold/Goldstein and The Last Experience (TLE) is the subject of suits in federal court and the Superior Court. The federal action was filed by Hendrix' father. It seeks \$75 million and an injunction prohibiting defendant TLE "from releasing . . . concert film footage of one of the performer's last" tours. It also seeks \$10 million in punitive damages for Interlit Ltd., the licensor of all Hendrix recordings. The Superior Court action is between TLE and Warner Bros. Records. Plaintiff TLE seeks "punitive damages, damages for reasonable value of the work, plus an injunction against the sale" of an upcoming Hendrix album.

419. Seize seven in Ky. tape raid. *Billboard*, vol. 94, no. 34 (Sept. 4, 1982), p. 63.

With the help of the Recording Industry Assn. of America, state police seized approximately 8,000 alleged illegal tapes in a raid at a Kentucky flea market. Seven people were arrested in the raid and charged "with possession of unauthorized sound recordings for the purpose of sale."

420. Senate bill could hurt composers, cautions Cramer. *Variety*, vol. 308, no. 4 (Aug. 25, 1982), p. 77.

Ed Cramer told those assembled to honor BMI's award-winning composers that creators of musical works and publishers must be protected from threats to their rights and livelihoods. He said that threats are being posed by public attitudes that minimize the importance of music and by legislation such as the Senate-approved measure exempting fraternal and veterans organizations from copyright payments for music use.

421. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXIII, no. 26 (Sept. 10, 1982), p. 7.

A discussion of three cases involving entertainment industry matters. One of the cases, *General Cinema v. Buena Vista Distribution Company*, was an antitrust suit alleging that defendant's film rental policy was tantamount to illegal price fixing. A second action, *ASCAP v. WAQI* (a radio station), involved copyright infringement claims arising out of defendant's continued broadcast of plaintiff's music after the performing rights license expired. The third suit was one filed by Mickey Rooney against eight film studios. It alleged violations of federal antitrust and trademark laws in the sale of pre-1960 movies "to alternative markets, such as pay TV and audiovisual cassettes and discs."

422. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXIII, no. 41 (Oct. 1, 1982), p. 14.

Several antitrust suits have challenged the legality of blanket licensing for music use. The most recent of these is a suit brought by local television stations against ASCAP and BMI. Mr. Sobel provides a comparative analysis of some of the decisions in these cases.

423. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXIII, no. 46 (Oct. 8, 1982), p. 9.

A discussion of Salvatore Giangrasso's copyright infringe-



ment suit against CBS. The complaint alleged that the program "WKRP in Cincinnati" was based on a script plaintiff wrote in 1976. In ruling for defendants, the court "relied on the 'abstractions test' which was first articulated by Judge Learned Hand" about fifty years ago. Mr. Sobel examines the legal principles that the court applied in reaching its decision and compares the "treatment, details, scenes, events and characterizations" of both works.

424. SPAHR, WOLFGANG. German tape companies fighting software levy. *Billboard*, vol. 94, no. 34 (Aug. 28, 1982), pp. 4, 40.

West Germany is planning to amend its copyright law to improve authors' rights and their income by imposing a tax on audio/video software. The country's tape suppliers, which are lobbying against the proposed tax, maintain that the way to increase revenue is to extend the existing hardware levy to include imported equipment. They say that the levy would result in increased competition from foreign, especially Japanese, manufacturers.

425. SUTHERLAND, SAM. Brown signs studio tax reform bill. *Billboard*, vol. 94, no. 38 (Sept. 25, 1982), pp. 4, 62.

The Governor of California signed into law AB2871, the state bill exempting independent engineers, producers and recording studios from a controversial sales tax on master recording production. The California Entertainment Organization, which was instrumental in getting the measure enacted, now intends to take steps "to insure that resulting tax regulations" reflect the thrust of the new law.

426. Tapes seized in raid in Singapore manufacturer. *Billboard*, vol. 94, no. 38 (Sept. 25, 1982), p. 52.

More than 100,000 allegedly illegal tapes were confiscated in a raid on Chien Ching Sound System in Singapore. The seizure was the result of a joint IFPI/police investigation. Chien Ching Sound System, which is one of Singapore's major domestic manufacturers, is expected to face numerous charges when all the tapes have been checked.

427. Tapes seized in Singapore raid. *Billboard*, vol. 94, no. 41 (Oct. 16, 1982), p. 78.

Singapore police raided another illegal tape manufacturer, seizing some 39,000 tapes and thirteen master tapes. This is the

fourth such raid in less than six months. No arrests were made, but recording industry officials expect charges to be lodged against the directors of the firm.

428. TORGERSON, DIAL. Pirate TV bringing cubs games and sitcoms to Belize. *The Washington Post*, vol. 105, no. 321 (Oct. 22, 1982), p. E8.

Via the "pirating of TV signals from the satellites of U.S. networks," the Central American country of Belize now has television. The signals are picked up by home dish antennae and transmitted to some 12,000 subscribers, who until two years ago did not have televisions. Technically, these unlicensed broadcasts violate the country's telecommunications law, but political reasons have made authorities reluctant to shut the broadcasters down.

429. U.K. press hits WEA exec's taping letter. *Billboard*, vol. 94, no. 39 (Oct. 2, 1982), pp. 4, 15.

Nesuhi Ertegun of WEA International is urging affiliate companies not to "advertise in any publication which encourages either piracy or home taping." Mr. Ertegun's action was prompted by an article in a French publication that "openly suggested its readers should indulge in home taping." The managing director of WEA Records U.K. has agreed to adhere to Ertegun's urgings and WEA companies in other foreign markets are expected to follow suit.

430. WAY, MICHAEL. French cabinet mulls tape levy: plan included in proposed audio/video legislation. *Billboard*, vol. 94, no. 39 (Oct. 2, 1982), p. 58.

The French government is studying a compensatory levy on blank audio and video (a/v) tape. The levy would be part of an overall a/v protection measure which would include legal status for records, videos, cinema and TV films. It would also provide for the acceptance of neighboring rights payments and establish a method of controlling a/v rentals.

431. Writer files suit over 'Used Cars.' *Daily Variety*, vol. 197, no. 15 (Sept. 27, 1982), p. 2.

Kenneth Mobley filed a suit against Steven Spielberg and others alleging that the film "Used Cars" was appropriated from a script he submitted to Columbia Pictures in 1979. The Mobley

script, which is titled "No Money Down", is based on plaintiff's experiences as a used-car salesman.

432. YARDLEY, JONATHAN. Cassettes and emptiness. *Washington Post*, vol. 105, no. 268 (Aug. 30, 1982), pp. C1, C12.

Mr. Yardley talks about the home taping issue. He says that though many Americans believe that it is their right to record an album/movie off the air or from a friend's copy, such taping is morally and constitutionally indefensible. He predicts that this, and the fact that a ban on audio and video taping would be unenforceable, will lead to the eventual imposition of a surtax or some other form of payment on blank tapes.

## 2. Foreign

### 1. Great Britain

433. Court orders copyright memorandum destroyed. *The Bookseller*, no. 3998 (Aug. 7, 1982), p. 511.

The Federal Court Bench of New South Wales ordered destroyed a memorandum to state school principals "which copyright owners contended was misleading and erroneous." Litigation had arisen because of this memorandum. The decision of the court means that N.S.W. Education Department must also comply with the new photocopying amendment as other Australian states have done.

434. Australian Labor Party criticizes overseas publication. *The Bookseller*, no. 3996 (July 24, 1982), p. 319.

A report on Independent Australian Publishing which states that overseas publishers do not have the interests of Australian authors and readers at heart. The report highlights a publishers' proposal suggesting that Australian books published fifty years after authors have died are "out of copyright and are promised free of royalty." The report also reviews the Copyright Amendment Act of 1981 on photocopying.

435. BROPHY, BRIGID. Draft PLR scheme before Parliament. *The Bookseller*, no. 3979 (Mar. 27, 1982), pp. 1207-1210.

An overview of the requirements of Britain's 1979 Act, the

PLR draft scheme, PLR eligibility and the PLR as a property right. Subjects also discussed include the rights of authors and heirs and the problem of "true identity" of an author.

436. Copyright clearance in the U.S.—some progress despite the faint-hearts. *The Bookseller*, no. 4001 (Aug. 28, 1982), p. 826.

A report on the funds distributed by the U.S. Copyright Clearance Center in 1981. This article also mentions that \$48,000 represented only 22½% of the Copyright Clearance Center's earnings. The Center expects further collections from major corporations that are interested in obtaining authorization to photocopy.

437. Copyright reform: faint hopes for the distant future. *The Bookseller*, no. 4000 (Aug. 2, 1982), p. 637.

An update of copyright reform from 1956 until today. The government's Green Paper on reform of the law is discussed. The author states that Parliament has been accused of slow dealing concerning the problem of video piracy, and that more delay seems to be in the offing.

438. Copyright submissions on the Government's Green Paper. *The Bookseller*, no. 4000 (Aug. 21, 1982), pp. 660–664.

A look at the response to the government's Green Paper by the Publishers Association and the Society of Authors. The Publishers Association submission deals with two areas: amendments to the existing Copyright Act and the need for new legislation; and a more helpful and vigorous policy from the Government to protect the international areas of copyright. The author discusses the Treaty of Rome and the problem of illegitimate imports of English language editions from abroad. The case of *CBS (UK) Ltd. v. Charmdale*, dealing with the exclusive licensee for the manufacture and publishing of books, is also discussed.

439. Public Lending Right begins. *The Bookseller*, no. 3995 (July 17, 1982), pp. 240–245.

A lengthy article on the PLR providing the information for writers and illustrators of books. Background of the PLR legislation, how the system works, limits on payments and authorship and co-authorship of eligible books are some of the topics discussed.

- 
440. U.S. manufacturing clause lives on. *The Bookseller*, no. 3994 (July 10, 1982).

A British view of the extension of the U.S. manufacturing clause by the U.S. House and Senate. British Printing Industries Federations has been arguing that the expiration date of the clause should be moved to a non-election year in the U.S. Congress, to provide some chance of the manufacturing clause being abolished. The British Printing Industries Federation states it will continue its lobby against U.S. protectionism in this area.

441. The printing world this week. *The Bookseller*, no. 3996 (July 24, 1982), p. 320.

A note on the extension of the U.S. manufacturing clause. This article states that the manufacturing clause has the effect of withholding £ 40,000 worth of publishing work from the United Kingdom.

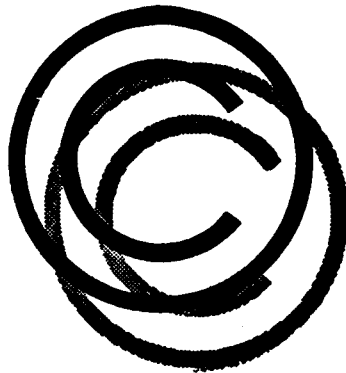
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## PART I

## ARTICLES

## PART I

## 442. DERIVATIVE RIGHTS AND DERIVATIVE WORKS IN COPYRIGHT\*

By PAUL GOLDSTEIN\*\*

There has been a quiet revolution in copyright law and the copyright industries. Copyright, which once protected only against the production of substantially similar copies in the same medium as the copyrighted work, today protects against uses and media that often lie far afield from the original. Copyright's subject matter has grown, too, making many of these uses and media themselves copyrightable. Both developments reflect the growth of new copyright industries. Hardcover book sales, which once represented the principal measure of a novel's popular success, are today dwarfed by the income from motion pictures, television series, sequels and merchandise derived from the novel. One current, popular motion picture, selling about \$3,000,000 in tickets a day, will reportedly earn even more from sales of dolls, sheets, posters, books and a full range of character merchandise.<sup>1</sup>

The 1976 Copyright Act,<sup>2</sup> like the 1909 Act which preceded it,<sup>3</sup> consolidates and advances these expansionary trends in protected rights

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\*I wrote this article during a semester as Scholar in Residence at the Max Planck Institute for Foreign and International Patent, Copyright, and Competition Law in Munich, Federal Republic of Germany. I am indebted to the Institute and its staff for their generous support.

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This article is dedicated to the memory of Norman Garey who, in our tragically short acquaintance, taught me so much about copyright law and the copyright industries.

\*\*Mr. Goldstein is Professor of Law at Stanford University. He received his A.B. in 1964 from Brandeis University, and his LL. B. in 1967 from Columbia University.

<sup>1</sup> "MCA, Inc. Expects 'E.T.' Merchandise to Outsell the Movie," Wall Street Journal, p. 7, July 19, 1982.

<sup>2</sup> 17 U.S.C. §§ 101 *et. seq.*

<sup>3</sup> Act of March 4, 1909, 60th Cong., 2d Sess.

and protectable subject matter. The 1976 Act gives the copyright owner not only the exclusive right to reproduce its work in copies, but also the exclusive right, "to prepare derivative works based upon the copyrighted work."<sup>4</sup> (The Act defines derivative work as "a work based upon one or more preexisting works" and cites as examples, "a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted."<sup>5</sup>) The 1976 Act also leaves no doubt that derivative works are themselves independently copyrightable<sup>6</sup> and that the derivative author's transformation of the underlying work need not be extensive: "A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work'."<sup>7</sup>

Although the Act's commitment to derivative rights and derivative works is clear, judicial acceptance has been uneven. One reason—traced in the first part of this article—is historical. Copyright law was first shaped around the technology of the printing press and around the

<sup>4</sup> 17 U.S.C. § 106(2).

<sup>5</sup> 17 U.S.C. § 101.

<sup>6</sup> 17 U.S.C. § 103(a).

<sup>7</sup> 17 U.S.C. § 101. However, copyright in a derivative work "extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material." 17 U.S.C. § 103(b).

Section 103 also includes "compilations" in the subject matter of copyright. Section 101 defines a compilation as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship."

The House Report elaborates the distinction between compilations and derivative works. "A 'compilation' results from a process of selecting, bringing together, organizing, and arranging previously existing material of all kinds, regardless of whether the individual items in the material have been or ever could have been subject to copyright. A 'derivative work,' on the other hand, requires a process of recasting, transforming, or adapting 'one or more preexisting works'; the 'preexisting work' must come within the general subject matter of copyright set forth in section 102, regardless of whether it is, or was ever copyrighted." H.R. Rep. No. 94-1476, 94th Cong. 2d Sess. 57 (1976). While a derivative work must, by this definition, draw on a work that comes within the general subject matter of copyright, a compilation need not. If, however, the compilation does consist of elements that fall within the subject matter of copyright, it is a "collective work," defined by section 101 to be "a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole."

assumption that the law's proper concern was with literal copies rendered in the same medium. While the subsequent growth in legitimate theaters, motion pictures and television opened vast new markets for derivative uses, impelling Congress to grant derivative rights to copyrighted works and to grant copyright protection to the derivative works created, courts either lagged or overreacted in accommodating the statute to the new rights and subject matter. In many unfortunate respects, copyright doctrine today remains wedded to the economics of the printing press and is divorced from the revolutionary realities of twentieth century markets.

Another problem—to be addressed in the remainder of this article—is that courts have had no general theory to guide them in the evenhanded resolution of cases involving derivative rights and derivative works. Copyright's competing philosophies—biases, really—offer little help in resolving the more difficult issues. Neither “high protectionism,” which favors an expansive construction of copyright, nor “low protectionism,” which favors a constricted reading, can satisfactorily resolve the paradox that every infringer of a derivative right is, by definition, itself the potential copyright owner of a derivative work, with an equal claim on copyright's system of investment incentives. The fact that the Copyright Act aims to encourage investment in original and derivative works alike seriously complicates the determination whether a particular derivative work infringes an original work.

This article will consider several points at which copyright's underlying economic principles require that rules shaped in the crucible of reproduction rights and copies be recast for application to derivative rights and derivative works. After tracing the history of derivative rights, the first part of the article considers the measure of infringement to be employed and the proper administration of remedies and exemptions from liability. The second part, which focuses on derivative works, considers three recurrent problems: the appropriate standards for protectability; coordinating the protection of derivative work and underlying work when one is in the public domain; and assessing the effects on the derivative work when a licensor has statutorily terminated the right to use the underlying work.

## *I. DERIVATIVE RIGHTS*

### *A. EVOLUTION OF DERIVATIVE RIGHTS*

#### *1. From 1720 to 1870.*

Early English copyright law defined copyright narrowly. The Statute of Anne gave authors and their assigns the exclusive right only to “print,

reprint or import" their books,<sup>8</sup> and courts were slow to read this language as covering more than literal copies. In *Burnett v. Chetwood*,<sup>9</sup> the first significant case to be brought under the Statute, the copyright owner of the Latin work, *Archeologia Philosophica*, sought to enjoin defendants from printing and publishing an English translation. Defendants objected that the statute was intended "only to restrain the mechanical art of printing," and the Lord Chancellor was inclined to agree:

"a translation might not be the same with the reprinting the original, on account that the translator has bestowed his care and pains upon it, and so not within the prohibition of the act."<sup>10</sup>

In *Gyles v. Wilcox*,<sup>11</sup> plaintiff sought to halt the printing of defendant's abridgment, *Modern Crown Law*, on the ground that it borrowed verbatim, and differed only colorably, from his work, *Sir Matthew Hale's Pleas of the Crown*. For Lord Chancellor Hardwicke, the question was whether defendant's book was "the same" as plaintiff's. Observing that where books are "colourably shortened only," they undoubtedly infringe, Hardwicke concluded that "real and fair" abridgments are excused because "abridgements may with great propriety be called a new book, because not only the paper and print, but the invention, learning, and judgment of the author is shown in them."<sup>12</sup> The cause was remanded for fact finding on the question.

These decisions against exclusive rights to translate and to abridge involved more than an easy, literal reliance on the statutory term, "copies." The courts in both *Burnett v. Chetwood* and *Gyles v. Wilcox* were prepared to excuse derivative works on the single ground that they represented new works. Although it might seem strange to excuse an admitted piracy on the ground that the pirate's treasure has independent as well as borrowed content, these early decisions properly recognized that the purpose of copyright is to encourage the production of new, original works, and that abridgments and translations are as important to their audiences as underlying works are to theirs. All that is missing from the decisions is a more explicit sense of the need to balance incentives: Will publishers produce full-length treatises if they know that they

<sup>8</sup> 8 Anne c. 19 (1709).

<sup>9</sup> 2 Mer. 441, 35 Eng. Rep. 1008 (Ch. 1720).

<sup>10</sup> 2 Mer. 442, 35 Eng. Rep. 1009. An injunction was nonetheless granted on the ground that the work contained "strange notions" that, though "concealed from the vulgar in the Latin language," would be improperly exposed if published in English. *Id.*

<sup>11</sup> 2 Atk. 141, 26 Eng. Rep. 489 (Ch. 1740).

<sup>12</sup> 2 Atk. 143, 26 Eng. Rep. 490.

cannot control sales, and reap profits, in the market for abridgments? Will abridgers, required to pay copyright tribute to the publisher of the full-length treatise, be left with sufficient profit to find the venture worthwhile?

American law during this period generally followed the results and rationale of the English decisions. The first American copyright act gave authors of maps, charts and books "the sole right and liberty of printing, reprinting, publishing, and vending" these works.<sup>13</sup> In one case, *Stowe v. Thomas*,<sup>14</sup> the court defined "copies" narrowly to hold that defendant's German translation did not infringe plaintiff's rights in her English language work, *Uncle Tom's Cabin*. In the court's view, to be a copy, a work must use the same language "in which the conceptions of the author are clothed."<sup>15</sup> Like its English predecessors, the court alluded to the derivative work's independent value and ignored its impairment of the potential market for Mrs. Stowe's work; indeed, the court gave no weight to the fact that Mrs. Stowe had herself authorized and underwritten a German translation with which, no doubt, the defendant's work directly competed.

The first great intellectual leap, auguring copyright's break from the confines of "copies," and the eventual statutory expansion of derivative rights, came in *Daly v. Palmer*,<sup>16</sup> a case that involved neither copies nor derivative rights. *Daly v. Palmer* involved the right, added in 1856,<sup>17</sup> to perform dramatic compositions publicly, and held that plaintiff's performance rights in *Under the Gaslight* would be infringed by defendant's planned public performance of another play, *After Dark*. The two plays had little in common—neither language, plot, nor incident—aside from a single scene in which one character, tied to a railroad track, is saved by another from an onrushing train. Even the two railroad scenes themselves contained material differences.<sup>18</sup> Were this a translation or abridg-

<sup>13</sup> Act of May 31, 1790, c. 15 § 1, 1 Stat. 124, 1st Cong., 2d Sess.

<sup>14</sup> 23 Fed. Cas. 201 (C.C.E.D. Pa. 1853).

<sup>15</sup> 23 Fed. Cas. 207.

<sup>16</sup> 6 Fed. Cas. 1132 (C.C.S.D. N.Y. 1868).

<sup>17</sup> Act of August 18, 1856, 11 Stat. 138.

<sup>18</sup> "It is true that, in one, A. is a woman, and that in the other, A. is a man; that, in one, A. is confined in a surface railroad station shed, and in the other, A. is confined in a cellar abutting on the track; that, in one, A. uses an axe, and in the other, A. uses an iron bar; that in one, A. breaks down a door, and, in the other, A. enlarges a circular hole; that, in one, B. is conscious, and is fastened to the rails by a rope, and, in the other, B. is insensible and is not fastened; and that, in one, there is a good deal of dialogue during the scene, and in the other, only a soliloquy by A., and no dialogue."

ment case, the result would have been clear: defendant's work was too far removed from plaintiff's to infringe. Indeed, had plaintiff alleged that defendant's play was a copy of his own work, it seems likely that he would have lost. But because the case involved not the right to copy, but rather the right to perform a dramatic composition, the court was liberated from the approach taken in the earlier decisions requiring that the copyrighted work and the alleged copy be compared to determine infringement. The court could thus measure infringement by comparing the similarities that survived the work's transformation from the written page to the dramatic stage. Asserting that the "spoken words in each are of but trifling consequence to the progress of the series of events represented and communicated to the intelligence of the spectator," Judge Blatchford found the crucial similarity to lie in the "action, the narrative, the dramatic effect and impression, and the series of events in the two scenes."<sup>19</sup> At bottom, Blatchford recognized, it was the effect on paying audiences, not literal similarities or differences, that lay at the heart of copyright economics.<sup>20</sup>

## 2. *From 1870 to 1976.*

Congress first granted derivative rights in the 1870 Copyright Act, providing that "authors may reserve the right to dramatize or to translate their own works."<sup>21</sup> The right to abridge was not added until 1909 with the grant of the exclusive right to "translate the copyrighted work into other languages or dialects, or make any other version thereof, if it be a literary work."<sup>22</sup> The 1909 Act also continued the right to dramatize a nondramatic work if it be a drama; to arrange or adapt it if it be a musical work; to complete, execute, and finish it if it be a model or a design for a work of art.<sup>23</sup> The 1976 Act expanded and simplified the

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6 Fed. Cas. 1136.

<sup>19</sup> 6 Fed. Cas. 1136.

<sup>20</sup> "A mere mechanic in dramatic composition can make such adaptation, and it is a piracy, if the appropriated series of events, when presented on the stage, although performed by new and different characters, using different language, is recognized by the spectator, through any of the senses to which the representation is addressed, as conveying substantially the same impressions to, and exciting the same emotions in, the mind in the same sequence or order."

6 Fed. Cas. 1138.

For a thoughtful review of the early English and American decisions see B. KAPLAN, *AN UNHURRIED VIEW OF COPYRIGHT* 9-34 (1967).

<sup>21</sup> Act of July 8, 1870, 16 Stat. 212 c. 230 § 86, 35 Cong., 2d Sess.

<sup>22</sup> Act of March 4, 1909, § 1(b), 60th Cong., 2d Sess.

<sup>23</sup> *Id.*



earlier formula, attaching the right to prepare derivative works to all forms of copyrighted works.<sup>24</sup>

Most of the early cases interpreting the new derivative rights involved the right to dramatize novels or stories, most were decided in the Second Circuit, and most recognized that, for the original work to be given the appropriate level of protection, literal changes could not be allowed to avoid infringement. *Dan v. Kirk La Shelle Co.*<sup>25</sup> is typical, the court there holding that defendant's play, "The Heir to Hoorah," infringed plaintiff's right to dramatize his story, "The Transmogrification of Dan," even though the play borrowed only the story's central incident and contributed events, characters and dialogue of its own. The themes stated in *Daly v. Palmer* resonated through these decisions. In *Kalem Co. v. Harper Bros.*,<sup>26</sup> the Supreme Court expressly relied on *Daly* to affirm a Second Circuit decision that defendant's motion picture, *Ben Hur*, infringed plaintiff's rights in the novel of the same name. It had made no difference to the lower court that defendant's work contained independent contributions and was itself copyrightable, and the Supreme Court was not disposed to disagree. Nor was the Court disturbed by the fact that to find infringement meant granting more capacious protection than had previously been given against strictly literal copies.<sup>27</sup>

### B. INFRINGEMENT OF DERIVATIVE RIGHTS

The English and American history reflects both a growing commitment to derivative rights and a clear sense that the proper measure for their infringement will often necessarily differ from the measure employed in cases involving the narrower reproduction right. Yet virtually none of the decisions has drawn a principled line capable of separating derivative rights from reproduction rights,<sup>28</sup> and only a few have

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<sup>24</sup> 17 U.S.C. § 106(2).

<sup>25</sup> 175 Fed. 902 (2d Cir. 1910).

<sup>26</sup> 222 U.S. 55 (1911).

<sup>27</sup> "It is suggested that to extend the copyright to a case like this is to extend it to the ideas, as distinguished from the words in which those ideas are clothed. But there is no attempt to make a monopoly of the ideas expressed. The law confines itself to a particular, cognate, and well-known form of reproduction. If to that extent a grant of monopoly is thought a proper way to secure the right to the writings this court cannot say that Congress was wrong." 222 U.S. 63.

<sup>28</sup> This may explain why one of the leading commentators on copyright law has concluded that section 106(2)'s grant of the right to prepare derivative works "may be thought to be completely superfluous," effectively replicating the right to reproduce and the right to perform. 2 M. NIMMER, COPYRIGHT § 8.09 [A] (1981).

systematically addressed the distinction's full implications: How, specifically, must infringement tests be reshaped to meet the peculiar needs of derivative rights? Must fair use and the originality requirement be recast? And what of remedies?

Copyright's underlying economic principles offer a helpful starting point for answering these questions. The purpose of copyright is to attract private investment to the production of original expression. Copyright seeks to achieve this purpose by giving copyright owners the exclusive right to reap the profits taken from reproductions, performances and other specifically prohibited uses of their original expression. This method implies a floor for investment by requiring that, to be protected, a work be original with the author and not copied from some other source. The method also implies a ceiling on investment by protecting expressions but not their underlying ideas, thus giving copyright investors no incentive to invest in the production of new ideas. In sum, the general incentive structure of copyright is to channel investment to the production of expression that is sufficiently original to qualify for copyright protection and to avoid infringing other copyrighted works.

Copyright's seminal design for regulating the production of copies provides the clearest example of this incentive structure at work. Section 106(1)'s grant of the exclusive reproduction right and section 102(a)'s declaration that copyright subsists in original works of authorship together establish one set of upper and lower limits to copyright investment. Margaret Mitchell and her publisher will invest time and money in writing, editing, producing and promoting the popular novel, *Gone With the Wind*, knowing that no one may copy the work's expressive content without their consent. They are also presumably aware of the floor and ceiling to their protection. They know that others will be free to use any of the novel's underlying ideas—basic plot, theme and character elements—just as they themselves were free in producing the novel to borrow ideas from other works.

The incentive structure of the Act's provisions respecting derivative rights and derivative works differs in two ways. First, section 106(2)'s grant of the exclusive right "to prepare derivative works based upon the copyrighted work" enables prospective copyright owners to proportion their investment in a work's expression to the returns expected not only from the market in which the copyrighted work is first published, but from other, derivative markets as well. The copyright owners of *Gone With the Wind* can hope to monopolize not only the sale of the novel's hardcover and paperback editions, but also the use of the novel's expressive elements in translations, motion pictures and countless other derivative formats. Second, just as these owners had a copyright incentive to originate the expression for the novel, *Gone With the Wind*, section

103—which extends copyright protection to the original elements of derivative works—gives them and their licensees an incentive to add original expression to each derivative work in order to qualify it for copyright protection of its own.

Taken together, sections 102(a) and 103, and sections 106(1) and 106(2), give a prospective copyright owner the incentive to make an original, underlying work, the exclusive right to make new, successive works incorporating expressive elements from the underlying work, and the incentive and exclusive right to make still newer, successive works based on these. The continuum may stretch from an underlying novel or story to the work's adaptation into a motion picture, its transformation into a television series, and the eventual embodiment of its characters in dolls, games and other merchandise. The works at the outer reaches of this continuum, and some intermediate works as well, will frequently bear scant resemblance to the expression or the ideas of the seminal work and will often be connected only by a license authorizing use of a title or character name.

This analysis offers some help in identifying the point at which the right "to reproduce the copyrighted work in copies" leaves off and the right "to prepare derivative works based upon the copyrighted work" begins: It is that point at which the contribution of independent expression to an existing work effectively creates a new work for a different market. The infringer who copies a novel verbatim violates only the right to reproduce, for he has created neither independent expression nor a new market. An infringing novel that borrows expressive elements from the original, but adds new expressive elements of its own, also violates the right to reproduce since, treating two novels with overlapping expression and essentially the same themes and characters as close substitutes, no new market has been created. A paperback edition of a hardcover novel will also violate the right to reproduce since, though aimed at an arguably different market, it adds nothing expressively different to the original. By contrast, motion pictures, translations and comic strips based on the novel will all infringe the derivative right because they add new expressive elements and serve markets that differ from the market in which the original was first introduced.<sup>29</sup>

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<sup>29</sup> Has an infringer who strings together excerpts from the novel violated the reproduction right, the derivative right, or both? Although the infringer has added no expression of his own, he has contributed the arguably expressive effort of editing; and although the market for abridgments and condensations substantially overlaps the market for complete novels, the overlap is by no means perfect. Cases like these underscore the fact that the difference between the right to reproduce and the right to prepare derivative works will often be one of degree rather than kind and that, in these cases, the

Having determined that a derivative right is in issue, it is far more difficult and consequential to draw the line that separates infringing from non-infringing derivative uses. The central problem is that *all* works are to some extent based on works that precede them. Ravel's orchestration for *Pictures at an Exhibition* clearly derived from Moussorgsky's *Suite for Piano*. But it is no less true that Moussorgsky derived the inspiration for his work from Victor Hartmann's sketches and drawings displayed in 1874 in the rooms of the St. Petersburg Society of Architects, and that Hartmann's sketches and drawings derived from subjects and from compositional, stylistic and thematic elements appearing in earlier works. The example, admittedly stretched, should at least suggest the nature of the problem.

Judicial guidance has been uncertain at best. Copyright's main infringement measure, the idea-expression distinction, has been applied unevenly to derivative rights, bouncing between the high level of protection given against such uses as motion pictures and television productions and the low level of protection given against certain nonliterary uses such as accounting or legal forms. Decisions at both extremes are flawed—the first for using copyright to regulate conduct that is more properly the subject of state unfair competition law, the second for applying copyright in a way that directly contradicts the statute. Another problem is that courts have not always appreciated the special constraints that arise when the fair use defense is applied to derivative uses. And copyright remedies, originally shaped with the case of literal copies and directly competing markets in mind, are sometimes misapplied to cases involving derivative works in noncompeting markets.

### 1. *Ideas and Expressions*

According to copyright gospel, infringement will be found only if defendant's work copies from plaintiff's, and only if the copying produces substantial similarities between the expression, and not just the underlying ideas, of the two works.<sup>30</sup> Courts applying the idea-expression

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distinction is best resolved according to the comparative degree to which the infringing work belongs to one category rather than the other: the degree to which it adds expressive elements to the underlying work and the degree to which it serves a market different from the market for the underlying work.

<sup>30</sup> Substantial similarity serves two functions in infringement cases. To prevail in a copyright infringement action, plaintiff must prove both "(a) that defendant copied from plaintiff's copyrighted work and (b) that the copying (assuming it to be proved) went so far as to constitute improper appropriation." *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946).

distinction to claims of literary infringement hold that themes and bare plots are no more than unprotectable ideas, but that protection will be given against surface paraphrasing. As to the area between, courts generally treat the question as one of degree—the degree to which the copyright owner has developed theme and plot through setting, scenes, incidents, dialogue, characterizations and other detail, and the degree to which the alleged infringer has borrowed these details.<sup>31</sup>

The rules on copyright infringement were shaped in the years before derivative rights were added to the statute, when the only question for decision was whether defendant's work constituted a copy of plaintiff's. The easiest case for substantial similarity arose when defendant had made a verbatim copy of plaintiff's entire copyrighted work. But courts were also prepared in the early abridgment cases to prohibit copiers from borrowing long, verbatim passages from the copyrighted work or publishing their works with only colorable variations from the original. And, eventually, with the addition of the performance right, courts following *Daly v. Palmer* found infringement even if there was no literal similarity at all between the two works, but only substantial similarity in protectable elements of incident and characterization.

The idea-expression distinction is far more difficult to apply across different formats, between an underlying work such as a novel and a work such as a motion picture alleged to derive from the novel. Although motion picture producers pay substantial sums to acquire literary properties, the elements that they ultimately employ sometimes bear only scant resemblance to the original. The first step "in adapting a book for the screen is to pare it down, cut it back to the basics and distill it into what movie people call its 'filmable elements.'"<sup>32</sup> Although the film's producers will try not to make too many changes in well known novels, they make take considerable liberties with lesser known works. Some-

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Copying may be proved by defendant's admission that it had used plaintiff's work, or by other direct evidence on the point. Copying can also be proved inferentially by evidence of substantial similarity between plaintiff's and defendant's work and of defendant's access to the copyrighted work. Plaintiff may even prove copying through evidence of substantial similarity alone if the similarities are so extensive and distinctive that they can only be explained by the fact that defendant copied from plaintiff's work. Unlike the question of copying, on which expert testimony is admissible, the issue of unlawful appropriation calls for the impressions of ordinary observers as to substantial similarities between the competing works.

<sup>31</sup> Learned Hand gave this test its classic formulation in *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 122 (2d Cir. 1930). See also, Chafee, *Reflections on the Law of Copyright* (I), 45 COLUM. L. REV. 503, 518–525 (1945).

<sup>32</sup> Holt, *Books into Movies: The Big Compromise, Part II*, 219 PUBLISHERS WEEKLY, p. 34 (June 5, 1981).

times a single incident in the novel will form the entire movie—"we cut out everything else—the adult characters, the romantic interests, the outside problems and all the rest—to get to that little chunk."<sup>33</sup>

As a book is transformed into a movie or television series, descriptive passages drop out and the actors' and set designers' skills substitute for the novelist's detailed characterization and scenic descriptions. Screenplays, it has been noted, are "barely readable conglomerations of dialogue, camera directions, setting descriptions, and character analysis."<sup>34</sup> The standard form of literary agreement typically gives the producer the unquestioned right to alter the property at will. The first draft screenplay will invariably be rewritten in the course of filming and editing. Sometimes all that will be left of the original work is little more than the title. The result may be a motion picture that is truer to the novel than any more literal, plodding imitation could possibly be. But has expression been taken and not just ideas?

Benjamin Kaplan has astutely observed that it

"is surely wrong to assume that what Hollywood is content to call a dramatization or screen treatment of a novel or play would necessarily be an infringing copy if not licensed."<sup>35</sup>

Why, then, do firms negotiate and pay for elements whose use will not constitute copyright infringement? One answer is that they are buying the use of elements—primarily titles and character names—that, though not protected by copyright, may be protected under unfair competition or trademark law. More important, the license is the key to their participation in the overall commercial enterprise based on the underlying work, an enterprise that may consist of a multitude of carefully orchestrated elements including hardcover publication, mass market paperback publication, novelization of the motion picture, television sales and sales of merchandising rights, and in which each element enhances the value of the others.<sup>36</sup> And these firms are buying time. Timing often requires that licenses be executed well before the licensee knows whether its work will incorporate copyrighted elements of the underlying work. Indeed, rights are sometimes licensed at a point when the literary property is hardly more than a twenty-page outline prepared by a well-known author. A license at this early stage assures the producer of the freedom to use copyrighted elements if it later so chooses.

<sup>33</sup> *Id.*

<sup>34</sup> C. ATKINS, *METHOD TO THE MADNESS: HOLLYWOOD EXPLAINED* 150 (1975).

<sup>35</sup> B. KAPLAN, *AN UNHURRIED VIEW OF COPYRIGHT* 56 (1967).

<sup>36</sup> See generally, T. WHITESIDE, *THE BLOCKBUSTER COMPLEX*, 64–88 (1981).

These practical considerations suggest that it is mistaken to confuse the scope of an executed license with the substance of the work produced under it. Courts, unfortunately, have repeatedly made the mistake. It is no coincidence that the principal cases establishing broad rights against infringement by derivative works characteristically involve situations in which the alleged infringer had at some earlier point sought a license.<sup>37</sup> The tendency in these cases, always unarticulated because legally irrelevant, is to take the earlier quest for a copyright license as evidence that one was needed, and to bar defendants from asserting that the rights they once tried to acquire do not now exist. For the reasons given, the emphasis is clearly misplaced. Prior negotiations may have motives that are completely irrelevant to the question of copyright infringement and should be given no weight in infringement determinations other than as evidence of access.

*Filmvideo Releasing Corp. v. Hastings*<sup>38</sup> indicates the depth of the problem. Defendant, owner of the copyrights in twenty-six Hopalong Cassidy novels, had licensed their dramatization in twenty-three motion pictures, reserving all television, broadcasting and radio rights. The copyrights in the novels had been renewed, and subsisted at the time of the suit. The copyrights in the motion pictures had not been renewed, so that the motion pictures were in the public domain at the time of suit. Plaintiff, which had acquired prints of the motion pictures, intending to license them for television broadcast, sought a declaratory judgment that the films did not infringe the copyrights in the novels.

Recognizing that "there will be some differences between a motion picture and the book upon which it is based because of differences in the nature of the medias,"<sup>39</sup> the court rested its finding that the motion pictures infringed the copyrights in the novels on only the scantiest similarities in "overall mood, message, general theme and total concept":<sup>40</sup>

1. The use of character names and the development of characters in the books and movies.
2. The use of songs throughout the movies and in the books.
3. The extensive use of outdoor descriptions in the books and the use of what can only be called scenic shots in the pictures.

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<sup>37</sup> See, e.g., *Bradbury v. Columbia Broadcasting System, Inc.*, 287 F.2d 478 (9th Cir. 1961); *Sheldon v. Metro Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir. 1936).

<sup>38</sup> 509 F. Supp. 60 (S.D.N.Y.), *aff'd.*, C.C.H. Copyright Law Reports ¶ 25, 339 (2d Cir. 1981).

<sup>39</sup> 509 F. Supp. 63.

<sup>40</sup> 509 F. Supp. 64.

4. The extensive use of the names of places and towns in the movies as well as the books.<sup>41</sup>

The second and third sets of similarities, although contributing to the movies' western tone, were far too common to the genre to be protectable. Place names, though specific, have never been thought to be the subject matter of copyright. And, although fully developed characters are protectable,<sup>42</sup> it is not at all clear that, as developed, the two sets of characters were similar; indeed, the novels' central character, a "quick tempered," cussing, "diamond in the rough," was in the motion picture "turned inside out" to become a "kind, sentimental, thinking person."<sup>43</sup>

*Filmvideo's* implicit error was in mistaking the fact of a copyright license for evidence of copyright infringement. Its explicit error was in substituting proof that the alleged infringer had appropriated publicity values—the popularity of the stories and their central character—for proof that it had appropriated expressive, copyrightable elements. Nor is *Filmvideo* alone in its error, for courts purporting to apply the idea-expression distinction in these cases frequently weigh elements that only approximate, but do not duplicate, copyright's traditional concerns. Kalem's motion picture, *Ben Hur*, drew on the consumer associations that plaintiff's novel had attracted to the title. Palmer's use of Daly's railroad scene was doubtless intended to capture and draw off some of the public excitement surrounding Daly's play; the court was persuaded to its result at least in part by the undisputed allegation "that the chief value of the composition and its popularity depend upon said 'railroad scene.'"<sup>44</sup> It is entirely plausible that Kalem's movie would have been excused if it had been produced at a later time under a different title, and that Palmer's production would have been excused if it had been presented several years after Daly's production had closed down.

Copyright is made to do too much in resolving these cases in favor of the owners of underlying works. The task is better left to unfair competition and trademark law. Originally aimed at protecting con-

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<sup>41</sup> 509 F. Supp. 63.

<sup>42</sup> See, e.g., *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir. 1930). A more stringent test for copyrightability of characters, suggested in *Warner Brothers Pictures, Inc. v. Columbia Broadcasting System, Inc.*, 216 F.2d 945, 950 (9th Cir. 1954), has been treated as *dicta* in other circuits, see, e.g., *Columbia Broadcasting System, Inc. v. DeCosta*, 377 F.2d 315, 320 (1st Cir. 1967); *Goodis v. United Artists Television, Inc.*, 425 F.2d 397, 406 (2d Cir. 1970), and implicitly limited in the circuit of its birth, *Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978).

<sup>43</sup> 509 F. Supp. 65.

<sup>44</sup> 6 Fed. Cas. 1133.



sumers from the deception that occurs when one producer passes his goods off as coming from another, these two connected bodies of law have evolved to a point at which the original consumer interest against being deceived through the misuse of product symbols has subtly been transmuted to a producer right in the symbols themselves, apart from any deceptive effect.<sup>45</sup>

For example, in *Wyatt Earp Enterprises, Inc. v. Sackman, Inc.*,<sup>46</sup> the producer of the highly successful television series, *The Life and Legend of Wyatt Earp*, was given an injunction against defendant's manufacture of playsuits resembling the western costume worn by the show's hero, and against use of the name "Wyatt Earp" in connection with their sale. The court was persuaded that

"the name of Wyatt Earp had been battered into the public consciousness by the television program to an extent far beyond any fame or notoriety ever previously attached to the Marshal's name,"

and that as

"an indication of the public acceptance of the program there has been a great and increasing nationwide demand for articles and products sponsored by the plaintiff and bearing the name, mark and symbol of 'Wyatt Earp.'" <sup>47</sup>

If the title and central character of a television series can muster merchandising rights in entirely different media, it is not hard to imagine that unfair competition law can also control the use of names like "Ho-

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<sup>45</sup> See, e.g., *Hirsch v. S.C. Johnson & Son, Inc.*, 90 Wis. 2d 379, 280 N.W. 2d 129 (1979); *National Football League Properties, Inc. v. Consumer Enterprises, Inc.*, 27 Ill. App. 3d 814, 327 N.E. 2d 242 (Ill. App. Ct. 1st Dist.), *cert. denied*, 423 U.S. 1018 (1975).

<sup>46</sup> 147 F. Supp. 621 (S.D.N.Y. 1958).

<sup>47</sup> 157 F. Supp. 624. Recognizing that plaintiff had "entered into the business of licensing merchandise rights in connection with the program under agreements controlling the nature and quality of the goods licensed," and that the merchandise, was "in no way unique aside from its program identification, [and] obviously sells much more readily than the same merchandise would sell without the program identification, as borne out by the fact that manufacturers pay and seek to pay substantial sums of money for the privilege of sponsorship, by way of licensing agreements," the court concluded that "defendant's use of the name created a likelihood that the public would believe, erroneously, that its playsuits were licensed or sponsored by the plaintiff, to the injury of plaintiff's good will and to the hazard of its reputation." 157 F. Supp. 624-625.

palong Cassidy," titles like *Ben Hur*, and central incidents like the railroad scene in *Daly v. Palmer*, against uses in other media.

Unfair competition law's comparative advantages in resolving issues that might otherwise be resolved through an extended application of copyright's idea-expression distinction stem from the fact that, unlike copyright, which is concerned with expressive content, unfair competition is tailored to the capacity of information—symbols, titles and aggregates of ideas—to command public acceptance in the marketplace. For example, as contrasted with copyright's fixed term, which may in any case be too long or too short to preserve the marketing interests at stake, unfair competition protection is indeterminate, lasting only so long as the information's distinctive appeal continues. Copyright's substantial battery of remedies may be less effective than unfair competition law's well-modulated use of injunctive relief in controlling these forms of conduct. At the same time, the many exclusions from protection incorporated in the 1976 Act to meet the perceived needs of specific groups of copyright users may be inappropriate when employed to excuse these forms of marketing uses.<sup>48</sup>

*Warner Brothers, Inc. v. American Broadcasting Companies, Inc.*,<sup>49</sup> decided in the same district and year as *Filmvideo*, suggests the correct approach to these cases. Judge Motley there refused to give plaintiff, owner of the copyrighted *Superman* motion picture, television show and comic books, a preliminary injunction against defendant's production and broadcast of a television series, *The Greatest American Hero*, on the ground that the lack of expressive similarities between the two works made plaintiff's success on the merits unlikely. Although the dissimilarities were probably no greater than those in *Filmvideo*, the case was easier on its facts since defendant had borrowed neither plaintiff's title nor character names, had made no intimation that its work was "based on" plaintiff's, and apparently had never negotiated with plaintiff for a license to use its work.

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<sup>48</sup> State unfair competition law's general utility in these circumstances may be somewhat circumscribed by 17 U.S.C. § 301, a new provision abolishing common law copyright and preempting "equivalent" state doctrines. The Act's language is so broad and ambiguous that it may include some unfair competition actions within its preemptive net. To the extent that it does so, claimants can be expected to resort to the unfair competition provisions of the Trademark Act, 15 U.S.C. § 1125(a)(1970), which, as federal statutory law, are not preempted. 17 U.S.C. § 301(d).

See generally, Goldstein, *Preempted State Doctrines, Involuntary Transfers and Compulsory Licenses: Testing the Limits of Copyright*, 24 U.C.L.A. L. REV. 1107, 1110-1123 (1977).

<sup>49</sup> 523 F. Supp. 611 (S.D.N.Y.) *aff'd*, 654 F.2d 204 (2d. Cir. 1981).

In later granting defendant's motion for summary judgment,<sup>50</sup> Judge Motley expanded on her earlier reasoning. She began by matching the ideas that the two works had in common—main characters who used their superhuman and nonhuman attributes to fight evil, encounters with alien beings, a concealed identity and the hero's skin-tight costume with cape. Noting that these and other similar elements constituted only uncopyrightable ideas, Judge Motley traced their development into dissimilar expressions, settings and attitudes. Finding, for example, that the details of the two costumes were not substantially similar, she thought it important to add that

“the way characters feel about the appearances of their respective costumes is totally different. Superman takes his positively and stands tall in his outfit. Hinkley is clearly embarrassed by his suit and is reluctant to be seen in it.”<sup>51</sup>

In a phrase borrowed from the Court of Appeals opinion in the earlier case, “the ‘total concept and feel’ of the two works greatly differ.”<sup>52</sup>

Judge Motley then compared the central characters in the two works and found that they, too, were expressively dissimilar. Recognizing that, after “forty years of development in various media, Superman is a well-defined character sufficiently developed to deserve copyright protection,”<sup>53</sup> she found that defendant's hero, a classic “bumbler”—“trim, hungry-looking, non-macho, concerned with family and the everyday problems of life”—was not substantially similar to plaintiff's “non-stylish, broad-shouldered, big-muscled, calm and confident square.”<sup>54</sup> Like the hero in *Filmvideo*, defendant's hero was the “mirror image” of plaintiff's copyrighted hero. But here the court properly treated inversion as evidence of non-infringement rather than of infringement.<sup>55</sup>

The court also ruled that there was no likelihood of confusion between the two works or their advertising and that plaintiff's unfair competition claims under section 43(a) of the Federal Trademark Act,<sup>56</sup> and under New York's Antidilution Act<sup>57</sup> and common law of unfair competition, were without merit. Recognizing that the “key to plaintiff's’

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<sup>50</sup> 530 F. Supp. 1187 (S.D.N.Y. 1982).

<sup>51</sup> 530 F. Supp. 1192.

<sup>52</sup> 530 F. Supp. 1193.

<sup>53</sup> 530 F. Supp. 1193.

<sup>54</sup> 530 F. Supp. 1194.

<sup>55</sup> 530 F. Supp. 1194.

<sup>56</sup> 15 U.S.C. § 1125(a) (1970).

<sup>57</sup> N.Y. Gen. Bus. Law § 368-d.

claim is whether, seeing the two works, "a viewer is likely to confuse the works, or believe that defendants' works were created, licensed or approved by plaintiffs,"<sup>58</sup> the court found that the dissimilarities between the heros' powers, costumes and visual images, and between phrases used in connection with the two works, were sufficiently great to make such confusion unlikely.

The message of *Warner Brothers*, and the thrust of this analysis generally, is that courts should, in deciding derivative rights infringement cases, give no weight at all to the fact that the alleged infringer at one time obtained or sought a copyright license from the copyright owner, except to the extent that the license provides evidence of access. Second, courts should determine whether a derivative right is involved at all. They should purposively ignore uncopyrightable elements such as titles and character names, and ask whether, absent these elements, the accused work sufficiently tracks the underlying work to infringe. In cases like *Filmvideo*, in which a motion picture is only loosely connected to a story by title, character and setting, this simple initial step should suffice to dispose of the case on the copyright ground, and to center decision on any pendent or joined unfair competition or trademark claim.<sup>59</sup>

Third, in closer cases in which some expressive similarities survive the second step, courts should ask whether these similarities are sufficiently substantial for the copyright infringement claim to succeed. Courts should be sensitive in these cases to the fact that a work's transfer from one format to another will sometimes transmute the underlying work's expression into different though equivalent forms, the most obvious example being a work's translation from one language into another. The Copyright Act's broad endorsement of derivative rights should be taken as a signal that Congress intended equivalent and not verbatim measures to control when necessary to give complete effect to derivative rights. But the Act's mandate is to find infringement only by those elements that are both equivalent and attributable to the changes in format. So, for example, in the case of a novel transformed into a motion picture or television series, it should be recognized that scenic descriptions will be transmuted into visual depictions and that character development through interior monologue will be transformed by the actor's professional contribution to his or her role. But incident and dialogue need not be transformed, and if these elements do not expressly appear in defendant's work, they are not infringed.

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<sup>58</sup> 530 F. Supp. 1197.

<sup>59</sup> A state unfair competition claim may be joined to the federal copyright count pursuant to 28 U.S.C. § 1338(b) if the federal claim to which it is attached is both "substantial" and "related."

## 2. *The Calculus of Rights.*

Disregard for copyright's incentive structure has not been all in the direction of expanding the scope of derivative rights. Indifference to copyright economics has also occasionally produced improper curbs on derivative rights, most notably in cases perceived to involve utilitarian uses and fair uses of underlying works. The mistake in both contexts stems from a failure to distinguish between derivative rights and reproduction rights, and to recognize that the investment effects of section 106(2)'s exclusive right to prepare derivative works differ markedly from the investment effects of section 106(1)'s exclusive right to reproduce copies.

Derivative rights affect the *level* of investment in copyrighted works by enabling the copyright owner to proportion its investment to the level of expected returns from all markets, not just the market in which the work first appears, as is generally the case with reproduction rights. The publisher who knows that it can license, and obtain payment for, the translation, serialization, condensation and motion picture rights for a novel will invest more in purchasing, producing and marketing the novel than it would if its returns were limited to revenues from book sales in the English language.

Derivative rights also affect the *direction* of investment in copyrighted works. By spreading the duty to pay over different markets, section 106(2) tends to perfect the information available to the copyright owner respecting the value of its works to different groups of users. It also enables choices in light of that information. Knowing that the French and German language markets belong exclusively to it, a publisher of English language works may decide to invest in works that, once translated, will appeal to these audiences as well. The publisher can acquire a work because of its motion picture potential and can comfortably invest in the work's development and marketing to increase that potential. The publisher may choose either direction, both, or neither; and it can seek returns in other derivative markets, or only in the original market. The important point is that, by securing exclusive rights to all derivative markets, the statute enables the copyright proprietor to select those toward which it will direct investment.

### a. *Utilitarian Uses.*

Section 106 defines the array of exclusive rights conferred by copyright—the rights to reproduce in copies, to prepare derivative works, to distribute copies, to perform and to display the copyrighted work. A century ago, when the statutory grant of rights was far more limited, the idea-expression distinction was employed to resolve the threshold question of the proper array of rights. Thus, in *Stowe v. Thomas*, decided

before the copyright statute granted the right to translate, the court rested its decision against the right on the idea-expression distinction, specifically, on the premise that

“the claim of literary property . . . cannot be in the ideas, sentiments, or the creations of the imagination of the poet or novelist as dissevered from the language, idiom, style, or the outward semblance and exhibition of them.”<sup>60</sup>

*Stowe* possesses limited authority today, its decision on the right to translate effectively overruled by the 1870 amendments to the Act. Indeed, it is the statute and not the idea-expression distinction that is generally looked to today as the definitional source of exclusive rights. The one exception to this general reliance on statutory prescription, and the one area for which the idea-expression distinction is still held to be the sole determinant of rights, traces to *Baker v. Selden*<sup>61</sup> in which the Supreme Court held that plaintiff Selden’s copyright in his book, consisting of an essay describing a new system of bookkeeping and of bookkeeping forms employing the system, was not infringed by defendant’s book containing similar forms. Recognizing that “no one has a right to print or publish his book, or any material part thereof, as a book intended to convey instruction in the art,” the Court drew the line at the ideas expressed: “any person may practise and use the art itself which he has described and illustrated therein.” The Court concluded that

“blank account books are not the subject of copyright; and that the mere copyright of Selden’s book does not confer upon him the exclusive right to make and use account books ruled and arranged as designated by him and described and illustrated in said book.”<sup>62</sup>

*Baker v. Selden* has won a wide following, in decisions acknowledging that copyrighted architectural drawings are not infringed by buildings constructed from them,<sup>63</sup> that traffic control systems are not infringed by bridges that embody them,<sup>64</sup> and that a book on sales techniques is

<sup>60</sup> 23 Fed. Cas. 206.

<sup>61</sup> 101 U.S. 99 (1879).

<sup>62</sup> 101 U.S. 107.

<sup>63</sup> See, e.g., *Imperial Homes Corp. v. Lamont*, 458 F.2d 895 (5th Cir. 1972); *De Silva Construction Corp. v. Herrald*, 213 F. Supp. 184 (M.D. Fla. 1962). But see *Scholz Homes, Inc. v. Maddox*, 379 F.2d 84 (6th Cir. 1967).

<sup>64</sup> *Muller v. Triborough Bridge Auth.*, 43 F. Supp. 298 (S.D.N.Y. 1942).

not infringed by a motion picture illustrating those techniques.<sup>65</sup> *Jack Adelman, Inc. v. Sonner's & Gordon, Inc.*<sup>66</sup> typifies the underlying illogic of all these cases. Plaintiff there, owner of the copyright in a drawing of a dress, alleged that defendants had infringed its copyright by manufacturing and selling a dress substantially similar to its drawing. The court began by stating the issue correctly: "Does the copyright of a drawing of a dress give the owner of that copyright the exclusive monopoly to produce the dress itself?"<sup>67</sup> The court then gave the question a curious twist: "Assuming the drawing was a work of art, what was copyrighted—the drawing or the dress?"<sup>68</sup> From the fact that, under the applicable Copyright Office regulations, the dress itself could not be registered, the court drew the *non sequitur* that if the work alleged to infringe—the dress—is not copyrightable, then it cannot infringe a work—the drawing—that is admittedly copyrightable.<sup>69</sup> The court granted defendant's motion to dismiss, entirely ignoring that the question presented for decision was not whether copyright registration would have issued to a dress had it been presented to the Copyright Office, but rather whether the Act secured the owner of a copyright against the conduct alleged.

The *Adelman* court's confusion between protectable subject matter and protected rights reflects a general uncertainty about the holding of *Baker v. Selden*. Was it that plaintiff's blank forms were not copyrightable, or was it that, though copyrightable, they gave plaintiff no rights against the sort of use being made by defendant? Whichever was the holding, both are mistaken. *Baker's* reasoning is wrong with respect to the non-copyrightability of utilitarian subject matter, for the copyright statute has historically protected utilitarian subject matter, from the maps and charts covered by the first copyright act,<sup>70</sup> to computer programs, generally recognized as copyrightable under the 1909 and 1976 Acts.<sup>71</sup>

<sup>65</sup> *Borden v. General Motors Corp.*, 28 F. Supp. 330 (S.D.N.Y. 1939.) *Baker's* assumption that technical ideas and systems are not protected by copyright is now embodied in the 1976 Act's express exclusion of protection for "any idea, procedure, process, system, method of operation, principle or discovery." 17 U.S.C. § 102(b).

<sup>66</sup> 112 F. Supp. 187 (S.D.N.Y. 1934).

<sup>67</sup> 112 F. Supp. 188.

<sup>68</sup> *Id.*

<sup>69</sup> "... it is the drawing which is assumed to be a work of art and not the dress. It follows that plaintiff's copyright gives it the exclusive right to make copies or reprints of the drawing only, and that it gives the copyright owner no monopoly of the article illustrated." *Id.*

<sup>70</sup> Act of May 31, 1790, c. 15 § 1, 1 Stat. 124, 1st Cong., 2d Sess.

<sup>71</sup> See generally Cary, *Copyright Registration and Computer Programs*, 11 BULL. COPR. SOC'Y. 362 (1964); Maggs, *Computer Programs as the Object of Intellectual Property in the United States of America*, 30 AM. J. COMP. L. 251, 254-273 (1982).

*Baker's* reasoning is also wrong with respect to excused uses, since copyright has historically prohibited utilitarian uses, from the copying of telephone and business directories<sup>72</sup> to the publication of a book providing solutions to physics problems appearing in plaintiff's copyrighted text.<sup>73</sup> The real mistake of the decisions following *Baker* is in failing to perceive that all uses of copyrighted subject matter—from displaying a small sculptural work to using it as a paperweight—are utilitarian in the sense that all serve some human need; the attempt to distinguish between human needs on the basis of implicit notions about their comparative importance is a hopeless and a fruitless task.

*Baker v. Selden* can more helpfully be viewed as a threshold decision on derivative rights that, like *Stowe v. Thomas*, employed the idea-expression distinction as a vehicle for determining, in the absence of statutory direction, whether rights should be given against a previously unchallenged use. Instead of focusing on plaintiff *Selden's* forms and asking whether they were copyrightable and, if copyrightable, whether they enjoyed rights against reproduction, it is far more helpful in understanding the decision to begin with plaintiff's explanatory text—which the Court acknowledged was copyrightable and protected against reproduction—and to ask whether defendant's forms infringed plaintiff's derivative rights in the text. In 1879, when the case was decided, the answer had to be no, for the Copyright Act then in force limited copyright owners to the right to make copies, to dramatize or to translate. It was not until the 1909 Act dramatically expanded derivative rights that the Supreme Court could properly have asked whether Congress intended to encompass forms based on texts within its definition of derivative rights.

This suggests that the preferable approach in these cases, because more consistent with the general design of the Copyright Act, is to view the relationship between bookkeeping texts, dress designs and architectural plans on the one hand, and blank bookkeeping forms, dresses and buildings on the other, as a relationship between underlying works and derivative works. Viewed this way, the proper question to ask in determining whether an exclusive right should be given to prepare these latter works is whether the grant of such a right is needed to attract the appropriate amount of investment to the underlying work's expression, and to channel this investment in appropriate directions. Will more or better bookkeeping texts, dress designs and architectural plans be produced if publishers, designers and architects know that they can control

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<sup>72</sup> See, e.g., *Leon v. Pacific Telephone & Telegraph Co.*, 91 F.2d 484 (9th Cir. 1937).

<sup>73</sup> *Addison-Wesley Publishing Co. v. Brown*, 223 F. Supp. 219 (E.D.N.Y. 1963).



the production of forms, dresses and buildings based on their works? Are more or better texts, designs and plans needed? Answers will doubtless be diverse and difficult, but the questions need to be answered.

The questions are complicated by the fact that blank forms, dresses and buildings, unlike motion pictures, television series and posters, are generally viewed as uncopyrightable subject matter because of their perceived utilitarian content, with the result that the Act offers no independent incentives to their creation. However illogical the denial of protection to these *works*—and the illogic is considerable<sup>74</sup>—it does not argue against the grant of derivative *rights* to prepare them. The copyright owner's monopoly will not extend to the derivative work itself, and will necessarily be limited to the expressive content that the derivative work borrows from the underlying, copyrighted work. To protect the same expression in this new context will effectively withdraw nothing from free public access that the law has not already withdrawn. Although there is a legitimate concern that the general availability of injunctive relief may give the owner of the underlying work plenary control over the derivative work, the solution lies not in denying the right but in modifying the remedy.<sup>75</sup>

Put more concretely, this method of analysis would require that, in a case like *Jack Adelman*, the court should first determine the extent of protectable expression in the underlying dress design, and then determine the extent to which this expression has been copied in the alleged infringing dress. If the similarity is substantial, the derivative right has been infringed. Cases like *Baker v. Selden*, in which the shift in format

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<sup>74</sup> See P. GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES: CASES AND MATERIALS 709 (2d ed. 1981).

<sup>75</sup> See Part I(3), *infra*.

It may be objected that, by defining the derivative right as a right "to prepare *derivative works* based upon the copyrighted work," the Act intended to so circumscribe the right that it could be violated only by the production of a work that would itself be copyrightable. Under this view the preparation of a blank form, dress or building, based on a copyrighted bookkeeping text, dress design or architectural plan, would not infringe because it would not itself constitute a derivative work protected under the Act.

The short answer to this is that the Act does not require that the derivative work be protectable for its preparation to infringe. For example, while a derivative work, to be protected, must be "fixed in a tangible medium of expression," 17 U.S.C. 102(a), section 106(2) does not require that the work be fixed in order to infringe. As noted in the House Report, this represents one difference from section 106(1)'s reproduction right, "in the sense that reproduction requires fixation in copies or phonorecords, whereas the preparation of a derivative work, such as a ballet, pantomime, improvised performance, may be an infringement even though nothing is ever fixed in tangible form." H.R. Rep. No. 94-1476, 94th Cong. 2d Sess. 62 (1976).

dictates substantial changes in expression, require an added analytical step. The court should again first determine the extent of protectable expression in the underlying bookkeeping text, and should next determine the extent to which the expression has been copied in the alleged infringing form, *taking into account the changes required when a work is transferred from one format to another*. This last step, commonly taken by courts determining whether a work in one format, such as a motion picture, infringes a work in another, expressively different format, such as a novel, is necessary if derivative rights are to be given their intended full effect.

b. *Fair Use*.

Copyright's fair use defense will excuse an otherwise infringing use, such as criticism, news reporting, teaching, scholarship or research, if the purposes of the use are thought to be worthy. The 1976 Act lists four factors to be weighed in determining whether a particular use is fair: the purpose and character of the use; the nature of the copyrighted work, the amount and substantiality of the portion used; and "the effect of the use upon the potential market for or value of the copyrighted work."<sup>76</sup> This last factor has been said to be the most important.<sup>77</sup> It is clearly the most problematic, particularly in the context of derivative rights.

The problem with the potential market factor is that courts have given the term "potential" a far narrower construction than is appropriate in light of the Copyright Act's expansive grant of derivative rights. As has been seen, the Act gives the author of a novel exclusive rights not only to the market for hardcover sales, but also to paperback sales, magazine serialization or condensation, and motion picture and television productions, to list just the major potential markets. Any one of

<sup>76</sup> 17 U.S.C. § 107:

Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

<sup>77</sup> A. LATMAN, *THE COPYRIGHT LAW* 214 (5th ed. 1979).

these markets, and certainly all together, can yield far greater returns to the copyright owner than sales in the hardcover market alone. Yet, courts applying the potential market factor have generally inclined to identify potential markets with the market in which the work was first introduced or, at most, with closely bordering markets.

*Williams & Wilkins Co. v. United States*,<sup>78</sup> decided under the 1909 Act, before the fair use doctrine and its four factors were statutorily codified, typifies the error. The Court of Claims, affirmed by an equally divided Supreme Court, held there that defendant's photocopying of articles from plaintiff's medical journals for distribution to medical researchers constituted fair use and thus did not violate plaintiff's copyrights. Among the other reasons the court gave for its decision was that it appeared unlikely that defendant's use would interfere with plaintiff's sale of subscriptions to its journals.<sup>79</sup> The court's error, of course, was in looking to the effect of defendant's conduct on subscription sales—the only market that plaintiff had at that time entered—rather than on plaintiff's potential markets—one of which could have been the sale of licenses to photocopy articles from its journals. At best, the court's reasoning was circular: Defendant's conduct did not interfere with the potential market for licensing photocopies of the copyrighted work because plaintiff had no rights to that market; and plaintiff had no rights to the photocopying market because defendant's use was fair. Apart from its circularity, the problem with the reasoning is that it entirely ignores the language of the statute which, in giving the exclusive right to reproduce, clearly included the exclusive right to make photocopies—or to license others to make them—and thus established photocopying as a potential market for any copyrighted work.

The reasons for this persistent error are doubtless historical. The fair use defense was originally, and indelibly, shaped in cases involving works produced in the same format and in directly competing markets.

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<sup>78</sup> 487 F.2d 1345 (Ct. Claims 1973), *aff'd.*, 420 U.S. 376 (1975).

<sup>79</sup> Finding no evidence that defendant's photocopying practices reduced the number of subscriptions that plaintiff would otherwise have obtained, 487 F.2d 1357–1359, the court expressly refused to measure injury to potential markets:

It is wrong to measure the detriment to plaintiff by loss of presumed royalty income—a standard which necessarily assumes that plaintiff had a right to issue licenses. That would be true, of course, only if it were first decided that the defendant's practices did not constitute 'fair use.' In determining whether the company has been sufficiently hurt to cause these practices to become 'unfair,' one cannot assume at the start the merit of the plaintiff's position, *i.e.*, that plaintiff had the right to license. That conclusion results only if it is first determined that the photocopying is 'unfair.'

The defense originated at a time when there were no such dispersed uses as office photocopying or home videotaping, when there were few literary markets outside those in which copyrighted works were first introduced, and fewer markets still in which copyright owners had exclusive rights against which the defense could be tested. Justice Story first sketched the outlines of fair use in a decision rejecting defendant's claim that his work was only a fair abridgment of plaintiff's.<sup>80</sup> Holding for the plaintiff, Story said that in determining whether a use was fair and noninfringing it is important to inquire into

"the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work."<sup>81</sup>

Because the markets for the two works were so close, Story had no need to elaborate a more specific rationale for market injury. It was enough to presume that permitting defendant his use would deprive plaintiff of part of the market for his work.

The consequences of identifying "potential" markets with the market that the copyright owner first enters are particularly aggravated in cases involving derivative rights which, by definition, secure markets at some remove from the market first entered. Judicial treatment of parodies and satires offers an example of the problem. Parodies and satires represent derivative uses no less than dramatizations, abridgments or other arrangements of the underlying work. Yet, because they are perceived to be "deserving of substantial freedom"—both as entertainment and as a form of social and literary criticism,<sup>82</sup> courts have applied the fair use defense to excuse otherwise infringing parodies and satires, at least so long as they appropriate no more than is necessary to conjure up the original, copyrighted work.<sup>83</sup>

One problem raised by the purported distinction between parody and other forms of dramatization is to determine where permitted parody leaves off and proscribed dramatization begins. A recent decision, *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Cooperative Productions, Inc.*,<sup>84</sup> shows just how fine the line can be. Plaintiff, owner of the copyrights in the novel and the film, *Gone With The Wind*, sought a prelim-

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<sup>80</sup> Folsom v. Marsh, 9 Fed. Cas. 342 (C.C.D. Mass. 1841).

<sup>81</sup> 9 Fed. Cas. 348.

<sup>82</sup> Berlin v. E.C. Publications, Inc., 329 F.2d 541, 545 (2d Cir.), cert. denied, 379 U.S. 822 (1964).

<sup>83</sup> 329 F.2d 545.

<sup>84</sup> 479 F. Supp. 351 (N.D. Ga. 1979).

inary injunction against defendant's presentation of *Scarlett Fever*, a three-hour musical production based primarily on plaintiff's film. Finding more similarity in the settings, characters, situations, relationships, theme and dialogue of the two works than was necessary to conjure up the original, the court rejected defendant's parody claim. In the court's judgment, *Scarlett Fever* was "neither a parody nor a satire" but, rather, was simply a musical adaptation of the film and the novel.<sup>85</sup> To constitute a parody entitled to the fair use defense, a work "must do more than merely achieve comic effect"—otherwise "any comic use of existing work would be protected."<sup>86</sup> The work

"must also make some critical comment or statement about the original work which reflects the original perspective of the parodist—thereby giving the parody social value beyond the entertainment function."<sup>87</sup>

The court also noted that a

"non-parodic or nonsatiric stage version of *Gone With The Wind* is a protected derivative use of the original work which only the holders of the valid, existing copyrights in such works have a right to exploit,"

and properly concluded that *Scarlett Fever* could "harm a potential market for or value of a stage version of *Gone With The Wind*."<sup>88</sup>

The real problem is that it is not at all clear why parodies or satires should be given the preferred treatment implicit in the fair use defense. The reason typically given for exempting parodies—that they are a valued form of social and literary criticism—is hardly complete; there are equally desirable uses in education, politics and industry that are not excused. A slightly better argument, though one not frequently given, is that it is unseemly for a copyright proprietor to be able to control the derivative right to lampoon his own work. Yet, even if this rationale justifies the exemption of parodies, it does not justify the exemption of satires, which use copyrighted works as a convenient vehicle for commenting not on the work itself but on some public issue entirely unrelated to the work.<sup>89</sup> Although satiric uses may serve a public interest in open

<sup>85</sup> 479 F. Supp. 357.

<sup>86</sup> *Id.*

<sup>87</sup> *Id.*

<sup>88</sup> 479 F. Supp. 361.

<sup>89</sup> See *MCA v. Wilson*, CCH COPYRIGHT LAW REPORTS ¶ 25, 287 (2d Cir. 1981); *Elsmere Music, Inc. v. National Broadcasting Co., Inc.*, 482 F. Supp. 741 (S.D.N.Y.), *aff'd*, 623 F.2d 252 (2d Cir. 1980).

comment and debate, they are no more deserving of a free ride than the many educational uses that are presently and properly constrained by copyright. Satire, unlike parody, has no inexorable need to "conjure up the original," and the satirist should be made to come to terms with the copyright proprietor or to use some other work. In a word, courts are wrong to treat satiric uses any differently than other derivative uses of a copyrighted work.

### 3. Remedies.

The need to detach derivative rights from eighteenth-century notions about copyright is nowhere more evident than in the administration of remedies. The Copyright Act offers a wide, sometimes draconian, array of remedies: injunction, impounding and destruction of infringing articles, recovery of actual damages and profits or statutory damages, costs, attorney's fees and criminal liability.<sup>90</sup> When given in aid of section 106(1)'s right to reproduce the copyrighted work in literal, or close to literal, copies, these remedies generally support the incentive needed to induce investment in original works without deterring other, independently valuable creative effort. But, when awarded against violations of section 106(2)'s right to prepare derivative works, these remedies will often distort copyright incentives, effectively giving the owner of the underlying work a greater monopoly than its investment deserves and inhibiting others from investing independent effort in the development of derivative works.

The strongest case for copyright's extensive battery of remedies is in deterring the unauthorized production of literal or close to literal copies. Since, typically, copies of the work will already have been distributed under authority of the copyright owner, the public will obtain nothing new from the infringer. The single possible consumer advantage from infringing copies is a lower price, but monopoly profits have always been accepted as a necessary cost of the copyright system. Also, since the expense of copying and distribution is comparatively low, these remedies do not improperly penalize the infringer. The award of damages will do no more than tax the infringer for profits that the copyright proprietor otherwise would have made and for any independent injuries inflicted on the copyright proprietor; an injunction will require the infringer either to stop reaping these profits itself or to negotiate for a license from the copyright proprietor on terms that will split the profits between them.

Copyright remedies are only somewhat less efficient when awarded

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<sup>90</sup> 17 U.S.C. §§ 502-506; 509-510.

against derivative works such as translations, abridgments and musical arrangements that closely track the original. Frequently the infringing work will offer consumers art or information in forms not otherwise available. Good translations, for example, require extraordinary skill, insight and effort, and will often produce striking and original results. To the extent that the adapter has contributed new elements to the work, and to the extent that an award of damages and profits reflects the value of these elements, these monetary awards will give the copyright proprietor more than it needed to justify its investment in the underlying work. The award or threat of an injunction promises that any license the owner of the underlying work later negotiates with the adapter will extort from the adapter some part of the value that he or she added by altering the work. Weighing against these adverse effects, however, is the fact that, for good reason or bad, it was the copyright owner's work that the infringer chose to transform rather than some other copyrighted or public domain work that could have been used at lower cost. While a translation may open a new market, it will typically be the underlying work's structure, incident, character and dialogue, together with the author's reputation, that sells the work. On balance, there is no reason for translators not to be required to obtain licenses from the proprietor of the underlying work, and the full range of copyright remedies is appropriately applied to this class of derivative works.

The traditional array of copyright remedies is most problematic when applied against a work that derives in only small part from the underlying work and that contains substantial value of its own. In *Sheldon v. Metro-Goldwyn Pictures Corp.*,<sup>91</sup> for example, it was clear that defendant had borrowed from plaintiffs' copyrighted play, *Dishonored Lady*, in the production of its motion picture, *Letty Linton*. But it was also clear that defendant had paid for the right to use another copyrighted work in its production—Mrs. Belloc Lowndes' novel, *Letty Linton*, and had invested a substantial sum in producing and advertising the motion picture. Recognizing that a large proportion of defendant's profits could be traced to these expenditures, and to the reputation and effort of the movie stars involved, the Supreme Court affirmed the decree below apportioning the profits recovered by plaintiffs to one-fifth of the net profits earned by the motion picture—"only that part of the profits found to be attributable to the use of the copyrighted material as distinguished from what the infringer himself has supplied."<sup>92</sup>

The method of the Supreme Court's decision in *Sheldon* is correct

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<sup>91</sup> 309 U.S. 390 (1940).

<sup>92</sup> 309 U.S. 396. This approach is today expressly sanctioned by the Copyright Act, 17 U.S.C. § 504(b).

so far as it goes. The problem with the decision, or more properly with the decree below, is that, though confining the plaintiffs to recovery of one-fifth of the profits, it also gave them an injunction against the further distribution of the motion picture. As a practical matter, the award or threat of an injunctive decree enables the proprietor of even the most miniscule, but unauthorized, part of a derivative work to extort a substantial part of the work's full value from its producer. These effects are particularly aggravated in the motion picture industry where the size and pace of activity increase the likelihood that inadvertent infringements will occur, and where the costs of a search to assure that no innocent infringement has occurred will be far higher than the level presupposed by copyright law's choice of actual copying, rather than replication, as its determinant of infringement.

Preliminary injunctive relief is particularly troublesome in these cases since the ongoing expenses of production will often require the producer to settle a strike suit rather than expose itself to a costly halt in production. Errors and omissions policies, which insure against copyright and unfair competition claims, will usually not be issued unless the insurer is satisfied that experienced counsel for the producer or distributor has cleared all necessary rights to make the film. And, typically, the policy will not insure against losses arising out of an injunction against the film's production or distribution.<sup>93</sup>

Motion pictures are not the only derivative works for which injunctions—and the extraordinary relief of impounding and destruction—may be inappropriate. Television series, advertising campaigns and other large-scale endeavors in which the underlying works play only a small and unintended part may similarly require more discriminating relief. One solution in these cases, expressly allowed by the Copyright Act, is for the court in its discretion to withhold injunctive relief and award only damages or profits.<sup>94</sup> Another approach, not expressly pre-

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<sup>93</sup> P. BAUMGARTEN & D. FARBER, PRODUCING, FINANCING, AND DISTRIBUTING FILM 67–68 (1973).

<sup>94</sup> See 17 U.S.C. § 502(a). See also *Dun v. Lumbermen's Credit Ass'n.*, 209 U.S. 20 (1908). This approach has also been taken in patent cases. See, e.g., *Nerney v. New York, N.H. & H.R. Co.*, 83 F.2d 409 (2d Cir. 1936). For a similar suggestion respecting the use of impoundment and destruction remedies against derivative works, see Alexander, *Discretionary Power to Impound and Destroy Infringing Articles: An Historical Perspective*, 29 J. COPR. SOC'Y. 479, 499–503 (1982).

The principal disadvantage of this approach is that, like compulsory licensing generally, it may improperly reduce investment incentives by proportioning the copyright proprietor's returns to terms that an official tribunal believes are just rather than to terms privately struck in the marketplace. This approach is at least preferable to the compulsory licensing schemes



scribed by the Act, is to allow the injunction but to require the copyright owner to compensate the infringer for the cost to the infringer of complying with the injunction.<sup>95</sup> And in borderline cases, in which the derivative work's borrowing of copyrightable expression is questionable, it would probably be best to withhold copyright relief entirely, leaving the decree to be shaped by the far more flexible principles of unfair competition law.

## II. DERIVATIVE WORKS

Copyright offers both incentives and deterrents to derivative uses, protecting derivative works as well as prohibiting their unauthorized production. Since the decision to grant protection in any case implies that the derivative work will be given the same array of rights against reproduction and derivative uses as are given to other copyrighted works, the standards to be applied are in many respects identical to those that are applied to original works generally. Yet, the fact that the derivative work rests to some degree on a preexisting work also implies significant differences.

The principal difference in the structure of incentives for the production of derivative works stems from the work's connection to an underlying work, of which the derivative work's proprietor may be the owner, the owner's licensee, or an infringer. The nature of the connection is clearest when the owner of the derivative work is also the owner of the underlying work. Having once produced the expression in the underlying work, the copyright owner should gain no more rights when the same expression appears in the derivative work than it does when the expression appears in an authorized reproduction. The copyright owner will, however, obtain new rights in the derivative work's original expressive content, just as if it had created an entirely original work. Thus, if the underlying work's expression has, for some reason, fallen

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generally incorporated in the 1976 Act, since it would measure recovery by the perceived value of the copyrighted work, rather than by a uniform flat rate, and would be applied selectively to situations in which an injunction would give the copyright proprietor a far greater return than it would have needed as an inducement to create its work and would dissuade the copyright user—typically a copyright proprietor itself—from the level and direction of investment that the copyright law seeks to encourage. *See generally* Goldstein, *Preempted State Doctrines, Involuntary Transfers and Compulsory Licenses: Testing the Limits of Copyright*, 24 U.C.L.A. L. REV. 106, 1127–1139 (1977).

<sup>95</sup> Cf. *Spur Industries, Inc. v. Del E. Webb Development Co.*, 108 Ariz. 178, 497 P.2d 700 (1972). *See generally* Calabresi & Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1105–1124 (1972).

into the public domain, so should the same expression in the derivative work, while the derivative work's original expression will be unaffected. And, if the derivative work's expression falls into the public domain, so should the same expression in the underlying work.

The rules should be no different when the derivative work is produced under license from the owner of the underlying work, for a license means only that the owner, who in the previous example elected to act as an integrated producer of underlying works and derivative works, has here chosen to disintegrate, dividing functions among presumably more efficient licensees. Further, licensor and licensee can provide in the license agreement for any assurances and indemnifications needed to protect the licensor against the possibility that the licensee's noncompliance with copyright formalities will place the common expressive elements of the two works in the public domain.

The rules should, however, differ when it is an infringer rather than a licensee who produces the derivative work. The absence of any consensual arrangement between owner and infringer means, of course, that the owner could not have contracted against acts of the infringer that might divest copyright protection for the underlying expression. As a result, divesting acts by the infringer, such as publication without the proper copyright notice, should not defeat the copyright owner's underlying rights. Should the fact that the derivative work is an infringing work also deprive it of copyright protection for its original, expressive elements? What if the borrowed, expressive elements pervade the entire derivative work? As will be seen, the 1976 Act has not been particularly discriminating in its answer.

## A. STANDARDS FOR PROTECTION

### 1. *Originality*

Copyright sets a low standard for protection, requiring only that the work originate with its claimed author. The law imposes no novelty requirement, nor any requirement of creativity or aesthetic value, and asks only that the elements for which protection is sought not have been copied from some other source.<sup>96</sup> In the case of derivative works, this means that copyright will cover all the elements that the derivative user added in transforming the underlying work. Copyright on the derivative user's contribution will not, however, affect the status of the underlying

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<sup>96</sup> See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir.), *cert. denied*, 298 U.S. 669 (1936).

work, which may be in the public domain or independently covered by copyright.<sup>97</sup>

*L. Batlin & Son, Inc. v. Snyder*<sup>98</sup> suggests some of the problems that arise in administering the originality requirement. The court there found no originality in a plastic toy bank adapted from a metal bank in the public domain, even though the plastic replica altered many features of the underlying work and contributed elements of its own.<sup>99</sup> In the court's view, "to support a copyright there must be at least some substantial variation, not merely a trivial variation such as might occur in the translation to a different medium."<sup>100</sup> The court distinguished *Alva Studios v. Winninger*,<sup>101</sup> in which originality had been found in plaintiff's exact reproduction of Rodin's "Hand of God," even though the reproduction embodied no differences, save size, over the original. "The complexity and exactitude there involved distinguishes the case amply from the one at bar."<sup>102</sup>

Paradoxically, it is *Winninger*, not *Batlin*, that represents the hard case for originality. Standard doctrine declares that neither skill and effort—nor complexity and exactitude—will of themselves confer originality on a work that is copied from another.<sup>103</sup> Only uncopied expressive elements will meet the traditional standard. Although *Winninger* is a close case under this standard, it is probably correct, for plaintiff's work had changed the scale of the original, just as would a careless—but protectable—snapshot of Rodin's sculpture taken by a passing tourist. This minimal originality requirement poses few hazards for copyright's overriding policy that public domain works be free for all to copy; giving copyright to the skilled reproduction or the amateur photograph will

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<sup>97</sup> Section 103(b) provides:

The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

<sup>98</sup> 536 F.2d 486 (2d Cir. 1976).

<sup>99</sup> "Appellant Snyder claims differences not only of size but also in a number of other very minute details: the carpetbag shape of the plastic bank is smooth, the iron bank rough; the metal bank bag is fatter at its base; the eagle on the front of the platform in the metal bank is holding arrows in his talons while in the plastic bank he clutches leaves, this change concededly having been made, however, because 'the arrows did not reproduce well in plastic on a smaller size.'" 536 F.2d 489.

<sup>100</sup> 536 F.2d 491.

<sup>101</sup> 177 F. Supp. 265 (S.D.N.Y. 1959).

<sup>102</sup> 536 F.2d 491-492.

<sup>103</sup> *Alfred Bell & Co., Ltd. v. Catalda Fine Arts, Inc.*, 191 F.2d 99 (2d Cir. 1951).

bar others only from copying the reproduction or the photograph, and not from reproducing or taking a photograph of the statue themselves. Yet, the force of this reasoning indicates that the more substantial new elements added in *Batlin* clearly sufficed to carry the subject matter there well past the originality threshold.

It is tempting to confine *Batlin* to the narrow questions that it and *Winninger* raised—when will a reproduction of a public domain work in the same medium be original, and should the general originality standard be tempered to accommodate the 1909 Act's explicit recognition of the copyrightability of "reproductions of a work of art"?<sup>104</sup> Yet, the rules announced unavoidably extend to cases in which the underlying work is protected by copyright and in which the adaptation has been made in a different medium. In *Durham Industries, Inc. v. Tomy Corp.*,<sup>105</sup> the Second Circuit Court of Appeals held that Tomy's wind-up plastic toys, "instantly recognizable as the Disney characters Mickey Mouse, Donald Duck, and Pluto Dog," were not sufficiently original to sustain copyright protection. (Tomy had "registered its three Disney figures as derivative works, identifying Disney as the creator of the original characters and claiming copyright only 'in the specific sculptural renditions' of each character."<sup>106</sup>) The court relied on *Batlin* to reject the

"contention that the originality requirement of copyrightability can be satisfied by the mere reproduction of a work of art in a different medium, or by the demonstration of some 'physical' as opposed to 'artistic' skill,"

and held that

"Tomy has demonstrated, and the toys themselves reflect, no independent creation, no distinguishable variation from pre-existing works, nothing recognizably the author's own contribution that sets Tomy's figures apart from the prototypical Mickey, Donald and Pluto authored by Disney and subsequently represented by Disney or its licensees in a seemingly limitless variety of forms and media."<sup>107</sup>

*Tomy's* error was not in applying the traditional originality requirement to derivative works, but in taking *Batlin*, rather than *Winninger*, as

<sup>104</sup> Act of March 4, 1909, § 5(h), 60th Cong., 2d Sess.

<sup>105</sup> 630 F.2d 905 (2d Cir. 1980).

<sup>106</sup> 630 F.2d 909, n. 5.

<sup>107</sup> 630 F.2d 910.

the proper measure of originality. The court was apparently concerned that if it

“were to recognize Tomy’s derivative copyrights in its figures, those who, like Durham, have obtained from Disney the right to copy Disney’s own characters would, as a practical matter, have to make substantial changes to these characters in order to avoid infringing Tomy’s rights.”

The court recognized that in “theory, of course, there would be no infringement of Tomy’s rights if Durham copied Disney’s characters and not Tomy’s figures,” but “because proof of access plus substantial similarity can support a finding of infringement, Durham would at the very least be vulnerable to harassment.”<sup>108</sup> Yet, the possibilities for harassment are no greater than those that have historically attended the originality requirement, and that represent one of the accepted costs of the policy decision not to impose novelty or creativity as a copyright standard. Nor is the evidential problem invariably as severe as the court supposed. Indeed, under the facts, Durham had conceded that “in making these toys it used Tomy’s Disney figures as models.”<sup>109</sup>

The impropriety of *Tomy’s* originality rule is particularly evident when the rule is applied to other types of derivative works. For example, a motion picture based on a novel will typically consist in part of elements copied whole from the novel which will not be original to the motion picture, in part of elements that represent the change required to transform the novel into a movie, and in part of elements entirely originated by the motion picture producer. As has been seen, use of the second element, like use of the first, will, unless licensed, infringe the copyright in the underlying work. Yet only blind adherence to symmetry would dictate that because the second, intermediate elements sufficiently belong to the owner of the underlying work to constitute infringement, they should not also sufficiently belong to the creator of the derivative work to be original. Although protection of the derivative *right* may be necessary to attract investment to the underlying work, protection of these elements of the derivative *work* may also be necessary to attract investment to that work; the decision to protect derivative works may require that others be barred from copying these elements. Happily, this approach has been followed outside the Second Circuit.<sup>110</sup>

<sup>108</sup> 630 F.2d 911.

<sup>109</sup> 630 F.2d 908.

<sup>110</sup> *Doran v. Sunset House Distrib. Corp.*, 197 F. Supp. 940 (S.D. Cal. 1961), *aff’d*, 304 F.2d 251 (9th Cir. 1962).

## 2. *Noninfringement.*

The 1976 Act connects the question of a derivative work's copyrightability with the question whether the work infringes the work from which it is derived. Under section 103(a), "protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully." According to the House Report,

According to the House Report,

"an unauthorized translation of a novel could not be copyrighted at all, but the owner of copyright in an anthology of poetry could sue someone who infringed the whole anthology, even though the infringer proves that publication of one of the poems was unauthorized."<sup>111</sup>

Section 103's wisdom doubtless seemed self-evident to its framers. If the originality requirement withholds copyright protection from those elements that copy a public domain work, it certainly should follow that protection be withheld if these elements unlawfully borrow from a copyrighted work. The rule is, however, hard to justify when applied to derivative works such as the motion picture in *Sheldon v. MGM* in which the underlying work represents only a small part of the value of the derivative work but, because it underlies the whole, will defeat copyright protection for the entire derivative work. Just as an injunction against the motion picture gave plaintiff there a greater return than was needed to induce his investment in the underlying work, so depriving the motion picture owner of all protection against others will give it far less return than is needed to justify investment in the derivative work. It is difficult to understand why, if the proprietor of the underlying work chooses not to enforce its copyright against the derivative user, an infringer of the derivative work should be allowed to use the underlying copyright defensively. And, if the proprietor of the underlying work does choose to proceed against the derivative work, there seems no reason to enhance the already extortionate value of an injunctive decree with the added value of the derivative user's rights against all potential infringers of its work.

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<sup>111</sup> H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 57-58 (1976).

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## B. DERIVATIVE WORKS IN THE PUBLIC DOMAIN

The interdependence of protection for underlying and derivative works poses conceptually more difficult questions when the derivative work is in the public domain. For example, in *Grove Press, Inc. v. Greenleaf Publishing Co.*,<sup>112</sup> the underlying French language work, Jean Genet's *Journal du Voleur*, was protected by a valid United States copyright while, according to defendant, the authorized English translation, *Thief's Journal*, was not, because the publisher had failed to comply with the *ad interim* and manufacturing requirements of the 1909 Act. When the copyright owner of *Journal du Voleur* sought to enjoin defendant from making and selling copies of the authorized English translation, defendant responded that it had done no more than copy a work in the public domain. Assuming without deciding that the authorized English translation was in the public domain, the court held for plaintiff on the ground that, in copying the English translation, defendant had also wrongfully appropriated copyrighted elements from the underlying French language work.

The court captured the paradox of the case by asking, "What did Greenleaf copy when it copied this English translation?"<sup>113</sup> To hold that defendant was free to copy the public domain work would necessarily sanction an unauthorized derivative use of the copyrighted underlying work. Yet, to prohibit the defendant from copying the English translation would, for all practical purposes, take the translation out of the public domain. Although no completely satisfactory resolution was possible, it is clear that, on balance, the court reached the less satisfactory of the two possible results.

The principal error in the court's approach was to treat defendant's copying like any other infringement of the right to translate—as the appropriation of the novel's essence, its "plot, plan, arrangement, characters and dialogue" and "not simply its form of articulation."<sup>114</sup> The difference separating *Grove* from the ordinary derivative rights case was that between plaintiff's original work and defendant's translation an authorized translation had been produced and thrust into the public domain for failure to comply with the Act's formalities. In light of this distinguishing fact, the better approach would have been for the court to focus on the authorized translation and to ask how the policies that placed it in the public domain could be served without at the same time dis-serving the copyright proprietor's interest in securing returns across

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<sup>112</sup> 247 F. Supp. 518 (E.D.N.Y. 1965).

<sup>113</sup> 247 F. Supp. 524.

<sup>114</sup> 247 F. Supp. 525.

the full range of derivative rights.

Viewed in this light, the correct result would have been to allow the defendant to copy the translation. The result would place no especially heavy burden on publishers who, in licensing derivative rights, can require their licensees to comply with all necessary copyright formalities and to indemnify and hold the publisher harmless against their failure to comply with the formalities.<sup>115</sup> Nor would publishers' failure to control their licensees' behavior result in the loss of exclusive rights to any other market for the work. Thus, if *Grove Press* had been decided the other way, the owner of the underlying work would still have had the exclusive right to translate the work into any other language, to abridge it, to make a motion picture or play from it, or to adapt the work in any number of other ways. Indeed, the publisher would even have retained the exclusive right to prepare a different, "authorized" English translation of the work. It was only one particular English translation that had fallen into the public domain, and it would have been a relatively painless vindication of the policies behind the formalities provisions to require that the copyright owner share this market with another.<sup>116</sup>

The *Grove Press* approach is particularly undesirable if it is used to protect public domain derivative works that are only loosely based on the underlying work.<sup>117</sup> These works, such as motion pictures based on novels, will typically contain many more independently copyrightable elements than a translation, elements that properly belong in the public domain if the derivative work has not complied with the statutory formalities. By prohibiting the copying of the elements that these works share with the underlying work, the *Grove Press* approach will often effectively rescue the other, independent elements from the public domain. The only consoling feature of the *Grove Press* approach is that,

<sup>115</sup> In the court's view, "to impose upon the author the duty to see that the Olympia edition obtained *ad interim* protection in the United States in order that his own copyright on the pattern of the underlying work might survive, would appear to be imposing upon the author an unnecessarily burdensome requirement." 247 F. Supp. 528. It is, of course, not authors who would bear this burden, but their publishers.

<sup>116</sup> See generally Note, 79 HARV. L. REV. 1718 (1966).

<sup>117</sup> This is precisely the use of *Grove Press* that was made in *Filmvideo Releasing Corp. v. Hastings*, 426 F. Supp. 690, 694-695 (S.D.N.Y. 1976). The facts and subsequent history of *Filmvideo* are discussed *supra*, text accompanying notes 38-43. See also *Russell v. Price*, 612 F.2d 1123 (9th Cir. 1979), *cert. denied*, 446 U.S. 952 (1980).

For an excellent, detailed analysis of issues in the area, see Nevins, *The Doctrine of Copyright Ambush: Limitations on the Free Use of Public Domain Derivative Works*, 25 ST. LOUIS U.L.J. 58 (1981).



with the 1976 Act's general relaxation of formalities, the occasions for its application should be fewer than in the past.

### *C. TERMINATION OF THE RIGHT TO USE THE UNDERLYING WORK*

The interdependence of underlying and derivative works may also raise problems when the licensee's right to exploit the derivative work ends before the end of the license term. This can occur under section 203 of the 1976 Act, which gives authors and their statutory successors the nonwaivable right to terminate earlier transfers any time during a five-year period after the expiration of thirty-five years from the execution of the grant.<sup>118</sup> It can also occur under the renewal scheme of the 1909 Act which vests the author with the right to renew the copyright term free of previous licenses.<sup>119</sup> Under the scheme of the 1909 Act, the author may, at the time he or she executes the license for the first copyright term, give the licensee rights to the renewal term as well. But the license for the renewal term will be enforceable only if the author is alive at the time the initial term expires; if the author expires before the initial term, the renewal right vests in his statutory successors free of any transfers that the author may have made. One problem that these provisions pose, particularly for producers of derivative works such as motion pictures, is that to continue exploiting the derivative work after expiration of the initial term under the 1909 Act, or termination of transfer under the 1976 Act, the producer must come to terms with the author or the author's successors at a price that will doubtless give them some value—actors, production, and marketing costs—contributed solely by the producer. Another problem is that, because termination affects only copyrights, not unfair competition or trademark rights, considerable doubt will exist about the ownership of rights in characters and other elements that may be subject to both regimes of protection.

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<sup>118</sup> 17 U.S.C. § 203.

<sup>119</sup> Act of March 4, 1909, § 24, 60th Cong., 2d Sess. Section 304(a) of the 1976 Act perpetuates the 1909 Act's renewal scheme for works in their first copyright term before January 1, 1978, retaining the previous 28-year copyright term, allowing renewal, but changing the renewal term from the previous 28-year term to 47 years, thus effectively creating a total term of 75 years. For works already in their renewal term on January 1, 1978, section 304(b) automatically extends the renewal term to 75 years from the date copyright was first secured. Section 304(c) parallels section 203, effectively providing that in "the case of either a first-term or renewal copyright already subsisting when the new statute becomes effective, any grant of rights covering the renewal copyright in the work, executed before the effective date, may be terminated under conditions and limitations similar to those provided in Section 203." H.R. Rep. No. 14-1476, 94th Cong., 2d Sess. 140 (1976).

### 1. *Renewal Under the 1909 Act.*

The Second Circuit Court of Appeals sought to resolve one set of problems raised by premature termination in *Rohauer v. Killiam Shows, Inc.*<sup>120</sup> involving the renewal provisions of the 1909 Act. Defendant's predecessor had produced and copyrighted a motion picture, *The Son of the Sheik*, under license from the author of the copyrighted novel, *The Sons of the Sheik*. In the license, the novel's author agreed to renew or procure the renewal of the copyrights in the novel and to assign them to the motion picture producer. The author died before the expiration of the copyright's first term; the copyright was renewed in the name of plaintiff, the author's statutory successor; and plaintiff assigned all motion picture rights to Rohauer. Defendant's exhibition of the motion picture without license from the plaintiff precipitated the suit.

Recognizing that the issue was not an easy one, the court of appeals overturned the district court's decision for plaintiff and held that defendant was free to continue exhibiting its work and to create new copies, but not new versions, for exhibition purposes. The district court had rested its decision on a strict interpretation of the rule that all licensed rights end upon the expiration of the original copyright term unless the surviving author, or the author's successor, had previously agreed to assign the renewal rights.<sup>121</sup> The court of appeals took a deeper view into the plight of the derivative user. The court was particularly persuaded by the facts that

"the purchaser of derivative rights has no truly effective way to protect himself against the eventuality of the author's death before the renewal period since there is no way of telling who will be the surviving widow, children, or next of kin, or the executor until that day arrives,"

and that "independently copyrightable contributions will have been made by the transferee."<sup>122</sup>

*Rohauer* has been criticized for departing from well-established renewal rules.<sup>123</sup> The criticism is technically correct. Yet, it is also clear that the decision serves the policies behind the Act's derivative rights pro-

<sup>120</sup> 551 F.2d 484, *cert. denied*, 431 U.S. 949 (1977).

<sup>121</sup> 379 F. Supp. 723 (S.D.N.Y. 1974).

<sup>122</sup> 551 F.2d 493.

<sup>123</sup> See 1 M. NIMMER, COPYRIGHT § 3.07 [A] (1981).

For a more detailed analysis of *Rohauer*, see Jaszi, *When Works Collide: Derivative Motion Pictures, Underlying Rights, and the Public Interest*, 28 U.C.L.A. L. REV. 715 (1981).

visions to a greater extent than it disserves the policies behind the renewal provisions, protecting the motion picture producer's investment in the independent, copyrighted contributions that it made to the underlying work, without materially injuring the value of the underlying work to the statutory successor.<sup>124</sup> The court can more properly be faulted for not taking an alternative approach that would have recognized the successor's exclusive right to license motion pictures and, at the same time, would have permitted the defendant to continue its exhibition: finding infringement and awarding damages but withholding the injunction as inequitable in light of the defendant's substantial independent contributions to the work, or alternatively, awarding the injunction on the condition that plaintiff pay defendant the costs of complying with the injunction.<sup>125</sup>

## 2. Termination Under the 1976 Act.

The 1976 Act strikes a balance similar to the one reached in *Rohauer* by carving an exception in favor of derivative works out of the general right to terminate:

"A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant."<sup>126</sup>

The language of the derivative works exception leaves many important questions unanswered. What is meant by "utilized"? Is a motion

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<sup>124</sup> The effect of the decision was to give the proprietor of the underlying work the ability to sell only a nonexclusive, rather than an exclusive, license to exhibit motion pictures based on a novel. The proprietor could convey the exclusive right to create a new motion picture based on a novel since the court's decision did not allow the motion picture licensee to make a new version.

<sup>125</sup> See *supra* text accompanying notes 94–95.

<sup>126</sup> See 17 U.S.C. § 203(b)(1). Thus, according to the House Report, "a film made from a play could continue to be licensed for performance after the motion picture contract had been terminated but any remake rights covered by the contract would be cut off. For this purpose, a motion picture would be considered as a 'derivative work' with respect to every 'preexisting work' incorporated in it, whether the preexisting work was created independently or was prepared expressly for the motion picture." H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 127 (1976).

picture producer to be limited to prints on hand, or will it be free to make new copies for exhibition purposes? *Rohauer's* affirmative answer under the 1909 Act makes equally good sense under the 1976 Act since this is the only way that producers can secure the value of their independent contributions over the full copyright term. For the same reason, if the derivative work is a translation, the publisher should be free to order new printings and not be limited to inventory on hand at the time of termination. Should the motion picture proprietor be free to edit its film to meet the changing time, format commercial, and censorship requirements of television, or will this constitute the "preparation of other derivative works"? Again, the producer's independent contributions would appear to justify an affirmative answer. What of the right to make a sequel that, at least arguably, employs only copyrighted elements contributed by the motion picture producer and uncopyrightable elements such as character names and title? At this point we can expect practical considerations to overtake nice technical distinctions.<sup>127</sup>

Another, more vexing problem stems from section 203(b)(5)'s provision that termination will affect "only those rights covered by the grant that arise under this title, and in no way affect rights arising under any other federal, state or foreign laws," and from the fact that a single work will often contain expressive elements, properly protected by copyright, that overlap merchandising elements, properly protected under unfair competition law. What rights "arise under this title," and what rights arise under other federal and state laws such as trademark and unfair competition? A typical sale of the motion picture rights to a novel or story will involve the transfer not only of the specific derivative rights in the work, but also the exclusive rights to use the work's title and characters in the motion picture, to make sequels, and to license the production and sale of related merchandise.<sup>128</sup> While the copyright re-

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<sup>127</sup> The real problem, of course, is not with the derivative works exception, but with the termination rule itself. The termination provisions were enacted in the belief that authors lack sufficient bargaining power to obtain a fair deal at the time they sign publishing or other production agreements, "resulting in part from the impossibility of determining a work's value until it has been exploited." H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 124 (1976). Yet, by disabling authors and producers from making agreements that efficiently allocate the risks and rewards of production over the full copyright term, the termination rule inevitably harms both groups, giving both less than they would likely receive if they were free to choose. This suggests that, as courts begin to resolve these ambiguities, they should have no reason to favor authors or publishers, but every reason to favor a clear rule upon which both sides can confidently rest their plans.

<sup>128</sup> Standard forms of agreement used by motion picture producers in acquiring the rights to a literary property will often include a specific grant of all

verts to the author on termination, the right to use the title, and probably the merchandising rights, will stay with the grantee under unfair competition or trademark theory. The right to use motion picture characters in sequels will pose the hardest questions, for each character will probably derive some copyrighted elements from the original work, and each will undoubtedly have acquired substantial copyright protection of its own in the context of the derivative work as well as protection under unfair competition and trademark law.

One observer has suggested that, to avoid these difficulties,

“good draftsmanship dictates the insertion into a rights agreement of a broad reversionary clause conditioning the vitality of all granted rights *other than* those arising under the Copyright Act upon the continued ownership of the rights arising under copyright in the purchaser.”<sup>129</sup>

This is a nice idea, but it just won't do. There is no reason to believe that producers, whose perceived, excessive bargaining power was the occasion for enacting the termination provisions, will agree to a complete reversion when they have every strategic reason to hold on to the few exclusive rights that they can. The effect of the termination provisions is that, at termination time, each side will have a stranglehold on the other: The producer cannot continue to exploit its motion picture unless it comes to terms with the author for use of the copyrighted elements, and the author cannot effectively transfer its motion picture rights to another producer unless it comes to terms with the first producer for use of the title, characters and related marketing rights. The likely outcome is a new license between the author and the first producer on

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motion picture rights, including silent, sound, musical, television, and dramatic rights, with the exception of live stage rights; the right to adapt the work; to translate the motion picture version of the work; to advertise and exploit the motion picture in all media, including the right to synopsize the motion picture version; rights to remakes, reissues and sequels; recording rights, including the right to make commercial phonograph records and tapes; live television rights; novelization rights to the original screenplay and to motion picture sequels, and other publication rights including comic strips and books; the right to use the title of the work; merchandising rights in characters; and commercial tie-ups, television series rights and character rights for television series and sequels, and subscription television rights.

See generally Klein, *Subsidiary Rights and Residuals in Motion Pictures*, in J. TAUBMAN, ED., *SUBSIDIARY RIGHTS AND RESIDUALS* 33 (1968); P. BAUMGARTEN & D. FARBER, *PRODUCING, FINANCING, AND DISTRIBUTING FILM* 1-18 (1973).

<sup>129</sup> Stein, *Termination of Transfers and Licenses under the New Copyright Act: Thorny Problems for the Copyright Bar*, 24 U.C.L.A. L. REV. 1141, 1162-1163 (1977).

terms more favorable to the producer than it would have otherwise received.

### III. CONCLUSION

Since 1870, when the rights to translate and to dramatize were first introduced into the Copyright Act, derivative rights and derivative works have acquired an important and independent place in copyright law and the copyright industries. Yet, despite this growing commitment, Congress and the courts have taken few steps to accommodate copyright doctrines shaped in the crucible of copies to the special needs of derivative rights and derivative works. The idea-expression distinction, a tool that is at best difficult when applied to copies, has been entirely distorted in its application to derivative uses. Standard rules on utilitarian and fair uses have in this arena improperly shrunk the copyright incentive, and rules on remedies have improperly expanded it. The originality requirement, as applied to derivative works, is occasionally more stringent than necessary, as is section 103(a)'s noninfringement requirement. Section 203(b)(1)'s qualified exclusion of derivative works from the statute's general right to terminate copyright transfers represents a useful first step toward the needed accommodation of derivative uses to the general workings of the statute.

More explicit and systematic attention to the economics of copyright's incentive system will produce better legislative and judicial decisions on derivative rights and derivative works. As has been shown, copyright incentives are not intended—or needed—to encourage the production of publicity values like those that were protected in the *Film-video* case; the task is better left to unfair competition and trademark law. At the same time, copyright incentives *are* needed to encourage the production of designs and parodies like those involved in *Jack Adelman* and *Showcase Atlanta*; to excuse those infringements as utilitarian and fair uses will improperly curtail the intended scope of derivative rights. Cases like *Sheldon v. M.G.M.* offer a sharp reminder of the need for courts to dispense remedies in a way that balances the incentives required for the production of underlying works against those required for the production of derivative works. These examples are intended only to suggest a larger point: that in reaching decisions affecting derivative rights and derivative works, courts and the Congress should attend more closely to copyright's incentive system and to the system's special implications for this growing corner of copyright law.

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#### 443. FAIR USE AS MARKET FAILURE: A STRUCTURAL AND ECONOMIC ANALYSIS OF THE *BETAMAX* CASE AND ITS PREDECESSORS\*

By WENDY J. GORDON\*\*

In the recent and much publicized *Universal City Studios, Inc. v. Sony Corp. of America (Betamax)* case<sup>1</sup> the Court of Appeals for the Ninth Circuit held that persons who make videotapes of copyrighted television programs in the privacy of their homes should be considered to be copyright infringers.<sup>2</sup> Basic to the court's reasoning was a misunderstanding of the "fair use" doctrine. Called "the most troublesome [doctrine] in the whole law of copyright,"<sup>3</sup> "fair use" renders noninfringing certain uses of copyrighted material that might technically violate the statute, but which do not violate the statute's basic purposes.

The Ninth Circuit took the position that "fair use" could only protect users who were productive second authors, and not persons who were making ordinary or "intrinsic" use like the home videotapers.<sup>4</sup> In doing

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The article is dedicated to Norman W. Bernstein.

<sup>1</sup> 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687).

<sup>2</sup> *Id.* at 969.

<sup>3</sup> *Dellar v. Samuel Goldwin, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939) (per curiam). The complexity of the issues underlying fair use has been recognized since its inception. *See, e.g., Folsom v. Marsh*, 9 F. Cas. 342, 344-45 (C.C.D. Mass. 1841) (No. 4901).

<sup>4</sup> *Universal City Studios*, 659 F.2d at 970; *see also id.* at 971 (new technology strains the fair use doctrine in removing control of access from the author). The court relied there on a thoughtful work by Leon Seltzer. Seltzer, *Exemptions and Fair Use in Copyright: The "Exclusive Rights" Tensions in the New Copyright Act*, 24 BULL. COPYRIGHT SOC'Y 215 (1977), reprinted in L. SELTZER, *EXEMPTIONS AND FAIR USE IN COPYRIGHT* (1978).

so, the circuit court rejected explicitly the economically oriented approach to fair use adopted by the Court of Claims in *Williams & Wilkins Co. v. United States*.<sup>5</sup>

In its opinion in *Williams & Wilkins*, which was affirmed by an equally divided Supreme Court in 1975,<sup>6</sup> the Court of Claims held that massive photocopying efforts by libraries could in some circumstances constitute fair use.<sup>7</sup> The Supreme Court has recently granted certiorari in the *Betamax* case,<sup>8</sup> and may take this occasion to choose between the Court of Claims's approach and the more restrictive doctrinal views of the Ninth Circuit.

This Article suggests that the Court of Claims opinion in *Williams & Wilkins*, while flawed in many of its aspects,<sup>9</sup> did not err in seeking a base for fair use in structural and economic considerations. Specifically, it will be argued that the fair use doctrine, though sometimes called an "equitable rule of reason" for which no definition is possible,<sup>10</sup> has at bottom three straightforward concerns. Where (1) defendant could not

<sup>5</sup> 487 F.2d 1345 (Ct. Cl. 1973), *aff'd by an equally divided court*, 420 U.S. 376 (1975) (per curiam).

<sup>6</sup> 420 U.S. 376 (1975) (per curiam).

<sup>7</sup> The *Williams & Wilkins* opinion is discussed *infra* notes 249-88 and accompanying text.

<sup>8</sup> *Sony Corp. of America v. Universal City Studios, Inc.*, 102 S. Ct. 2926 (1982) (No. 81-1687).

<sup>9</sup> This Article will analyze critically certain aspects of the Court of Claims's opinion, see *infra* notes 260-88 and accompanying text. Other aspects of the opinion have been the subject of much analysis. See, e.g., Nimmer, *Photocopying and Record Piracy: Of Dred Scott and Alice in Wonderland*, 22 U.C.L.A. L. REV. 1052 (1975).

<sup>10</sup> "[S]ince the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 65 (1976) [hereinafter cited as House Report], reprinted in 1976 U.S. Code Cong. & Ad. News 5659, 5679.

In 1961, the then Register of Copyrights described fair use as follows: "[F]air use' . . . eludes precise definition; broadly speaking, it means that a reasonable portion of a copyrighted work may be reproduced without permission when necessary for a legitimate purpose which is not competitive with the copyright owner's market for his work." Staff of House Comm. on the Judiciary, 87th Cong., 1st Sess., Copyright Law Revision, Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 24 (Comm. Print 1961). Another often quoted definition is that fair use is a "privilege in others than the owner of a copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner." H. BALL, *THE LAW OF COPYRIGHT AND LITERARY PROPERTY* 260 (1944).



appropriately purchase the desired use through the market;<sup>11</sup> (2) transferring control over the use to defendant would serve the public interest;<sup>12</sup> and (3) the copyright owner's incentives would not be substantially impaired by allowing the user to proceed,<sup>13</sup> courts have in the past considered, and should in the future consider, defendant's use "fair." While other approaches to fair use may legitimately be advanced, much of fair use depends on the resolution of these concerns.

This Article will suggest that, contrary to the Ninth Circuit's view, the "productive" status of a user is at best merely a secondary indicator that these concerns may be satisfied.<sup>14</sup> On a more fundamental level, the Article will illustrate how the courts and Congress have employed fair use to permit uncompensated transfers that are socially desirable but not capable of effectuation through the market.<sup>15</sup> The market approach will provide a guide both to ascertaining where the public interest might lie in a given case, and to identifying those occasions on which a court may appropriately substitute its evaluation of the public interest for its usual refusal to second-guess the copyright owner. Through analysis of the *Williams & Wilkins*<sup>16</sup> and *Betamax*<sup>17</sup> cases, the Article will also indicate how a market approach can serve as a means for applying fair use to newly emerging uses of copyrighted works made possible by developing technologies. Overall, by unifying the various traditional fair use factors into one economic model, the Article aims to serve as an aid to predicting fair use results and as a guide to future development of the doctrine.

## I. COPYRIGHTS AND MARKETS

### A. *Origins of the American Copyright System and the Doctrine of Fair Use*

The Constitution gives Congress power to grant to authors and inventors exclusive rights over their works in order to "promote the Progress of Science and useful Arts."<sup>18</sup> Beginning in 1790, Congress passed a series of copyright statutes;<sup>19</sup> the general goal of these statutes

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<sup>11</sup> See *infra* text accompanying notes 89-91 & 150-98.

<sup>12</sup> See *infra* text accompanying notes 92-103 & 199-240.

<sup>13</sup> See *infra* text accompanying notes 104-24 & 241-47.

<sup>14</sup> See *infra* text accompanying notes 295-307.

<sup>15</sup> See *infra* notes 150-240 & 295-97 and accompanying text.

<sup>16</sup> See *infra* text accompanying notes 249-88.

<sup>17</sup> See *infra* text accompanying notes 289-322.

<sup>18</sup> U.S. Const. art. I, § 8, cl. 8.

<sup>19</sup> For an overview of copyright history, see B. KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT 1-38 (1967); A. LATMAN & R. GORMAN, COPYRIGHT FOR THE EIGHTIES 1-10 (1981).

has been to establish an incentive for authors to create, by providing them an avenue for obtaining remuneration.<sup>20</sup> The ultimate goal is not author remuneration, however, but the advancement and dissemination of culture and knowledge.<sup>21</sup>

In most cases, the incentive and dissemination purposes of copyright will not conflict. Authors will be encouraged to produce and distribute new works because the copyright laws give authors the means of being paid for their efforts. Madison foresaw exactly this result when he advocated a congressional copyright and patent power in *The Federalist Papers*: "The public good," he wrote, "fully coincides . . . with the claims of individuals."<sup>22</sup> Nevertheless, tensions are possible, and over time various copyright doctrines have evolved to guard against the possibility that the author's right of control over his works could defeat rather than serve the public interest in dissemination. "Fair use" is recognized as one such doctrine; it seeks to accommodate the author's need for remuneration and control while recognizing that in specific instances the author's rights must give way before a social need for access and use.<sup>23</sup> In other words, the fair use doctrine allows an individual, in certain circumstances, to make use of at least a part of an author's work without obtaining that author's consent or recompensing the author for that use.

Historically, it has been no simple matter to decide the appropriate boundaries of an author's control.<sup>24</sup> The fair use doctrine in particular, as noted above, has been called "the most troublesome in the whole law of copyright,"<sup>25</sup> and has traced a quicksilver course of judicial development. Congress, in codifying the fair use exception in the Copyright Act of 1976, refused to formulate a specific test for determining when a particular use is fair use. Instead Congress gave statutory recognition

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<sup>20</sup> See, e.g., *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

<sup>21</sup> See, e.g., *Rosemont Enter., Inc. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967). The current debates on fair use do not attack this general principle, but center on the extent to which the incentive purpose requires enforcement of the author's right "to control the cost of and access to" his production in varying circumstances. *Universal City Studios v. Sony Corp. of America*, 659 F.2d 963, 965 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687).

<sup>22</sup> *The Federalist* No. 43, at 272 (J. Madison) (C. Rossiter ed. 1961).

<sup>23</sup> See, e.g., *Rosemont Enter., Inc. v. Random House, Inc.*, 366 F.2d 303, 306-07 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967); *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1173-75 (5th Cir. 1980), 1980).

<sup>24</sup> See generally B. KAPLAN, *supra* note 19.

<sup>25</sup> *Universal City Studios v. Sony Corp. of America*, 659 F.2d 963, 969 (9th Cir. 1981) (quoting *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661 (2d Cir. 1939)), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687).

to a list of factors that courts have looked to in making their fair use determinations.<sup>26</sup> Four factors are enumerated in the statute:

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for and value of the copyrighted work.<sup>27</sup>

Congress recognized that even for the courts that had developed the criteria, the factors were "in no case definitive or determinative" but rather "provided some guage [sic] for balancing the equities;"<sup>28</sup> the sta-

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<sup>26</sup> The doctrine of fair use was first accorded statutory recognition in the 1976 revision of the Copyright Act. The statute provides:

§ 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107 (1976).

The legislative history of § 107 of the 1976 Copyright Act indicates that, despite the statutory recognition accorded fair use, the nature of the doctrine remains to be defined by case law: "The bill endorses the purpose and general scope of the judicial doctrine of fair use, but there is no disposition to freeze the doctrine in the statute . . ." House Report, *supra* note 10, at 66, reprinted in 1976 U.S. Code Cong. & Ad. News at 5680. *See also* S. Rep. No. 473, 94th Cong., 1st Sess. 62 (1975) [hereinafter cited as Senate Report]. The courts have recognized their freedom to continue the development of fair use doctrine. *See, e.g.,* Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc., 626 F.2d 1171, 1174 (th Cir. 1980) ("Congress made clear that it in no way intended to depart from Court-created principles or to short-circuit further judicial development . . .").

<sup>27</sup> 17 U.S.C. § 107 (1976).

<sup>28</sup> House Report, *supra* note 10, at 65, reprinted in 1976 U.S. Code Cong. & Ad. News at 5679.

tutory list is nonexhaustive.<sup>29</sup> In addition, Congress encouraged further evolution of the fair use doctrine in the courts.<sup>30</sup>

It is not clear how much weight should be given to any one of the four factors, what additional factors should be considered, or whether any one of the factors is a *sine qua non* for a finding of fair use.<sup>31</sup> Though the factors do implicitly direct courts to identify both the social need for

<sup>29</sup> The 1976 Copyright Act provides that "[i]n determining whether the use . . . is a fair use the factors to be considered shall include" those factors listed in the text. 17 U.S.C. § 107 (1976). The Act provides that the term "including" is "illustrative and not limitative." *Id.* § 101. *See also* House Report, *supra* note 10, at 66, reprinted in 1976 U.S. Code Cong. & Ad. News at 5681-83 ("Beyond a very broad statutory explanation of what fair use is and some of the criteria applicable to it, the courts must be free to adapt the doctrine to particular situations on a case-by-case basis."). The Fifth Circuit recognized the open-ended nature of the statute, but also indicated that "normally these four factors would govern the analysis." *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1175 n.10 (5th Cir. 1980).

<sup>30</sup> *See supra* note 26.

<sup>31</sup> The courts have reached varying results on these questions. The Fifth Circuit, for example, recognized that "[t]he statute does not indicate how much weight is to be accorded each factor" but considered "the fourth factor, the effect of the use upon the potential market for or the value of the copyrighted work" to be the most important. *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1175 (5th Cir. 1980). Other courts have placed much emphasis on the amount and substantiality of the portion copied (the third factor). The *Triangle* opinion stated that "the idea that the copying of an entire copyrighted work can never be fair use 'is an overbroad generalization, unsupported by the decisions and rejected by years of accepted practice.'" *Id.*, at 1177 n.15 (quoting *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1353, 203 Ct. Cl. 74 (1973), *aff'd by an equally divided court*, 420 U.S. 376 (1975) (per curiam) (citing cases)) (reproduction of copyrighted magazine covers in competitor's comparative advertisements held to be fair use). The district court in the *Betamax* case took a similar position, in its functional approach to substantiality. *See Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429, 454-56 (C.D. Cal 1979) *rev'd in part and remanded*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687). *See also* the "Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions." House Report, *supra* note 10, at 68-70, reprinted in 1976 U.S. Code Cong. & Ad. News at 5681-83 (copying of "complete poem," "complete article, story, or essay" will be fair use if other conditions are met). By contrast, the Ninth Circuit intimated that it weighed the quantity of copying quite heavily, regardless of its functional impact. *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963, 973 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687).

Congress took the position that, "[T]he endless variety of situations and combinations of circumstances that can rise [sic] in particular cases precludes the formulation of exact rules in the statute." House Report, *supra* note 10, at 65-66, reprinted in 1976 U.S. Code Cong. & Ad. News at 5675-80.

the use and the possible impact on the author's economic expectations, the ambiguity of the fair use doctrine and its statutory formulation obscure the underlying issues and make consistency and predictability difficult to achieve. Some underlying principles, more specific and thus more informative than the identification of basic incentive/dissemination tensions, must be divined beneath the factors to permit their coherent application.

An economic analysis of the copyright system will serve to illuminate these underlying principles. Since the copyright system creates private property in creative works so that the market can simultaneously provide economic incentives for authors and disseminate authored works, it may be useful to begin—if not to end—the fair use inquiry by using economic principles of market failure to identify the situations in which these two goals are likely to conflict. The same economic considerations that guide the copyright system as a whole can also be used to suggest modes of resolving the conflicts, providing a method of applying fair use both to achieve desirable dissemination and to avoid the erosion of incentives. This economic view of fair use can provide a coherent approach to application of the traditional factors and their emerging companions.

#### *B. An Overview of the Market Model*

Markets are systems for consensual exchange of owned goods. Private ownership is, of course, only one of many ways in which persons can be encouraged to make productive use of resources,<sup>32</sup> and our legal, economic and social systems respond with other modes of resource con-

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<sup>32</sup> Thomas C. Schelling has written:

A good part of social organization—of what we call society—consists of institutional arrangements to overcome . . . divergences between perceived individual interest and some larger collective bargain. Some of it is market-oriented—ownership, contracts, damage suits, patents and copyrights, promissory notes, rental agreements, and a variety of communications and information systems. Some have to do with government—taxes to cover public services, protection of persons, a weather bureau if weather information is not otherwise marketable, one-way streets, laws against littering, wrecking crews to clear away that car in the southbound lane and policemen to wave us on in the northbound lane. More selective groupings—the union, the club, the neighborhood—can organize incentive systems or regulations to try to help people do what individually they wouldn't but collectively they may wish to do. Our morals can substitute for markets and regulations, in getting us sometimes to do from conscience the things that in the long run we might elect to do only if assured of reciprocity.

T. SCHELLING, *MICROMOTIVES AND MACROBEHAVIOR* 127-28 (1978).

trol when the markets fail to generate economically desirable outcomes<sup>33</sup> or when using the market process would threaten our social goals.<sup>34</sup> This Article will show that fair use should be interpreted as a mode of judicial response to market failure in the copyright context, and that the presence or absence of the indicia of market failure provides a previously missing rationale for predicting the outcome of fair use cases.

1. *The Market System.* Economists in the tradition of Adam Smith defend our society's primary dependence on markets by arguing that individual transactions in the marketplace serve both social needs and the needs of the individual persons participating.<sup>35</sup> Among other contentions, they suggest that the monetary value a person places on a resource will reflect the value that the person's use of the resource will bring to society, so that voluntary transfers between individuals will create a socially desirable pattern of resource allocation<sup>36</sup>

To understand this approach, consider the example of movie producers who wish to purchase the motion picture rights to a best-selling novel. Smithian economists would posit that each producer's ability to raise funds from investors depends on the amount of revenue that his or her moviemaking is expected to generate. Among producers of varying levels of skill, the producer best able to use the book to satisfy consumer tastes will be in a position to raise the most funds and thus to offer the highest bid. Similarly, the author or other owner of copyright

<sup>33</sup> See generally R. POSNER, *ECONOMIC ANALYSIS OF LAW* 11-12 (2d ed. 1977). Market failure, its effect on economic efficiency, and the variety of available cures are recurrent themes in Judge Posner's text. Some insignificant forms of allocative inefficiency are reviewed in Markovitz, *The Causes and Policy Significance of Pareto Resource Misallocation: A Checklist for Micro-Economic Policy Analysis*, 28 STAN. L. REV. 1 (1975).

<sup>34</sup> See, e.g., G. CALABRESI & P. BOBBITT, *TRAGIC CHOICES* 31-34 (1978).

<sup>35</sup> See generally R. HEILBRONER, *THE WORLDLY PHILOSOPHERS* 49-72 (5th ed. 1980); A. SMITH, *WEALTH OF NATIONS* (E. Canaan ed. 1937). Some argue that a market economy also helps to protect and nurture political freedoms. See, e.g., M. FRIEDMAN, *CAPITALISM AND FREEDOM* 7-36 (1962).

<sup>36</sup> In the examples that follow, "value" will be explored predominantly in terms of how a resource user can serve consumer desires. It should not be forgotten, however, that serving one's own needs also has value in the economic sense. A person's willingness to pay to use an item for personal consumption reflects "social benefit" since each person is a member of society. Also, "value," as defined in connection with willingness to pay, see *infra* text accompanying note 38, is of course dependent, inter alia, on distribution of income, and is at best only an indirect measure of desire and benefit. While an exploration of the limitations and virtues of the "value" criterion is beyond the scope of this Article, it should be noted that courts sometimes use intuitive noneconomic measures of social benefit. See *infra* note 95 and accompanying text.

in the novel will sell the rights only if the revenues he could anticipate by exploiting the work himself would be less than the purchaser's bid. Control over the resource will therefore gravitate through consensual transfers to the person in whose hands the resource can best be used to satisfy consumer desires.<sup>37</sup> In this way value, defined as "human satisfaction as measured by aggregate consumer willingness to pay for goods and services,"<sup>38</sup> will be maximized.

<sup>37</sup> Judge Posner explains this process by using the following example:

Let Farmer A own a piece of land which he anticipates will yield him \$100 a year, in excess of labor and other costs, indefinitely. Just as the price of a share of common stock expresses the present value of the anticipated earnings to which the shareholder will be entitled, so the present value of a parcel of land that is expected to yield an annual net income of \$100 can be calculated and is the minimum price that A will accept in exchange for his property right. Suppose Farmer B believes that he can use A's land more productively than A, i.e., that he could net more than \$100 a year from working A's land. The present value of B's higher expected earnings stream will, of course, exceed the present value calculated by A. Suppose the present value calculated by A is \$1000 and by B \$1500. At a price of \$1250, for example, A will receive \$250 more than the land is worth to him and B will pay \$250 less than the land is worth to *him*. Thus, there are strong incentives for the parties voluntarily to exchange A's land for B's money, and if B is as he believes a better farmer than A, the transfer will result in an increase in the productivity of the land. Through a succession of such transfers, resources are shifted to their most valuable uses and efficiency in the use of economic resources is thereby maximized.

R. POSNER, *supra* note 33, at 29 (footnotes omitted).

<sup>38</sup> *Id.* at 10 (emphasis omitted). Judge Posner defines "efficiency" as the maximization of "value" so measured. *Id.* Note that under this definition, it is "efficient" to take resources from a person in whose hands they have less "value" and give them to another person in whose hands they have more "value," even if the loser is not compensated for the transfer. Even aside from the general questions that can be raised concerning any quasi-utilitarian measure, the adequacy of Judge Posner's "value" as a test of public welfare has been often questioned. See, e.g., Leff, *Economic Analysis of Law: Some Realism About Nominalism*, 60 VA. L. REV. 451, 477-82 (1974); Polinsky, *Economic Analysis As a Potentially Defective Product: A Buyer's Guide to Posner's Economic Analysis of Law*, 87 HARV. L. REV. 1655, 1665, 1679-81 (1974). This Article does not argue that maximizing value is a sufficient justification for all instances of fair use; it argues that the copyright owner must be compensated if denying him control over a contested use of his work would cause him substantial injury. See *infra* text accompanying notes 104-24. See also generally Michelman, *Property, Utility, and Fairness: Comments on the Ethical Foundations of "Just Compensation" Law*, 80 HARV. L. REV. 1165 (1967) (evaluating "efficiency" and other criteria in the identification of which of the losses occasioned by governmental activity should be noncompensable and which should be entitled to "just compensation").

The traditional criterion that welfare economics has used for "judging

Economists agree that several "conditions of perfect competition" must be satisfied if individual market transactions are to result in the maximization of value. When these conditions are absent, reliance on consensual bargains to achieve socially desirable results may be inappropriate.<sup>39</sup> One such condition is that all costs and benefits must be "internal" to the transactions that generate them, in the sense that the costs or benefits must be borne by persons with decision-making power in a given transaction and not by persons external to it.<sup>40</sup> For example, if a resource user is in a field where much of the social benefit produced by his activities does not translate into compensation to him, then he may generate "external benefits" not reflected in his income. In such a case, his willingness to pay for the resource might understate his ability

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whether resource use is efficient" is the Pareto Condition in which "no reallocation can yield improvement for some without injury to others." D. ORR, *PROPERTY, MARKETS AND GOVERNMENT INTERVENTION* 100 (1976). *See infra* note 54. *See also* J. HADAR, *ELEMENTARY THEORY OF MICROECONOMIC BEHAVIOR* 319-45 (2d ed. 1974); N. SINGER, *PUBLIC MICROECONOMICS: AN INTRODUCTION TO GOVERNMENT FINANCE* 81-85 (2d ed. 1976). However, the Pareto Condition, when interpreted strictly, has only limited usefulness as a criterion because "virtually all policies will harm someone." Markovitz, *supra* note 33, at 2 n.2. Thus, a Posnerian use of an aggregate measure to define efficiency is common among legal scholars. *See id.* at 2. ("[O]nly rarely does a policy actually move the economy to a Pareto-preferred position. Accordingly, I find it more useful to focus on whether a policy seems likely to give its beneficiaries the equivalent of more dollars than it seems likely to take away from its victims.") (footnotes omitted). *See also* Calabresi & Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089, 1094 (1972) ("[E]conomic efficiency . . . asks for that form of property, private or communal, which leads to the highest product for the effort of producing.").

<sup>39</sup> There may also be occasions in which it is normatively inappropriate to use even a perfectly functioning market. Similarly, enforcement of an author's market right is arguably inappropriate when such enforcement would threaten nonmonetizable First Amendment interests. *See infra* text accompanying notes 170-73. Some commentators have suggested a separate First Amendment exception to copyright, while others have suggested recognition of a First Amendment dimension to fair use. For valuable introductions to this literature, *see* Denicola, *Copyright and Free Speech: Constitutional Limitations on the Protection of Expression*, 67 CALIF. L. REV. 283 (1979); Goldstein, *Copyright and the First Amendment*, 70 COLUM. L. REV. 983 (1970).

<sup>40</sup> *See* D. ORR, *supra* note 38, at ch. 15 ("Externalities and Public Goods"); Markovitz, *supra* note 33, at 2. In the absence of transaction costs, this condition will automatically be met, because persons affected by transactions can "bribe" participants within the transactions to take actions in accordance with their interest. *See generally* Coase, *The Problem of Social Cost*, 3 J.L. & ECON. 293 (1970). *See* R. POSNER, *supra* note 33. *See also* Markovitz, *supra* note 33, at 7 n.14.



to use it in a way that serves social needs.<sup>41</sup>

Perfect competition also requires perfect knowledge;<sup>42</sup> for example, consumers must know the qualities and characteristics of all available products,<sup>43</sup> as well as the prices and locations of the various sellers. Consider the impact of imperfect knowledge on the movie producer example advanced earlier. If reviewers give consumers inadequate information about the characteristics of movies produced, the money spent on theater tickets may not reflect the choices that would in fact best satisfy consumer tastes.<sup>44</sup> As a result, a skillful producer might be unable to raise capital in a way that would accurately reflect his ability to use resources in satisfaction of consumer tastes,<sup>45</sup> so that his ability to pay for the rights to a novel would understate his ability to use the novel to serve public needs. In a perfect market, his failure to outbid another producer would have been a reliable indicator that the movie rights would be most valuable in the other producer's hands. In a market where information is incomplete or unreliable, however, a failure to outbid the other producer may have no such significance.

Finally, then, perfect competition depends on the absence of transaction costs.<sup>46</sup> If all desirable transfers are to occur, it must be costless to obtain knowledge,<sup>47</sup> costless to locate all persons affected by a transaction, costless to dicker with them over prices and terms, and costless to maintain an enforcement mechanism to ensure that the bargain is adhered to.<sup>48</sup> This condition of perfect competition, like the others, is

<sup>41</sup> See *infra* text accompanying notes 170-76, 182.

<sup>42</sup> See Markovitz, *supra* note 33, at 2, 3, 7; Polinsky, *supra* note 38, at 1667. See also J. HADAR, *supra* note 38, at § 13.4 ("Behavior Under Uncertainty").

<sup>43</sup> See Polinsky, *supra* note 38, at 1667.

<sup>44</sup> See *infra* text accompanying note 183, which suggests that reviews and criticisms may be appropriate subjects for fair use treatment in order to protect the availability of such information.

<sup>45</sup> See *supra* note 37.

<sup>46</sup> Transaction costs are "the costs of effecting a transfer of rights." R. POSNER, *supra* note 33, at 30. Where transaction costs are "prohibitive . . . exclusivity of property rights may . . . reduce rather than increase the efficiency of resource use." *Id.*

<sup>47</sup> The condition of perfect knowledge is thus an aspect of the condition of no transaction costs, but the two are usefully stated separately.

<sup>48</sup> If bargains are unenforceable, markets are highly unlikely to form. See R. POSNER, *supra* note 33, at 65-67 (economic rules of contract law). See also Demsetz, *The Private Production of Public Goods*, 13 J. L. & ECON. 293, 306 (1970) (when nonpurchasers cannot be excluded from using a public good at a reasonable cost, a system of private production "does not seem to be practical"). This aspect of transaction costs becomes important for the discussion of the *Betamax* case, *infra* notes 289-322 and accompanying text.

never fully present; some transaction costs are inevitable.<sup>49</sup> When the transaction costs outweigh the net benefits that the parties would otherwise anticipate from a transfer, then the presence of the transaction costs may block an otherwise desirable shift in resource use.<sup>50</sup>

The legal system acts in diverse ways to increase the probability that these and other conditions for perfect competition will be present. For example, to prevent consumer ignorance, truth-in-lending and labeling disclosure laws may be enacted,<sup>51</sup> and restrictions on truthful advertising may be struck down.<sup>52</sup> Similarly, antitrust laws prevent any one buyer or seller from gaining monopoly control that would distort competition.<sup>53</sup> When the market does not work perfectly, "a decision will often have to be made on whether market transactions or collective fiat is most likely to bring us closer to the . . . result the 'perfect' market would reach."<sup>54</sup> One possible response of the law might be the creation of governmental agencies to make resource allocation decisions by regulation. Another might be to set up incentives that encourage the achievement of efficient results even in the absence of markets.

The latter provides the conventional economic explanation for the standard of reasonable care used in negligence law.<sup>55</sup> In a market trans-

<sup>49</sup> If transaction costs were totally absent, all costs and benefits would necessarily be internalized, and value-maximizing transfers would always take place. See generally Coase, *supra* note 40; see also Calabresi & Melamed, *supra* note 38, at 1094-95 & n.12. However, transaction costs are inevitable in the real world of economics, and the nature and impact of those transaction costs may be crucial to a determination of legal rights. See *id.* at 1096.

<sup>50</sup> *Id.* at 1095. Relative as well as absolute levels of transaction costs can be important to market evaluations, as can the issue of who bears those costs. If nonparticipating third parties (e.g., taxpayers) bear the transaction costs, that will insulate the bargaining parties from the impact of those costs.

<sup>51</sup> E.g., Truth in Lending Act, 15 U.S.C.A. §§ 1601-1667e (West 1974 & Supp. 1982); Fair Packaging and Labeling Act, 15 U.S.C. §§ 1451-61 (1976).

<sup>52</sup> See *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 770 (1976).

<sup>53</sup> See, e.g., R. POSNER, *supra* note 33, at 212-13.

<sup>54</sup> Calabresi & Melamed, *supra* note 38, at 1097 (footnote omitted) (referring to the perfect market result as Pareto optimal). The authors define Pareto optimality as "the set of entitlements which would lead to that allocation of resources which could not be improved in the sense that a further change would not so improve the condition of those who gained by it that they could compensate those who lost from it and still be better off than before." *Id.* at 1094.

<sup>55</sup> See, e.g., R. POSNER, *supra* note 33, at 122, 125. However, both the comparative negligence doctrine and the contributory negligence doctrine inadequately resolve the problem of how to set up incentives when the plaintiff is also negligent. *Id.* at 123-24. Perhaps the best introduction to the economic analysis of accident law is G. CALABRESI, *THE COSTS OF ACCIDENTS* (1970), which ranges far beyond conventional negligence. See Calabresi's analyses of incentives and market deterrence, *id.* at 68-94.

action, each party is forced to take account of the other's demands through bargaining. In unintentional accidents, a market bargain between the participants is obviously impossible, yet it is desirable for them to take into account the effect of their actions on each other. Negligence law gives a potential defendant the incentive to consider the other person's possible injury. If the costs of the precautions neglected by the defendant are less than the discounted accident costs the precautions would have prevented,<sup>56</sup> the verdict will be for the plaintiff.<sup>57</sup> If, on the other hand, the court views the defendant's pre-accident behavior as cost-justified, the plaintiff's injuries will go uncompensated.<sup>58</sup>

A defendant who deliberately bypasses the market is not likely to find the court willing to act as a resource-allocating mechanism; the market guarantees compensation to the owner, and usually provides a less expensive and more reliable way to determine whether a use is value-maximizing than does the deliberation of a judicial stranger to the transaction.<sup>59</sup> A court generally should engage in balancing costs and benefits only if market failure has left it the only institution able to do so.<sup>60</sup> This is one reason why, for many intentional torts, the economic desirability of defendant's action is irrelevant to determining liability; in such cases the defendant could have identified, and thus bargained with, the plaintiff or class of plaintiffs involved.<sup>61</sup>

2. *Markets in Copyright.* Copyright and patent law create ownership rights in intellectual property, with the primary goal of generating monetary incentives for the production of creative works, thereby "promot[ing] the Progress of Science and useful Arts."<sup>62</sup> If the creators of

<sup>56</sup> Costs must be discounted by the probability of their occurrence. See R. POSNER, *supra* note 33, at 122-23.

<sup>57</sup> See *United States v. Carroll Towing Co.*, 159 F.2d 169, 173 (2d Cir. 1947). See generally R. POSNER, *supra* note 33, at 119-59.

<sup>58</sup> Whether the prevailing negligence/contributory negligence pattern in fact provides desirable incentives is of course a matter of much debate. See, e.g., R. POSNER, *supra* note 33, at 122-24; note 55.

<sup>59</sup> See Michelman, *supra* note 38, at 1180 (discussing "the inability of outside observers to appraise . . . efficiency of proposed social measures"). Cf. Hayek, *The Use of Knowledge in Society*, 35 AM. ECON. REV. 519, 524-25 (1945) (arguing that decentralized decisionmaking can often utilize knowledge better than can central planning). See also Calabresi & Melamed, *supra* note 38, at 1108, 1115-24 (discussing the "likelihood of error" in assessing costs and benefits under various liability rules); *id.* at 1125 ("liability rules represent only an approximation of the value of the object to the original owner").

<sup>60</sup> While the focus of this fair use discussion is necessarily on judicial rules of decision, other institutions can also perform the balancing function, and the nature of the institution may affect the appropriate rules or principles to be applied. See Michelman, *supra* note 38, at 1245-57.

<sup>61</sup> See Calabresi & Melamed, *supra* note 38, at 1124-27 (discussing criminal sanctions).

<sup>62</sup> U.S. Const. art. I, § 8, cl. 8.

intellectual productions were given no rights to control the use made of their works, they might receive few revenues and thus would lack an appropriate level of incentive to create. Fewer resources would be devoted to intellectual productions than their social merit would warrant.<sup>63</sup>

Economists ordinarily characterize intellectual property law as an effort to cure a form of market failure stemming from the presence of

<sup>63</sup> The Supreme Court has accepted this premise in several contexts. See, e.g., *Mazer v. Stein*, 347 U.S. 201, 219 (1954):

The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in "Science and useful Arts." Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.

*United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948):

The copyright law, like the patent statutes, makes reward to the owner a secondary consideration. In *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127, Chief Justice Hughes spoke as follows respecting the copyright monopoly granted by Congress, "The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors." It is said that reward to the author or artist serves to induce release to the public of the products of his creative genius.

The role of copyright law in the maintenance of economic incentives has been a matter of significant debate. See, e.g., Breyer, *Copyright: A Rejoinder*, 20 U.C.L.A. L. REV. 75 (1972); Breyer, *The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs*, 84 HARV. L. REV. 281, 291-323 (1970) [hereinafter cited as Breyer, *The Uneasy Case for Copyright*]; Hurt & Schuchman, *The Economic Rationale of Copyright*, 56 AM. ECON. REV. 421 (1966) (1965 Papers & Proceedings of Am. Econ. Ass'n); Plant, *The Economic Aspects of Copyright in Books*, 1 ECONOMICA 167 (new series 1934); Tyerman, *The Economic Rationale for Copyright Protection for Published Books: A Reply to Professor Breyer*, 18 U.C.L.A. L. REV. 1100 (1971). There is also debate about the extent to which the copyright and patent laws serve purposes other than providing incentives. For example, barring potential users from copying encourages them to do their own work. See Gorman, *Copyright Protection for the Collection and Representation of Facts*, 76 HARV. L. REV. 1569, 1599 (1963). Intellectual property laws can help structure production to increase the output from resources used for technological innovation. See Kitch, *The Nature and Function of the Patent System*, 20 J.L. & ECON. 265 (1977). Copyright may also function to protect the author's own interests in e.g., the integrity of his work. See Breyer, *The Uneasy Case for Copyright*, *supra*, at 284-91; Comment, *An Author's Artistic Reputation Under the Copyright Act of 1976*, 92 HARV. L. REV. 1490, 1491 (1979).

Nevertheless, it generally is agreed that American law gives copyright and patent protection to the producers of intangible products primarily because of the legislative judgment that such systems are necessary if producers of intellectual property are to receive a large enough monetary return for their labors and investments to insure continued production. See *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 576 (1977).

"public goods" characteristics.<sup>64</sup> A public good is often described as having two defining traits. First, it is virtually inexhaustible once produced, in the sense that supplying additional access to new users would not deplete the supply available to others. Second, and more important for the instant purposes, persons who have not paid for access cannot readily be prevented from using a public good.<sup>65</sup> Because it is difficult or expensive to prevent "free riders" from using such goods, public goods usually will be under-produced if left to the private market.<sup>66</sup> A familiar example of a public good is national defense.<sup>67</sup> Since it is not possible to use a radar early-warning network in a way that discriminates between one person who has paid for defense and his neighbor who has not, a less than optimal amount of national defense will be produced if its purchase is left to the usual consensual market mechanisms of voluntary purchase. Some sort of compulsory payment, such as taxation, and central decision-making may be necessary to eliminate free riders and obtain the socially desirable amount of defense.<sup>68</sup>

Books and inventions exhibit certain public goods characteristics.<sup>69</sup> Once the literary work or the discovery embodied in the invention is

<sup>64</sup> Cf., Liebowitz, *Copyright and Photocopying: Alternative Institutional Arrangements* (Feb. 1981) (unpublished manuscript, on file at Columbia Law Review) at 3-5. How the production of public goods should be organized has been the subject of much economic debate. See, e.g., Demsetz, *supra* note 48 (arguing that under certain circumstances private producers can produce public goods efficiently).

<sup>65</sup> See, e.g., E. MANSFIELD, *PRINCIPLES OF MICROECONOMICS* 70 (1974); D. ORR, *supra* note 38, at 285-311.

"A common, collective, or public good is here defined as any good such that, if any person  $X_i$  in a group  $X_1, \dots, X_i, \dots, X_n$  consumes it, it cannot feasibly be withheld from others in the group." M. OLSON, *THE LOGIC OF COLLECTIVE ACTION: PUBLIC GOODS AND THE THEORY OF GROUPS* 14 (1971). Although Olson focuses on this characteristic, he notes that another element in the "traditional understanding of public goods" is "jointness of supply." A good has 'jointness' if making it available to one individual means that it can be easily or freely supplied to others as well." *Id.* at n.21.

Professor Demsetz distinguishes

between the public good concept . . . which states that it is possible at no cost for additional persons to enjoy the same unit of a public good, and a different concept, that might be identified as a collective good, which imposes the stronger condition that it is impossible to exclude nonpurchasers from consuming the good.

Demsetz, *supra* note 48, at 295. Under this view, national defense, which is the example used in text, see text accompanying notes 66-68, "might be termed an 'approximate collective good.'" Demsetz, *supra* note 48, at 295.

<sup>66</sup> See, e.g., E. MANSFIELD, *supra* note 65, at 70, 74-75. See also Markovitz, *supra* note 33.

<sup>67</sup> See *supra* note 65.

<sup>68</sup> See, e.g., sources cited *supra* note 65.

<sup>69</sup> See, e.g., sources cited *supra* notes 63-65.

made available to the public, the sequence of words or the discovery might be used by countless consumers without exhausting the supply. Any number of persons can simultaneously use the newly invented process or reprint the literature without physically depriving others of its use. Physical control, therefore, does not offer its usual potential as a mode of inexpensive enforcement for excluding free riders.<sup>70</sup>

Though taxation and centralized purchasing might provide a satisfactory solution for some public goods problems, such an approach is inappropriate for much intellectual property. A democratic society demands decentralized and diverse creation in the intellectual sphere; freedom from state control is essential lest freedom of expression be curtailed by fear of governmental reprisal.<sup>71</sup> Thus, for works of expression, the public goods problem is addressed by another method. Statutes create special property rights for authors; they can sell the physical copies of their works and at the same time retain legal control over the reproduction and certain other uses of the work embodied in those copies.<sup>72</sup> In other words the law provides a means for excluding nonpurchasers.<sup>73</sup> Copyright law therefore allows a market for intellectual property to function.

In addition, the copyright law makes it easy to proceed through consensual market transfer. The requirement that a notice of copyright be placed on all publicly distributed copies facilitates identification of

<sup>70</sup> Cf., Final Report of the National Commission on New Technological Uses of Copyrighted Works [CONTU] 10 (1978) (discussing computer programs):

[I]f the cost of duplicating information is small, then it is simple for a less than scrupulous person to duplicate it. This means that legal as well as physical protection is a necessary incentive if such information is to be created and disseminated.

This principle is the underlying principle of copyright . . . .

Prior to the 1976 Copyright Act, protection of unpublished literary work was left primarily to state law. This so-called "common law" copyright has been argued to have been essentially a right of privacy, see Warren & Brandeis, *The Right To Privacy*, 4 HARV. L. REV. 193, 198-213 (1890), and bears some similarity to state trade secret protection for undisclosed discoveries and inventions. Secret manuscripts are not "public goods"; physical control is sufficient to exclude the unwelcome user. See generally Liebowitz, *supra* note 64.

Common law copyright for expression that is fixed in a tangible medium was abolished by 17 U.S.C. § 301 (1976). See House Report, *supra* note 10, at 129-33, reprinted in 1976 U.S. Code Cong. & Ad. News at 5745-49.

<sup>71</sup> See Tyerman, *supra* note 63, at 1117 (exploring the dangers of relying on government subsidies).

<sup>72</sup> See 17 U.S.C. § 106 (1976) (exclusive rights in copyrighted works); sources cited *supra* notes 63-65.

<sup>73</sup> Demsetz argues that if nonpurchasers can be excluded efficiency is potentially attainable in a market for public goods. See generally Demsetz, *supra* note 48.

those works that are not in the public domain and cannot be used without purchase of a copyright license, and also facilitates identification of the works' owners.<sup>74</sup> The registration of copyrights in the Copyright Office<sup>75</sup> makes owners relatively easy to locate, and gives further information on the validity and duration of the copyright claimed. To discourage departure from the market system, Congress has made certain copyright violations criminal,<sup>76</sup> and has established statutory damages and other devices<sup>77</sup> to lighten a plaintiff's enforcement task. The copyright statute thus facilitates the functioning of the consensual market<sup>78</sup> in four ways: it creates property rights, lowers transaction costs, provides valuable information, and contains mechanisms for enforcement.

When the market functions, no finding that the defendant acted "unreasonably" or against the public interest is requisite for judging culpability for the tort of copyright infringement. Like the intentional tortfeasors discussed in the preceding section,<sup>79</sup> copiers of creative works ordinarily can identify and bargain with copyright owners. If copies are made without permission, the court will not use a "reasonableness" test to second-guess whether the copyist's production was in the public interest. In the ordinary copyright case, the court assumes that the defendant could have, and therefore should have, proceeded through the market.<sup>80</sup>

<sup>74</sup> Generally speaking, the notice on copies must show that copyright is claimed by including three elements: "©" (or "copyright" or "copr."), the year of first publication, and the name of the copyright owner. 17 U.S.C. § 401 (Supp. IV 1980). Under some circumstances omitted or defective notice may be forgiven. *Id.* §§ 405-06 (Supp. IV 1980). Note that some uses (e.g., private reading and performance) are not within the scope of the copyright owner's exclusive rights.

<sup>75</sup> *Id.* § 408 (1976). Like the notice requirement, *see supra* note 74, the copyright registration requirement is not absolute. *See id.* Registration is, however, a prerequisite to bringing most infringement actions, *id.* § 411, and to certain remedies for infringement, *id.* § 412.

<sup>76</sup> *Id.* § 506.

<sup>77</sup> *See, e.g., id.* § 504(c) (1976) (statutory damages); *id.* § 501 (prima facie proof of infringement, standing); *id.* §§ 502-505 (injunctive relief, impoundment, damages, attorneys' fees). Copyright plaintiffs may find it easier to obtain fee awards than defendants. A. LATMAN & R. GORMAN, *supra* note 19, at 538.

<sup>78</sup> Note, however, that the copyright law also uses compulsory licensing for some specified classes of works and uses. *See, e.g.,* 17 U.S.C. § 111(c)-(d) (1976) (cable television retransmission of copyrighted material); *id.* § 115 (phonorecords of nondramatic musical works); *id.* § 116 ('jukebox' performances).

<sup>79</sup> *See supra* text accompanying notes 59-61.

<sup>80</sup> *See generally* Calabresi & Melamed, *supra* note 38, at 1125-27 (discussing criminal sanctions for intentional market bypass). Compare the discussion of intentional torts, *supra* notes 59-61 and accompanying text.

Copyright markets will not, however, always function adequately. Though the copyright law has provided a means for excluding non-purchasers and thus has attempted to cure the public goods problem, and though it has provided mechanisms to facilitate consensual transfers, at times bargaining may be exceedingly expensive or it may be impractical to obtain enforcement against nonpurchasers, or other market flaws might preclude achievement of desirable consensual exchanges.<sup>81</sup> In those cases, the market cannot be relied on to mediate public interests in dissemination and private interests in remuneration.<sup>82</sup> In extreme instances, Congress may correct for market distortions by imposing a regulatory solution such as a compulsory licensing scheme.<sup>83</sup> Thus, to avoid threatened monopolistic control over the manufacture of piano rolls and other mechanical recordings, Congress provided that any person who wished could make and sell recordings of copyrighted music, so long as he paid to the copyright owner an amount determined under the statute.<sup>84</sup> But the broad brush of this regulatory solution is too sweeping for most cases.

Fair use is one label courts use when they approve a user's departure

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<sup>81</sup> As will be seen, the focus is on whether granting fair use to an individual transaction would further the goals of the copyright scheme more than would imposing liability. See generally *infra* text accompanying notes 92-124. The transactional, case-by-case approach recommended herein does not require identification of any "optimal" level of overall production. Whether excluding nonpurchasers can allow a market in public goods to achieve optimality is itself a matter of debate. Compare Demsetz, *supra* note 48 (efficiency achievable if nonpurchasers can be excluded from use), with, e.g., Perlman & Rhinelander, *Williams & Wilkins Co. v. United States: Photocopying, Copyright, and the Judicial Process*, 1975 SUP. CT. REV. 355, 373-79 (criticizing economic analyses of copyright and fair use). It appears that the copyright law treats the outcome of the ordinary copyright transaction as normatively equivalent to an "optimal" result. This Article seeks to identify what distinguishes an ordinary transactional setting from these settings in which the courts are unwilling to trust markets.

<sup>82</sup> Of course, all of the interests are part of society's interests. Compare Michelman, *supra* note 38, at 1194 (analyzing the nature of balancing tests). At issue also is the public interest is the public interest in preserving incentives.

<sup>83</sup> See *infra* notes 84 & 131.

<sup>84</sup> Studies prepared for the Subcomm. on Patents, Trademarks and Copyrights of the Senate Comm. on the Judiciary, 86th Cong., 1st Sess., *The Compulsory License Provisions of the U.S. Copyright Law* (Study No. 5) 11 (Comm. Print 1960) (H. Henn). It has been suggested that some of the fears of monopoly may have been unwarranted. See *id.* at 3 n.20, 11 n.44.

The provisions governing this compulsory license appeared at § 1(e) of the Copyright Act of 1909, 35 Stat. 1075 (codified and reenacted 1947, amended 1976), and appear at § 115 of the 1976 Act. 17 U.S.C. § 115 (1976). The provisions are not triggered until the copyright owner has himself taken



from the market. A useful starting place for analysis of when fair use is appropriate is therefore an identification of when flaws in the market might make reliance on the judiciary's own analysis of social benefit appropriate.<sup>85</sup> By making such an identification, a measure of coherence can be brought to the doctrine of fair use. As will be seen, there are certain "conditions of perfect competition"<sup>86</sup>—or assumptions about how a proper transactional setting should look—whose failure is particularly likely to trigger in the courts an unwillingness to rely on the owner's market right to achieve dissemination.<sup>87</sup>

## II. THE THREE-PART TEST FOR DETERMINING FAIR USE

A finding of fair use by defendant should be made in a copyright infringement action when (1) market failure is present; (2) transfer of the use to defendant is socially desirable; and (3) an award of fair use would not cause substantial injury to the incentives of the plaintiff copyright owner. The first element of this test ensures that the transfer of a license to use from the copyright holder to the unauthorized user effects a net gain in social value.<sup>88</sup> The third element ensures that the grant of fair use will not undermine the incentive-creating purpose of the copyright law. The test will now be explored in detail.

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some action to avail himself of the possibility of making mechanical recordings.

Compulsory licenses are a likely compromise when new rights are granted. *See, e.g.*, Second Supplementary Report of the Register of Copyrights of the General Revision of U.S. Copyright Law: 1975 Revision Bill (Draft, October-December 1975) at VII 18-20 (fears expressed that extending copyright to typefaces would allow a "few big manufacturers . . . to enforce tying arrangements between their machines and fonts" or "might lead to suits to enjoin publication of printed matter"; "mandatory licensing" discussed as a possible solution). *See also* 17 U.S.C. § 111 (1976) (cable television retransmission of copyrighted material).

<sup>85</sup> This article does not purport to present an exhaustive list of the reasons why a court might refuse to enforce a copyright owner's market right. It is submitted, however, that in all cases where protected subject matter has been appropriated, the courts should give consideration to whether there is a good reason—founded in economics or otherwise—to depart from the market.

<sup>86</sup> *See infra* notes 149-98 and accompanying text.

<sup>87</sup> This article will be using economics to identify certain market defects that are particularly salient, and that appear to cause courts to doubt the appropriateness of enforcing a copyright owner's market right.

<sup>88</sup> These first two considerations are closely analogous to those at work in the negligence model discussed *supra* in text accompanying notes 55-58.

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*A. The First Element of the Test: Market Failure*

Because courts in the copyright area ordinarily assume that reliance on the market will serve social purposes, an economic judgment that transfer of a use to defendant will bring a net social benefit should not alone be sufficient to negate the tort of infringement. If the work is socially more valuable in the buyer's hands, then the economic model has suggested that he will be able to raise sufficient funds to purchase permission from the owner. In other words, to propose that fair use be imposed whenever the "social value . . . outweighs any detriment to the artist,"<sup>89</sup> would be to propose depriving copyright owners of their right in the property precisely when they encounter those users who could afford to pay for it. Though a transfer to such user might be socially desirable, there is no need to compel it through fair use. Such transfer will in theory occur voluntarily, through purchase. Further, if the parties could arrive at mutually agreeable terms for a transfer, such an agreement would be a more reliable indicator of the transfer's value-maximizing quality than would a court's distant judgment.<sup>90</sup>

An economic justification for depriving a copyright owner of his market entitlement exists only when the possibility of consensual bargain has broken down in some way. Only where the desired transfer of resource use is unlikely to take place spontaneously, or where special circumstances such as market flaws impair the market's ordinary ability to serve as a measure of how resources should be allocated, is there an economic need for allowing nonconsensual transfer. Thus, one of the necessary preconditions for premising fair use on economic grounds is that market failure must be present. Those types of market failure that are revealed in the fair use cases and statute will be discussed in a later section of this Article.<sup>91</sup>

*B. The Second Element of the Test: Balancing Injury and Benefit*

If market failure is present, the court should determine if the use is more valuable in the defendant's hands or in the hands of the copyright owner.<sup>92</sup> One way of accomplishing that goal is to simulate the market

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<sup>89</sup> Note, *Parody and Copyright Infringement*, 56 COLUM. L. REV. 585, 595 (1956) ("Fair use . . . can be defined as a use which will not seriously discourage progress by artists or as a use whose social value greatly outweighs any detriment to the artist whose work is borrowed.") (footnote omitted). See also Marsh, *Betamax and Fair Use: A Shotgun Marriage*, 21 SANTA CLARA L. REV. 49, 58 (1981).

<sup>90</sup> See *supra* note 59.

<sup>91</sup> See *infra* notes 149-98 and accompanying text.

<sup>92</sup> See *supra* notes 37-38 and accompanying text. The second part of the test

inquiry. If, when the "market failure" were cured, the price that the owner would demand is lower than the price that the user would offer, a transfer to the user will increase social value.<sup>93</sup>

A court may have difficulty in determining what price would have been offered or demanded. For example, as will be shown, fair use is often found where defendant's use of the work is noncommercial and yields "external benefits," that is, benefits to society that go uncompensated.<sup>94</sup> In the presence of such market failure, the price that the defendant user would offer for use of the work will often understate the real social value of his use. The courts in fair use cases frequently make intuitive estimates of social value.<sup>95</sup>

The court's ability to estimate social value may have the assistance of some objective measures. For example, plaintiff's minimum price may depend on the loss he would experience from ceding control of the use to defendant, and evidence of out-of-pocket losses or of interrupted profits may be available. In addition, defendant's profits may reflect profits the plaintiff could have earned but for the unauthorized use.<sup>96</sup>

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inquires into the minimum price plaintiff would accept in a hypothetical market to recompense him for the injury caused by the defendant's specific use. The broader issue of real-world injury to the market as a whole is the subject of the third part of the test. *See infra* notes 115-17 and accompanying text.

<sup>93</sup> See R. POSNER, *supra* note 33, at 10-12 (voluntary transactions result in a net increase in value).

<sup>94</sup> See *infra* notes 163-75 and accompanying text.

<sup>95</sup> See generally *Meeropol v. Nizer*, 560 F.2d 1061, 1069-71 (2d Cir. 1977) (discussing purpose and necessity of use), *cert. denied*, 434 U.S. 1013 (1978); *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973) (value of medical research), discussed *supra* notes 249-88 and accompanying text), *aff'd by an equally divided Court*, 420 U.S. 376 (1975) (per curiam); *Elsmere Music, Inc. v. NBC*, 482 F. Supp. 741, 745-47 (S.D.N.Y.) (discussing valid parody as fair use), *aff'd*, 623 F.2d 252 (2d Cir. 1980); *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 145-46 (S.D.N.Y. 1968) (finding "a public interest in having the fullest information available on the murder of President Kennedy").

Intuitive estimates may often be required because of overall imperfections in the market structure, *see infra* note 96, though reference to prices may provide useful constraints for this intuition.

<sup>96</sup> The 1976 Copyright Act reflects both these elements in its damages provision: "The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages." 17 U.S.C. § 504(b) (1976). *See also* cases cited *supra* note 95.

Note, however, that insofar as the overall market remains imperfect, actual prices and profits might not accurately reflect social desirability, even if that desirability is measured solely in economic terms. *See* E. MANSFIELD,

Where the injury suffered by plaintiff is small, it is likely that the market price that he would have demanded is small, and that a transfer to defendant would have taken place if there had been no "failed market" conditions. Not surprisingly, courts are much more likely to find fair use where the injury to plaintiffs is small.<sup>97</sup>

When a court weighs plaintiff's loss against the benefit of defendant's use, it is making a comparison similar to that made by the participants in market transactions.<sup>98</sup> It may be said, then, that fair use implies the consent of the copyright owner by looking to whether the owner would have consented under ideal market conditions. Dean Prosser notes that the locution of "implied consent" is used in the law of intentional torts even where "consent does not exist, and there is no act which indicates it."<sup>99</sup> As an example of such implied consent, Dean Prosser refers to the plaintiff who undergoes an emergency operation while unconscious. There the surgeon who operates to save the plaintiff's life is not guilty of a battery because the plaintiff's consent to the operation "is 'implied' under the circumstances."<sup>100</sup> To justify imposing consent on the patient, Dean Prosser suggests the following explanation: "[T]he defendant is privileged because he is reasonably entitled to assume that, if the patient were competent and understood the situation, he would consent . . . ."<sup>101</sup> Thus, Dean Prosser has chosen a hypothetical condition relevant to the ultimate issue of consent in the context of battery: what would the patient consent to "if he were competent" rather than unconscious?

Are there any such hypothetical conditions relevant to the ultimate issues in copyright law? This Article suggests that the perfect market assumptions provide a guide to such conditions, because it is only in a functioning market that consensual transfers will lead to socially desir-

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*supra* note 65, at 334 (discussing "theory of the second best"). Therefore, although such criteria can provide a court with usefully objective guides for its inquiry into public interest, they might not be determinative.

<sup>97</sup> See, e.g., *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1177-78 (5th Cir. 1980); *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1357-59, 1362-63 (Ct. Cl. 1973), *aff'd by an equally divided Court*, 420 U.S. 376 (1975) (per curiam); *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 146 (S.D.N.Y. 1968). See also 17 U.S.C. § 107 (1976) ("In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include— . . . (4) the effect of the use upon the potential market for or value of the copyrighted work."). Nimmer calls market effect the "central fair use factor." 3 M. NIMMER, NIMMER ON COPYRIGHT § 13.05 [A][4], at 13-64 (1982) (footnote omitted).

<sup>98</sup> See R. POSNER, *supra* note 33, at 3-12.

<sup>99</sup> W. PROSSER, *HANDBOOK OF THE LAW OF TORTS* § 18, at 103 (4th ed. 1971) (footnote omitted).

<sup>100</sup> *Id.* at 1.

<sup>101</sup> *Id.*

able resource use.<sup>102</sup> Are there any exigencies—such as the imminence of an unconscious patient's death—that will justify resort to hypothetical consent instead of relying solely on a plaintiff's actual consent? This Article suggests that market failure creates such an exigency because, when market failure is present, it is impossible or undesirable to make dissemination of creative works depend solely on actual consent. Thus, where transfers will not occur because of market failure, courts should ask what the copyright owner would have consented to if he and the user had bargained in a functioning market situation.

It might be argued that the copyright owner should receive compensation for the use in the same way that the patient receives the benefit of the operation. However, implied consent here serves to indicate that the social welfare is served, while in the example of the medical patient it served to indicate that individual welfare is served; further, implied consent is only the second stage of a three-part inquiry. The third stage of the inquiry has a direct concern with the economic welfare of the copyright owner.<sup>103</sup>

### C. *The Third Element of the Test: The Substantial Injury Hurdle*

The third and final part of the test is designed to maintain the

<sup>102</sup> If one would consent to a situation, it is arguably "fair" to impose that situation when obtaining actual consent is costly or impossible. As a member of society, the copyright owner shares in the cost savings effected by eliminating the need for actual consent in certain situations. See, e.g., Michelman, *supra* note 38, at 1176-81 ("to insist on full compensation to every interest which is disproportionately burdened by a social measure dictated by efficiency would be to call a halt to the collective pursuit of efficiency"). Moreover, since an additional branch of the fair use test protects against substantial injury, see *infra* notes 104-24 and accompanying text, the copyright owner has some protection against the possibility that he will be harmed more than benefited in the long run.

Consider the relation between procedure, fairness, and substantive result discussed in J. RAWLS, A THEORY OF JUSTICE (1971), particularly in chapters 1-3 (considering what principles persons under certain hypothetical conditions would consent to adopt). For an excellent discussion of the many meanings that "consent" can take in political analysis, see Pitkin, *Obligation and Consent-I*, 59 AM. POL. SCI. REV. 990 (1965), and Pitkin, *Obligation and Consent-II*, 60 AM. POL. SCI. REV. 39 (1966).

"Consent" has had a role in fair use commentary. See, e.g., Studies Prepared for the Subcomm. on Patents, Trademarks and Copyrights of the Senate Comm. on the Judiciary, Fair Use of Copyrighted Works 15, 86th Cong., 2d Sess. (Study No. 14) (Comm. Print 1960) [hereinafter cited as Latman Study].

<sup>103</sup> The impact on aggregate value caused by the immediate transfer is only part of the relevant inquiry.

appropriate balance between the incentive and dissemination interests discussed earlier. Fair use should be denied whenever a substantial injury appears that will impair incentives.

1. *Complete Market Failure.* When no incentive purpose would be served by giving plaintiff protection, and where no disincentive would be created by allowing defendant free use, logic suggests that the courts should then allow fair use.<sup>104</sup> Assume, for example, that prohibitively high transaction costs obtain in a particular area of use, so that copyright owners and potential users find that the costs of locating and bargaining with each other exceed whatever profit they might expect to gain from the transaction. Under such circumstances, no transactions will occur. Therefore, enforcement of market entitlements would not benefit the copyright owner, and would certainly harm the potential copyright user who is denied access, as well as those who might benefit from the use. Given the presence of a complete market failure here, judicial refusal to enforce the owner's right of control may be the only way to allow use of the work.<sup>105</sup> And since a refusal to enforce in these circumstances would not deprive the owner of any revenues he would otherwise receive, there is no injury to incentives that might militate against a grant of fair use.

2. *Intermediate Cases of Market Failure.* In cases of complete market failure, fair use appears to be justified upon satisfaction of the first two parts of the fair use test, i.e., identification of market failure and determination that there is a net social benefit from allowing defendant's use. There may also be intermediate cases of market failure, however, where the market cannot be relied upon to generate all desirable exchanges, but where some such transactions would be possible. In such instances, giving fair use to a class of users would enable some persons who would otherwise purchase the use to obtain that use for free. Thus fair use could cause some injury to relevant incentives because, for some users, fair use would substitute for purchase.<sup>106</sup> The first two parts of the test would no longer serve to accommodate the competing interests.

In instances of intermediate market failure, both enforcement (a finding of infringement) and nonenforcement (a finding of fair use) have dangers. The danger from enforcement is that desirable transfers

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<sup>104</sup> See also Comment, *Photocopying and Fair Use: An Examination of the Economic Factor in Fair Use*, 26 EMORY L.J. 849, 865-71 (1977).

<sup>105</sup> In appropriate cases, awarding the plaintiff a damage remedy may also allow the user continued access to the work. See *infra* notes 125-34 and accompanying text.

<sup>106</sup> Damage by substitution is of course the damage to which the fair use criteria are most sensitive. See, e.g., M. NIMMER, *supra* note 97, § 13.05[B], at 13-65 to 13-72.

may be prevented. The danger from giving fair use is that incentives may be undermined. To resolve the conflict, the defendant seeking fair use treatment should be required to surmount an additional hurdle: fair use should be denied if it would leave the plaintiff copyright owner facing substantial injury to his incentives.<sup>107</sup>

The third branch of the test diverges from the negligence model summarized earlier.<sup>108</sup> In negligence, the decision as to the wrongfulness of defendant's conduct usually depends on a comparison of costs and benefits; if the cost of defendant's precautions would have been greater than the decrease in accident costs produced, then the defendant is not negligent for having declined to take the precautions.<sup>109</sup> The absolute level of damages caused by the accident under that kind of analysis is irrelevant.<sup>110</sup> Under the third part of this fair use test, however, fair use will be denied if a substantial level of injury, judged on an absolute scale, would be generated by defendant's use, even if the comparison of injury and benefit showed that defendant's use would have created a net social benefit.

The substantial injury hurdle serves several functions. First, it preserves the incentive system at the core of copyright. Second, it reflects a recognition that judgments the courts make about whether a defendant's use is value-maximizing are rough approximations.<sup>111</sup> The substantial injury hurdle provides some additional protection for copyright owners against the possibility of a bad estimation.<sup>112</sup> Third, awarding copyright owners a veto whenever their injury is substantial gives some guarantee that the fair use system will not put them at an intolerable disadvantage. Even if authors are viewed solely as instruments of social good,<sup>113</sup> their demoralization as individuals will decrease the production

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<sup>107</sup> This hurdle serves not only to protect the individual copyright owner from substantial loss but to protect society as a whole from erosion of the copyright system. Compare the function of the "just compensation" guarantee as discussed in Michelman, *supra* note 38.

<sup>108</sup> See *supra* notes 55-58 and accompanying text.

<sup>109</sup> *Id.*

<sup>110</sup> Broader economic views of accident law might, however, take a different view. See G. CALABRESI, *supra* note 55, at 39-67, (exploring modes of spreading heavy losses).

<sup>111</sup> See Calabresi & Melamed, *supra* note 38, at 1106-10.

<sup>112</sup> Where Congress has elected to give copyright owners a property right in the first instance, doubts should be resolved in the owner's favor.

<sup>113</sup> Although the dominant view is clearly that authors receive their property right for a larger social purpose, Congress has shown special solicitude for the welfare of individual authors, even as opposed to publishers and other potential owners of copyright. See 17 U.S.C. §§ 203, 304(c) (1976) (termination rights); House Report, *supra* note 10, at 140, reprinted in 1976 U.S. Code Cong. & Ad. News at 5756 ("the author, who is the fundamental

of valuable works.<sup>114</sup> The substantial injury hurdle can also help courts avoid the danger of making otherwise curable market failures permanent through the grant of fair use. To explain this last function more fully, it is necessary to look at the nature of the relevant injury.

Injury is relevant to both the second and third parts of the fair use test, but different types of injury are relevant to each part. On the question of balancing plaintiff's harm against defendant's benefit, courts should look to the injury caused to the copyright owner by the specific use made by defendant. The narrow inquiry reveals whether transferring the use to the defendant gives rise to a net social benefit. In order to prevent substantial injury to incentives, however, the court should also inquire into the extent of the losses likely to follow in the market as a whole from a grant of fair use,<sup>115</sup> both from this defendant and from other similarly situated persons. When a determination is made that a certain kind or practice of use is "fair," the practices of persons other than the specific defendant may be affected. As the Senate Report to the 1976 Copyright Act states, "Isolated instances of minor infringements, when multiplied many times, become in the aggregate a major inroad on copyright that must be prevented."<sup>116</sup> Thus, the inquiry into substantial injury should include consideration of cumulative harm.<sup>117</sup>

This inquiry should also include harm that has not yet occurred but is likely to occur.<sup>118</sup> Both the loss of revenues anticipated under the

beneficiary of copyright under the Constitution," is given the right to terminate grants that he may have made to publishers and other assignees; made-for-hire works not terminable).

<sup>114</sup> See also Michelman, *supra* note 38, at 1177-80, 1208-24 (discussing demoralization costs).

<sup>115</sup> See also M. NIMMER, *supra* note 97, § 13.05[A][4], at 13-64 to 13-65 (effect of the use upon the [plaintiff's] potential market "poses the issue of whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market for or value of the plaintiff's work"); *id.* § 13.05[E][4][c], at 13-84.

<sup>116</sup> Senate Report, *supra* note 26, at 65.

<sup>117</sup> See *supra* note 115.

<sup>118</sup> *Cf.*, Williams & Wilkins Co. v. United States, 487 F.2d 1345, 1359 (Ct. Cl. 1973) (finding, inter alia, large-scale library photocopying was not proven to be detrimental to the circulation and future commercial value of plaintiff's medical journals), *aff'd by an equally divided Court*, 420 U.S. 376 (1975) (per curiam); Time, Inc. v. Bernard Geis Assocs., 293 F. Supp. 130, 146 (S.D.N.Y. 1968) (finding no significant potential for future injury to the value of the Zapruder films of the Kennedy assassination caused by the unlicensed publication of sketches of the key frames in a book advancing a novel theory about the assassination); M. NIMMER, *supra* note 97, § 13.05[A][4], at 13-65 (courts should look at conduct regardless of "whether in fact engaged in by defendant or others"); *id.* § 13.05[E][4][c], at 13-84 ("all potential defendants").



market structure prevailing at the time of suit, and the loss of those revenues that would be generated under whatever market structure would follow upon a grant of infringement, should be relevant.<sup>119</sup> For example, transaction costs to obtain permission to use certain materials might be prohibitively high at one point in time, yet in some circumstances a clearinghouse system might be set up to simplify the process of purchasing permission and thus allow a market to function. To award fair use without regard to the possibility of imminent change in the market structure might be to make permanent an otherwise curable market failure and thus potentially to insulate a new and valuable use from the stimulus of consumer demand.

Whether a market failure is curable, and whether such a cure would follow upon a finding of infringement and generate substantial revenues, are difficult factual questions. They must, however, be faced; the courts should limit their grants of fair use to those occasions in which the market cannot be relied upon to allow socially beneficial uses to occur. This point is particularly important for new technologies, such as photocopying<sup>120</sup> and videotaping.<sup>121</sup> When a new use for copyrighted works becomes available to the public, market mechanisms may take time to develop. At early stages of use, the transaction costs that would be involved for a user to purchase permission to use, or for the copyright owner to seek enforcement against nonpaying users, might well exceed whatever gain the parties might otherwise expect from the transaction. A custom therefore may develop under which users proceed without permission.<sup>122</sup>

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<sup>119</sup> Discussion about what market structure would follow from a judgment of liability will necessarily involve a judgment of probabilities.

<sup>120</sup> Photocopying was at issue in *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd by an equally divided Court*, 420 U.S. 376 (1975) (per curiam), discussed *infra* text accompanying notes 249-88. *Williams & Wilkins Co.* has evoked substantial scholarly comment. See, e.g., M. NIMMER, *supra* note 97, § 13.05[E][4][c]-[e], at 13-82 to 13-92; Perlman & Rhinelander, *supra* note 81.

<sup>121</sup> Home videotaping of on-the-air television programs is of course the issue in the *Betamax* case, *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429, 435 (C.D. Cal. 1979), *rev'd in part and remanded*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687), discussed *infra* text accompanying notes 289-322. The district court decision in the case has been extensively discussed. See, e.g., Note, *Universal City Studios, Inc. v. Sony Corp.: "Fair Use" Looks Different on Videotape*, 66 VA. L. REV. 1005 (1980); Note, *The Betamax Case: Accommodating Public Access and Economic Incentive in Copyright Law*, 31 STAN. L. REV. 243 (1979) [hereinafter cited as Stanford Note].

<sup>122</sup> Compare the view of custom presented herein with Rosenfield, *Customary Use as "Fair Use" in Copyright Law*, 25 BUFF. L. REV. 119 (1975).

As the quantity of use grows, the copyright owners may wish to set up collection and enforcement mechanisms, including such market devices as clearinghouses.<sup>123</sup> In order to persuade users to proceed through the device, however, the copyright owners might well need a judicial declaration that the uncompensated use, previously minor and left unfettered, constituted an infringement of copyright. Such owners would be able to make a showing of substantial injury only if a court were willing to consider whether substantial revenues would follow after a finding of infringement.

The risk from granting fair use without reference to such probable injury should be obvious. New technologies will make certain copyrighted works more valuable, as, for example, the invention of cinema increased the value of those books suitable for adaptation to the screen. If copyright protection is denied because of an otherwise curable market failure, then the additional revenues that would have flowed from the new technological use will not appear. If the authors' revenues fail to reflect the additional value that new technology gives to such works, then insufficient resources may be drawn into their creation. To argue that copyright owners need receive no compensation for additional uses of their works<sup>124</sup> would overlook the possibility that such compensation

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<sup>123</sup> See, e.g., the discussion of the form and function of clearinghouses in Hampton, *Clearing House as Optimum Solution To Copyright Problems Affecting Communication of Educational and Scientific Information*, in *REPROGRAPHY AND COPYRIGHT LAW* 189 (L. Hattery & G. Bush eds. 1964).

<sup>124</sup> Rosenfield argues that in the context of fair use, a copyright owner should be prevented "from seeking a greater monopoly than he would have had with the earlier systems of reproducing copies." Rosenfield, *supra* note 122, at 122.

Rosenfield also argues that the custom of nonpayment, *see infra* notes 224-33 and accompanying text, is an independent justification for fair use, because, inter alia, "the law loses credibility with the public" if "a teacher, researcher or scholar may lawfully copy for his private, non-profit use only under conditions of maximum inefficiency in the use of technology, time and resources." *Id.* at 136 (footnote omitted) (discussing photocopying). There is some merit in Rosenfield's credibility argument. United States Representative Stanford Parris of Virginia, for one, has termed the Ninth Circuit's *Betamax* decision as "the latest example of idiocy in the federal judiciary," *FORTUNE*, Feb. 1982, at 126, and humorists have poked considerable fun at the image of persons being arrested in their homes for misusing their living-room videorecorders. However, arguments premised on custom and expectation can easily be drawn too far. Among other things, the circumstances that gave rise to the custom can be changed; the ridicule that the *Betamax* result has occasionally drawn in the popular press might have been avoided if the Ninth Circuit Court of Appeals had focused on whether the courts could so change the economic arrangements that enforcement would not necessitate impractical court actions against each individual user.

may change the patterns of production in a desirable way. Stimulation of such response is, after all, a basic goal of copyright law.

#### D. *Alternatives to Fair Use*

Although this Article had advocated the three-part test as a useful approach for resolving the conflict between the incentive and dissemination goals of copyright law, other market-oriented approaches may also be useful in achieving this goal. For example, when the cause of the market failure lies in high transaction costs, economics does not dictate a choice solely between awarding fair use or giving the copyright owner complete control through injunction and damages. Instead, if the law permits, the court might choose to refuse an injunction yet grant the copyright owner monetary relief.<sup>125</sup> A monetary remedy could largely obviate any threatened injury.

Of course, this might be implicit in the posture of the case. The only individual home user who was named as a defendant in the *Betamax* was not a real target of that litigation; rather he was "a client of plaintiffs' law firm" who "consented to being a defendant," and against whom plaintiffs had "waived any claim for damages or costs." *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429, 437 (C.D. Cal. 1979), *rev'd in part and remanded*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687). Nevertheless, the popular perception of the case was probably quite influenced by the Ninth Circuit's refusal to make consideration of relief (i.e., whether changes in the technology or market structure would occur to make user fees easy to collect in a nonintrusive manner) part of its consideration of liability. See generally the discussion of the *Betamax* case *infra* text accompanying notes 289-322.

<sup>125</sup> Calabresi and Melamed, in their seminal article, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, *supra* note 38, made it clear that the law has many choices, not only as to who should possess an entitlement, but also as to how such an entitlement should be protected. The modes of protection include "property rules" such as injunctive remedies, and "liability rules" such as damage remedies. When the owner's entitlement is protected by property rules, he may sell his right at a price of his choosing, or may refuse to sell. But when his entitlement is protected by liability rules, the owner may not prevent an involuntary transfer; rather he will be permitted to collect a court determined price (i.e., damages) for the value of the rights he has lost. Calabresi and Melamed write:

An entitlement is protected by a property rule to the extent that someone who wishes to remove the entitlement from its holder must buy it from him in a voluntary transaction in which the value of the entitlement is agreed upon by the seller. . . . [O]nce the original entitlement is decided upon, the state does not try to decide its value. . . .

Whenever someone may destroy the initial entitlement if he is willing to pay an objectively determined value for it, an entitlement is protected by a liability rule.

*Id.* at 1092 (footnote omitted). The grant of monetary relief in place of an

It may be costly to society to give an author injunctive control over a work in a market failure situation since that might completely prohibit a defendant's use.<sup>126</sup> Enforcement limited to a damage remedy, award of profits, or reasonable royalty<sup>127</sup> might provide a mechanism for transferring revenues from user to author while simultaneously allowing utilization of the work. Such a court-dictated transfer might carry far less economic and social cost than would rules that force a choice between forbidding all involuntary transfers or leaving involuntary transferors without a remedy. By imposing a "price" for the use, the court award might itself "cure" market failure.<sup>128</sup>

It may be asked, however, whether courts should abandon the traditional all-or-nothing choice between enforcement and fair use bequeathed to them by fair use precedent. There are limitations on judicial expertise; whether the courts themselves are the appropriate institutions to "cure" market failure by inventing methods of compulsory transfer or by setting copyright prices is a very real question.<sup>129</sup> Further, an objectively determined "price" is always less satisfactory to a property owner than a price of his own choosing and is usually a less reliable indicator of value for society's purposes as well.<sup>130</sup> Were the courts to feel free to substitute one for the other, an accelerating erosion of the market system could be triggered. From the point of view of copyright owners (and thus from the point of view of society's need to maintain overall incentives), a system that permitted certain limited uncompensated takings to occur as long as they did not cause substantial injury, might be preferable to a system in which compensation was guaranteed but only after the fact.

In addition, copyright law has traditionally made compulsory licenses (the equivalent of "reasonable royalty" determinations) a matter for

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injunction for copyright infringement would be an example of a liability rule. Whether the copyright law permits the substitution of a liability rule for a property rule is a matter of debate. See, e.g., Nimmer, *Copyright Liability for Audio Home Recording: Dispelling the Betamax Myth*, 68 VA. L. REV. 1505, 1530-31 (1982) (arguing in favor of court-imposed royalty).

<sup>126</sup> Although a bargain can often be struck in which enjoined parties pay those holding the injunction to let them proceed, market failure may make this impossible in a given case. See Calabresi & Melamed, *supra* note 38, at 1118-19.

<sup>127</sup> Such alternatives have been widely discussed. See, e.g., M. NIMMER, *supra* note 97, § 13.05[E], at 13-91 to 13-92; Timberg, *A Modernized Fair Use Code for The Electronic as Well as the Gutenberg Age*, 75 NW. U.L. REV. 193, 233-44 (1980); Stanford Note, *supra* note 121, at 257-62.

<sup>128</sup> See *supra* notes 125-27.

<sup>129</sup> The *Williams & Wilkins* court questioned the judiciary's abilities and authority in this regard. See *infra* notes 271 & 273.

<sup>130</sup> See sources cited *supra* note 59.

legislative action.<sup>131</sup> Compulsory licenses have been hard-fought political issues,<sup>132</sup> for whose resolution Congress would appear to provide the most appropriate forum. Thus, although judicial regulation of copyright markets is not unknown,<sup>133</sup> and although Congress is often slow to act in this area,<sup>134</sup> it may be unwise to advocate judicial adoption of an alternative to fair use that asks courts essentially to restructure markets or to set prices for the use of copyrighted material.

### E. Burden of Proof

Much debate today centers on whether the defendant or plaintiff should have the burden of proving injury.<sup>135</sup> The copyright statute does

<sup>131</sup> Compulsory licenses appear at, e.g., 17 U.S.C. §§ 111(d) (Supp. IV 1980) (cable television), *id.* § 115 (phonorecords), *id.* § 116 (jukeboxes). A Copyright Royalty Tribunal has been created, inter alia, to review and adjust statutory royalty rates. *Id.* § 801. The courts' role in reviewing such rates is limited. *Id.* § 810 (judicial review). An exception to this general approach appears in the 1976 Copyright Act in regard to innocent infringements that may be traced to the copyright holder's omission of a notice of copyright. The omission of notice may itself cause market failure, for a potential user would not know copyright is claimed. See *supra* text accompanying note 74. Congress has given the courts in that context the power to impose a reasonable license fee as a condition to continued use of the copyrighted materials. *Id.* § 405(b).

<sup>132</sup> See, e.g., Staff of Senate Comm. on the Judiciary, 86th Cong., 1st Sess., Copyright Law Revision Studies pts. 5-6 (Comm. Print 1960). See also House Report, *supra* note 10, at 175-78 (compulsory licensing provisions for cable television).

<sup>133</sup> See. A. LATMAN & R. GORMAN, *supra* note 19, at 455-58 (discussion of the protracted antitrust litigation, brought by the government and CBS against the licensing practices of ASCAP and BMI). The result of these judicial proceedings has been a series of consent decrees. *Id.*

<sup>134</sup> The 1909 Copyright Act survived with only piecemeal revisions until 1976. A draft bill for the comprehensive revision that became the 1976 Act was first introduced in both houses in 1964. See House Report, *supra* note 10, at 47-50. However, it should be noted that Congress may act more quickly in response to the *Betamax* controversy; bills have been submitted and hearings have been held. See, e.g., 24 PAT. TRADEMARK & COPYRIGHT J. (BNA) 577-78 (Oct. 7, 1982).

<sup>135</sup> There is a substantial disagreement among the scholars about the nature and allocation of the burden of proving injury in fair use litigation. See, e.g., M. NIMMER, *supra* note 97, § 13.05[E][c], at 13-82 to 13-86; Comment *supra* note 104, at 869-84.

The courts also disagree about the character of this burden. In *Williams & Wilkins* for instance, the court wrote:

To us it is very important that plaintiff has failed to prove its assumption of economic detriment, in the past or potentially for the future. One of the factors always considered with respect to "fair use," . . . is the effect of the use on the owner's potential market for the work. This record simply does not show a serious adverse impact, either on plaintiff or on

not state where the burden of proving injury or any other fair use factor should be placed, and Congress apparently preferred to leave this issue to the courts.<sup>136</sup> A market approach can provide some insight into how the burden of proof should be allocated.

As discussed earlier,<sup>137</sup> the copyright law appears to be premised on

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medical publishers generally, from the photocopying practices of the type of NIH [National Institutes of Health] and NLM [National Library of Medicine]. In the fact of this record, we cannot mechanically assume such an effect, or hold that the amount of photoduplication proved here "must" lead to financial or economic harm. This is a matter of proof and plaintiff has not transformed its hypothetical assumption, by evidence, into a proven fact.

*Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1359 (Ct. Cl. 1973), *aff'd by an equally divided Court*, 420 U.S. 376 (1975) (per curiam).

Similarly, the district court in the *Betamax* case noted that "plaintiffs ask the court to find harm." *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429, 451 (C.D. Cal. 1979), *rev'd in part and remanded*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687). By contrast, the Ninth Circuit rejected this approach to allocating the burden: "[Proof of actual damages] is simply too great a burden to impose on copyright plaintiffs." *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963, 974 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687). *See also* *Encyclopedia Britannica Educational Corp. v. Crooks*, 447 F. Supp. 243, 251 (W.D.N.Y. 1978) ("[T]he burden of establishing fair use is on the defendant and . . . the plaintiff in a copyright case is presumed to suffer irreparable injury.").

<sup>136</sup> The 1965 copyright revision bill had a fair use section that provided, in its entirety, that "the fair use of a copyrighted work is not an infringement of copyright." Although this early version of § 107 more than quadrupled in length on its way to enactment in 1976, the basic characterization did not change. 17 U.S.C. § 107 (Supp. IV 1980). The Register of Copyrights said about the early § 107:

The author-publisher interests have suggested that fair use should be treated as a defense, with the statute placing the burden of proof on the user. The educational group has urged just the opposite, that the statute should provide that any nonprofit use for educational purposes is presumed to be a fair use, with the copyright owner having the burden of proving otherwise. We believe it would be undesirable to adopt a special rule placing the burden of proof on one side or the other. When the facts as to what use was made of the work have been presented, the issue as to whether it is a "fair use" is a question of law. Statutory presumptions or burden-of-proof provisions could work a radical change in the meaning and effect of the doctrine of fair use. The intention of section 107 is to give statutory affirmation to the present judicial doctrine, not to change it.

Register of Copyrights, 89th Cong., 1st Sess., Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill 28 (Comm. Print 1965).

<sup>137</sup> *See supra* notes 62-87 and accompanying text.

the assumption that functioning markets exist for copyright works. When such markets exist, injury will normally follow upon infringement and, even if the precise dimensions of that injury are hard to prove, it makes sense that lack of explicit proof of injury will be excused.<sup>138</sup> The congressional decision to provide plaintiffs the option of minimum statutory damages<sup>139</sup> reflects this sentiment and suggests that the plaintiff should have no initial burden of disproving fair use.<sup>140</sup> Instead, the defendant should have the initial burden of proving that market failure exists and that it will continue to exist even if a judgment of liability were to be tendered. In addition, if his use serves no social purpose, then he could not satisfy the second part of the fair use test and further consideration of his fair use claim would be unwarranted. Therefore, he also should be required to prove that his use serves some social purpose,<sup>141</sup> and to demonstrate the nature and extent of the public interest that is served.<sup>142</sup>

When severe market failure is present, injury to the copyright owner

<sup>138</sup> See Nimmer, *supra* note 9, at 1053.

<sup>139</sup> Section 504(c) of 17 U.S.C. (Supp. IV 1980) provides plaintiffs the option of electing statutory damages in lieu of proving actual damages in an infringement action. The election of statutory damages may be made at any time before judgment is entered. *Id.* By electing statutory damages, the copyright owner may recover between \$250 and \$10,000 for any one infringement by any one infringer, the sum to be determined by the court. *Id.* § 504(c)(1). Greater or lesser amounts may be awarded in certain circumstances. *Id.* § 501(c)(2). According to Nimmer, this statutory damage option is made available because "[i]t is inherently difficult in copyright infringement actions for a plaintiff to prove actual damages as against a given defendant." Nimmer, *supra* note 9, at 1053.

<sup>140</sup> See Nimmer, *supra* note 9.

<sup>141</sup> Since defendant is a member of society, ordinarily his use will have some social value. This will not always be true, however. One case in which the defendant's use had no apparent social value is *Amana Refrigeration, Inc. v. Consumers Union, Inc.*, 431 F. Supp. 324 (N.D. Iowa 1977). Amana, in an effort to counteract a critical *Consumer Reports* appraisal of its microwave ovens, had published a brochure featuring a full paragraph from an earlier, more favorable, *Consumer Reports* evaluation. Consumers Union requested that Amana withdraw the brochure and Amana responded by bringing an unfair trade practice claim. Consumers Union defended on the ground that the brochure was deceptive, and counterclaimed that Amana had violated the *Consumer Reports* copyright. Finding that in publishing the brochure Amana "was attempting to convey the impression that [Consumers Union] approved of [Amana's] microwave oven as of 1973 when the exact opposite was true," *id.* at 326, the court dismissed Amana's defense of fair use to the counterclaim and issued an injunction barring any further distribution of the brochure. *Id.* at 327.

<sup>142</sup> Even when defendant's use has some social value, that value must be significant enough to outweigh plaintiff's injury. See *supra* notes 92-103 and accompanying text.

may not follow from infringement.<sup>143</sup> If the proof of severe market failure offered by the defendant leads the court to doubt that injury will be present, it is legitimate for the court to demand evidence from the copyright owner that such injury would indeed follow. The burden of going forward with proof of injury should then shift to plaintiff. The harm he has suffered or anticipates is an area that should be peculiarly within plaintiff's knowledge.<sup>144</sup>

Fair use has been variously regarded as a "defense,"<sup>145</sup> as a "privilege,"<sup>146</sup> or as a use that is noninfringing.<sup>147</sup> Given the ambiguous nature of fair use, it might be argued that the court could appropriately demand some proof of injury from plaintiff even in the first instance.<sup>148</sup> This Article does not go so far; it suggests that, on a case-by-case basis, a court should ask plaintiff to come forward with evidence of probable harm when the court has drawn an inference, from defendant's proof of market failure or from other sources, that no injury is likely. Moreover, since it is defendant who seeks to show that the conditions of his use are so unlike those contemplated by the copyright scheme that fair use is warranted, the ultimate burden of persuasion on this issue should rest with him.

#### F. Summary

An analysis of the economic functions served by copyright and of the internal dynamics of the copyright statute has suggested a three-part test for fair use: first, does a reason to mistrust the market appear?

<sup>143</sup> See *infra* note 221 (relation between types of injury and fair use).

<sup>144</sup> A particular party's access to proof on an issue is, of course, often advanced as a reason for putting the burden as to that issue on him. See, e.g., Comment, *supra* note 104, at 869.

<sup>145</sup> See, e.g., *Meeropol v. Nizer*, 417 F. Supp. 1201, 1213 (S.D.N.Y. 1976), *rev'd on other grounds*, 560 F.2d 1061 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978).

<sup>146</sup> See, e.g., *Rosemont Enters., Inc. v. Random House, Inc.*, 366 F.2d 303, 304 306-07 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967). See also Cohen, *Fair Use in the Law of Copyright*, 6 ASCAP COPYRIGHT L. SYMP. 43, 45-48 (1955).

<sup>147</sup> See Cohen, *supra* note 146; Comment, *supra* note 104, at 871-75. Section 107 provides that fair use "is not an infringement of copyright." 17 U.S.C. § 107 (Supp. IV 1980). See *supra* note 136.

<sup>148</sup> In a suit for unintentional torts, the plaintiff has to show that defendant's acts were wrongful and that he (plaintiff) was injured. It can be argued that fair use acts as a repository for these elements of a *plaintiff's* cause of action when market failure calls into question whether the user justifiably bypassed the market and whether injury occurred. See *supra* text accompanying notes 55-61.

See also Comment, *supra* note 104, at 869, which argues that harm from photocopying is improbable and courts should therefore require plaintiffs to prove economic injury in the photocopying context.



second, is the transfer to defendant value-maximizing, as determined by weighing plaintiff's injury against defendant's social contribution? third, if both the first and second conditions are satisfied, would a grant of fair use cause substantial injury? If it would not, and if the prior conditions are satisfied, then fair use should be awarded. Defendant user should prove the existence of market failure and the social merit of his use. If defendant meets these burdens and raises a significant doubt as to whether harm is likely, then plaintiff should come forward with a showing of injury.

If the market failure in a given case is likely to be cured (and substantial revenues generated) by the parties' own actions following a finding of infringement, fair use should be denied. However, if the only possible "cure" is through a complex, court-imposed structure of monetary remedies and limited injunctive relief, both fair use tradition and the inherent limitations of the judicial process suggest that the court should hesitate before attempting such a task. It may be appropriate to leave the responsibility for restructuring the parties' economic relationships to the parties or to Congress. Analytically, however, it should be recognized that the market considerations underlying the three-part test could trigger a damage remedy or market restructuring, rather than fair use, in a court that is inclined to engage in such intervention.

The three-part test proposed here, while not previously articulated in so many words, reveals itself in many of the decisions reached by the courts in the copyright area, and, as will be seen, serves to unify the various factors that courts and the statute have made relevant to fair use determinations. The remainder of this Article will explain how this test finds expression in the cases and statute, will analyze the *Williams & Wilkins* opinion, which gave the fullest expression to the test, and will examine how the *Betamax* court could have proceeded had it accepted these criteria.

### III. EVIDENCE OF A MARKET APPROACH IN EXISTING AUTHORITIES

This Article has suggested that a court will ordinarily not grant a defendant fair use treatment unless the facts of the case give reason to mistrust the market.<sup>149</sup> This section will review cases and authorities in which recurring patterns of such mistrust appear to have guided courts in the fair use area. The discussion will show that courts and, in following their lead, Congress, have at times grappled with a market approach, that such an approach is reflected in the traditional fair use factors, and that, were the courts to embrace the market approach more fully, a more effective and consistent use of the traditional factors would result.

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<sup>149</sup> See *supra* text accompanying notes 89-91.

A. *Inquiries Into Market Breakdown Under the Traditional Fair Use Approach*

1. *Market Barriers: New Technologies and Other Applications.* As previously discussed, the impossibility or difficulty of achieving a market bargain is a factor that may justify a grant of fair use. The relevance of market barriers to fair use is implicitly reflected in the legislative history of section 107 of the Copyright Act. The Senate Report to the new copyright act states that "[a] key, though not necessarily determinative, factor in fair use is whether or not the work is available to the potential user,"<sup>150</sup> so that the out-of-print status of a copyrighted work may help to justify fair use.<sup>151</sup> This is consistent with a market approach, since markets cannot form where goods are unavailable.<sup>152</sup> Similarly, the Guidelines for Educational Fair Use in the House Report single out for fair use treatment instances of classroom photocopying in which bargains are particularly unlikely to occur because the teacher's use is spontaneous, individual and unsystematic.<sup>153</sup> One of the prerequisites for making multiple copies under the Guidelines is that "[t]he inspiration and decision to use the work and the moment of its use for maximum teaching effectiveness are so close in time that it would be unreasonable to expect a timely reply to a request for permission."<sup>154</sup>

A particular type of market barrier is transaction costs. As long as the cost of reaching and enforcing bargains is lower than anticipated benefits from the bargains, markets will form. If transaction costs exceed anticipated benefits, however, no transactions will occur.<sup>155</sup> Thus, the

<sup>150</sup> Senate Report, *supra* note 26, at 64.

<sup>151</sup> *Id.* In a given case, the out-of-print status of a work can trigger market failure, yet fair use would be inappropriate because allowing uncompensated use would injure the copyright owner's future market for a second printing. Recognizing the separability of the two issues to which out-of-print status can be relevant—the issue of market failure—can clarify some of the current ambiguity over the matter. Compare Senate Report, *supra* note 26, at 64, with, e.g., *Meeropol v. Nizer*, 560 F.2d 1061, 1070 (2d Cir. 1977) ("The fact that the Rosenberg letters have been out of print for 20 years does not necessarily mean they have no future market which can be injured."), *cert. denied*, 434 U.S. 1013 (1978).

<sup>152</sup> See *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1176 n.14 (5th Cir. 1980) ("If the copyrighted work is out of print and cannot be purchased, a use may be more likely to prevail on a fair use defense.") (emphasis added) (citing Senate Report, *supra* note 26, at 64 ("Availability of the work")).

<sup>153</sup> See House Report, *supra* note 10, at 68-69.

<sup>154</sup> *Id.* at 69.

<sup>155</sup> Of course, if an outside party like the government bears the transaction costs, the parties will not be prevented from achieving their bargain, but an in-

confluence of two variables is likely to produce a market barrier: high transaction costs and low anticipated profits. New technologies are likely to present both high transaction costs and, where uses by individual scholars or in individual homes are at issue, correspondingly low anticipated profits. This may explain why the "personal," "individual" nature of copying has been held relevant to fair use,<sup>156</sup> and why "home use" may be relevant to the reach of copyright law.<sup>157</sup> Consider, for example, the impact of the photocopy machine or the tape recorder. Each makes it possible for individuals to make use of copyrighted works in new and potentially valuable ways. From the point of view of the individual user, the anticipated "profit" is likely to be small, so his use will be easily discouraged by transaction costs. Also, the technology's novelty may mean that the participants have no established market channels to rely on, so that the purchase of permission is likely to be cumbersome and expensive. High transaction costs and low per-transaction profits will converge. From the point of view of the copyright owner, the costs of enforcement against a diffuse group of individuals might outweigh anticipated receipts. A custom of use without payment will easily arise in such contexts unless the transaction costs of seeking permission or of enforcement are in some way reduced.

In such situations, transaction costs are likely to prevent at least some value-maximizing transfers from occurring<sup>158</sup> if the copyright is

ordinate amount of transaction costs might then be imposed on society. While *shifting* the burden of transaction costs may be appropriate in some circumstances, the focus here instead should be on *reducing* these costs.

<sup>156</sup> See, e.g., *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1355 (Ct. Cl. 1973) ("personal, individual focus" of the photocopy), *aff'd by an equally divided Court*, 420 U.S. 376 (1975) (per curiam). See also *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975) (small commercial establishment using home radio receiver to bring music to customers held not to be "performing" and thus not liable for copyright infringement).

<sup>157</sup> The home use of audio tape recorders has been referred to as "fair use." See remarks of Rep. Kastenmeier *quoted in* *Universal City Studios v. Sony Corp. of America*, 480 F. Supp. 429, 446 (C.D. Cal. 1979), *rev'd in part and remanded*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687).

<sup>158</sup> See, e.g., Breyer, *The Uneasy Case for Copyright*, *supra* note 63, at 316-18 ("[S]ome potential users, willing to pay royalties but unwilling to pay the transactions' costs, will not obtain the copyrighted item."). The discussion in text relates to a common point made by lawyer-economists. A market works to transfer resources to their highest-valued resources. R. POSNER, *supra* note 33, at 1-13, 27-31. Professor Coase has argued that when transaction costs are absent, it does not matter where the legal system assigns rights to the resources. Where transactions can be conducted costlessly, resources will gravitate naturally to those willing to pay the most for them, through a series of consensual exchanges. Coase, *supra* note 40. When transaction costs are high, on the

enforced. At the extreme, enforcing the owner's rights might eliminate the use, and thus bring no income to the owner and deprive society of the benefit of the technology. For this reason, new technologies may become the subject of fair use treatment.

New technologies do not always involve market barriers, however, and thus do not always merit fair use consideration. In a case where a county educational program was videotaping educational television programs, the systematic and centralized nature of the copying and the various market alternatives that were present made license and purchase agreements quite possible.<sup>159</sup> The court there denied fair use treatment at least in part because of this possibility.<sup>160</sup> Thus it is the absence of a market and the prospect that such a market may form that is important, not the technological nature of the use.

The role of transaction costs also explains those cases that rely on the copyright owner's apparent or likely consent in granting fair use.<sup>161</sup> Where a transfer is likely to be in the mutual interest of both owner and user, the courts appear unwilling to deter such transfers by imposing the costs of obtaining actual consent.<sup>162</sup>

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other hand, some economists argue that rights should be assigned so as to promote the allocation of resources to their highest valued use. See R. POSNER, *supra* note 33, at 34-39. Where transaction costs may be quite high in relation to the gain to be anticipated from transfers, fair use operates to make sure that certain uses are placed (without need of purchase) in the hands of those who value them most.

<sup>159</sup> *Encyclopaedia Britannica Educational Corp. v. Crooks*, 542 F. Supp. 1156, 1177-78 (W.D.N.Y. 1982).

<sup>160</sup> The availability of the copyrighted works was one of the key grounds used by the court to distinguish *Williams & Wilkins*. *Id.* at 1177. See also the court's prior opinion in granting a preliminary injunction, 447 F. Supp. 243, 251-52 (W.D.N.Y. 1978).

<sup>161</sup> These cases are discussed *infra* notes 224-40 and accompanying text. Note that the focus in such cases is on whether a copyright owner is likely to have actual reasons for being willing to allow the use, or on whether he has manifested such a willingness; in such cases, the defendant "can justify himself upon some principle consistent with the entirety of ownership which the author has in his copyright." *Reed v. Holliday*, 19 F. 325, 327 (W.D.Pa. 1884). Likely consent reflects not just a measure of social welfare but also the fact that the copyright owner will not be injured.

<sup>162</sup> Without fair use, the necessity of obtaining consent might wastefully apply even to those defendants whose activities would have been objected to by no one. The reason for this potential waste is that the availability of injunctive relief and statutory damages provides a motive for objecting, once a use has been made, even to those copyright owners who would have been inclined to consent *ab ante*. Once an injunction is obtained, the owner controls not merely the use of his own work, but also all aspects of defendant's work that are intertwined with it. See 17 U.S.C. § 502 (1976) (injunctions); *id.* § 503 (impounding and disposition of infringing articles). A great deal will then

## 2. Externalities, Nonmonetizable Interest, and Noncommercial Activities.

An analysis of the limitations of markets can also illuminate the special status that certain uses, such as scholarship, have in fair use tradition. The costs and benefits of the parties contracting for the uses often differ from the social costs and benefits at stake, so that transactions leading to an increase in social benefit may not occur.<sup>163</sup> Thus, for example, a critic of the Warren Commission's investigation of the Kennedy assassination might write a "serious, thoughtful and impressive"<sup>164</sup> book that will further public interest more than the revenues of his book alone would indicate. One might say that publication of his book gives an "external benefit" to persons who might gain knowledge from the public debate sparked by the book without having purchased the book itself. Similarly, teaching and scholarship may yield significant "external benefits"; all of society benefits from having an educated citizenry and from advances in knowledge, yet teacher salaries and revenues from scholarly articles are arguably smaller than such benefit would warrant. When a defendant's works yield such "external benefits," the market cannot be relied upon as a mechanism for facilitating socially desirable transactions.<sup>165</sup>

be at risk for the defendant, who might be willing to settle at high cost in order to lift the injunction and proceed with his enterprise. Also, the statutory damage provisions will ordinarily give a neglected copyright owner from \$250 to \$10,000, *see id.* § 504(c), and there is a potential for costs and attorneys' fees. *See id.* § 505. Thus, even a copyright owner who would have been willing to consent to a use if his permission were sought before the use commenced might bring suit if the use had begun without that permission. Potential users would be unable to distinguish between those likely-consenting owners who would later object and those who would not. This possibility could in turn compel potential users to expend resources in negotiating for consent even from the willing. To award fair use where a typical copyright owner would be likely to consent breaks this circle.

Consider by analogy the hold-out problem that sometimes arises when a builder needs to purchase many individually owned tracts of land in order to accomplish a planned project. The problems caused by strategic hold-out behavior have been cited as justification for granting the government power to condemn property via eminent domain. *See Calabresi & Melamed, supra* note 38, at 1089. The injunctive and other modes of relief just discussed may give a copyright owner hold-out power over a defendant's work, and this may provide some justification for granting defendants the power to make use of the copyright owner's property via fair use. *But see Demsetz, supra* note 48, at 300 ("[S]o long as firms are free to compete for the trade of buyers, this [hold out] issue will reduce to a problem of wealth distribution and not to a problem of efficiency.").

<sup>163</sup> *See supra* noted 32-87 and accompanying text.

<sup>164</sup> *See Time Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130 (S.D.N.Y. 1968).

<sup>165</sup> For more thorough explanations of externalities, *see, e.g.*, R. POSNER, *supra* note 33, at 48-52; N. SINGER, *supra* note 38, at 107-15; E. MANSFIELD, *supra* note 65, at 70-71, 74-75, 336-37.

In cases of externalities, then, the potential user may wish to produce socially meritorious new works by using some of the copyright owner's material, yet be unable to purchase permission because the market structure prevents him from being able to capitalize on the benefits to be realized. Though such inability would not itself justify fair use, it may signal to the court that it should investigate whether the social costs of relying on the market are unacceptably high. It is therefore not surprising that section 107 of the Copyright Act, which addresses fair use, lists several uses that potentially exhibit positive externalities, such as "teaching," "scholarship," and "research", among the uses for which fair use may be given.<sup>166</sup>

Section 107 also directs the courts to consider "the purpose and character of the use, including whether the use is of a commercial nature or is for nonprofit educational purposes."<sup>167</sup> Where the defendant does not seek to earn profits, it may be argued that his willingness and ability to pay for the copyrighted resources he uses will not provide an accurate measure of the public interest served by his use. Distinctions between profit and nonprofit entities or commercial and noncommercial uses must, however, be employed with great caution. Henry Hansmann has suggested that nonprofit organizations can be fully participating members of the market process.<sup>168</sup> Conversely, even commercial uses can face market failure.<sup>169</sup>

Distrust of the market may also be triggered when defendant's activities involve social values that are not easily monetized. When defendant's use contributes something of importance to public knowledge, political debate,<sup>170</sup> or human health,<sup>171</sup> it may be difficult to state the

<sup>166</sup> 17 U.S.C. § 107 (1976).

<sup>167</sup> *Id.*

<sup>168</sup> See Hansmann, *The Role of Nonprofit Enterprise*, 89 YALE L.J. 835 (1980).

<sup>169</sup> See *WXIA-TV v. Duncan*, 8 Med. L. Rptr. 2075, 2078-79 (N.D. Ga. 1982) (need to maintain impartiality may preclude copyright owner from selling films of its news stories to subjects of such stories).

<sup>170</sup> See, e.g., *Keep Thomson Governor Comm. v. Citizens for Gallen Comm.*, 457 F. Supp. 957, 959-60 (D.N.H. 1978) (portion of political opponent's campaign music incorporated into political advertisement); *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 146 (S.D.N.Y. 1968) (theory concerning Kennedy assassination). Note that in the latter case defendants had "offer[ed] to surrender to [the copyright owner] all profits of [the defendants] from the Book as royalty payment for a license to use the copyrighted Zapruder frames [of the Kennedy assassination], *id.* at 146, thereby further underlining the nonmonetizable nature of the concerns at stake.

<sup>171</sup> Consider in this regard the solicitude shown by the Court of Claims for medicine and science in *Williams & Wilkins*, discussed *infra* text accompanying notes 249-88.

social worth of that contribution as a dollar figure. If the defendant's interest impinges on a First Amendment interest, relying upon the market may become particularly inappropriate; constitutional values are rarely well paid in the marketplace and, while the citizenry would no doubt be willing to pay to avoid losing such values, it is awkward at best to try to put a "price" on them.<sup>172</sup> Not surprisingly, it has been suggested that fair use be granted when First Amendment issues are involved.<sup>173</sup>

While in all of the cases described in this section—those involving external benefits, noncommercial uses, and nonmonetizable values—reason exists to distrust the market, it may be particularly difficult to determine whether the breakdown is substantial enough to frustrate the purposes for enforcing copyrights. What one deals with here may be not only traditional market failure, in the sense that conditions of perfect competition have failed, but also a court's perception that the criterion of economic "value" is itself flawed.<sup>174</sup> This concern is not illegitimate, but it should not be extended to make the copyright law an instrument of income redistribution. The courts should thus take care that they do not tax copyright owners to subsidize impecunious but meritorious users under the guise of maximizing value.<sup>175</sup> Only when the public interest

<sup>172</sup> Since a society may hold conflicting values, it may be incapable of weighing the importance of its various goals by any constant measure. See generally G. Calabresi & P. Bobbit, *supra* note 34.

<sup>173</sup> Several commentators and courts have discussed the possibility that the First Amendment may place a limitation on enforcement of the copyright owner's market rights or that fair use may embody some First Amendment principles. See, e.g., *Keep Thomson Governor Comm. v. Citizens for Gallen Comm.*, 457 F. Supp. 957, 959-60 (D.N.H. 1978); Denicola, *supra* note 39. Note that the copyright law itself provides that "[i]n no case does copyright protection extend to any idea," 17 U.S.C. § 102(b) (1976), a principle that operates regardless of injury to the copyright owner.

At least one district court has held that the First Amendment could defeat an infringement suit. *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 445 F. Supp. 875 (S.D. Fla. 1978), *aff'd on grounds of fair use without reaching First Amendment issue*, 626 F.2d 1171 (5th Cir. 1980). More common is the position that, while cases demanding the adoption of an express First Amendment limitation on copyright may theoretically or eventually arise, "[c]onflicts between interests protected by the first amendment and the copyright laws thus far have been resolved by application of the fair use doctrine." *Wainwright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 95 (2d Cir. 1977) (citations omitted), *cert. denied*, 434 U.S. 1014 (1978). See generally A. LATMAN & R. GORMAN, *supra* note 19, at 473-74 (discussing, inter alia, those cases that have rejected First Amendment defenses).

<sup>174</sup> See *supra* note 36.

<sup>175</sup> This may be the nature of Seltzer's concern when he warns the courts against engaging in reallocation of costs. See L. Seltzer, *supra* note 4, at 38.

to be served is great, and the damage to the owner small, does the need for this caution diminish.

3. *Anti-Dissemination Motives.* Section 107 places first among the purposes for which fair use is appropriate "criticism" and "comment," uses that a copyright owner might be reluctant to license.<sup>176</sup> Similarly, the treatment of burlesques and satires, which can be considered types of commentary, has been a volatile subject of fair use law. These uses share a type of market failure that helps to explain their fair use treatment and that is particularly important in a field where advancement of knowledge is the ultimate goal. The case law has tended to grant fair use treatment where copyright owners seemed to be using their property right not for economic gain but to control the flow of information.

The usual economic assumption is that the owner of a resource will either exploit that resource himself, or will sell it to someone else who will. The owner of a copyright, however, may not be willing to exploit all of the possible derivative works over which his copyright would ordinarily give him control. Even if money were offered, the owner of a play is unlikely to license a hostile review or a parody<sup>177</sup> of his own drama; a publicity-shy tycoon who owns the copyright on magazine articles discussing his life is unlikely to license a biographer to use these articles;<sup>178</sup> a candidate for governor is unlikely to license his copyrighted campaign music to be utilized in his opponent's televised advertisement;<sup>179</sup> and the publisher of a periodical is unlikely to license his competitor to use his copyrighted magazine covers in comparative advertising.<sup>180</sup> Because the owner's antidissemination motives make licensing

<sup>176</sup> 17 U.S.C. § 107 (1976).

<sup>177</sup> "It has been held that an author is entitled to more extensive use of another's copyrighted work in creating a parody than in creating other fictional or dramatic works . . ." *Elsmere Music, Inc. v. NBC*, 482 F. Supp. 741, 745 (S.D.N.Y. 1980), *aff'd*, 623 F.2d 252 (2d Cir. 1980) (citations omitted).

<sup>178</sup> In *Rosemont Enters., Inc. v. Random House, Inc.*, 366 F.2d 303, 311 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967), Howard Hughes, having purchased through the Rosemont corporation the copyright on articles concerning his life, sought to restrain a biographer's use of the articles. "[I]t appears that the fair use defense was upheld in *Rosemont* at least in part because the court found that the plaintiff there was acting in bad faith seeking to prevent the publication of a legitimate biography of Howard Hughes." *Meeropol v. Nizer*, 560 F.2d 1061, 1069 (2d Cir. 1977) (footnote omitted), *cert. denied*, 434 U.S. 1013 (1978).

<sup>179</sup> See *Keep Thomson Governor Comm. v. Citizens for Gallen Comm.*, 457 F. Supp. 957 (D.N.H. 1978) (fair use granted to political opponent's use of copyrighted material).

<sup>180</sup> In *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171 (5th Cir. 1980), the publishers of the *Miami Herald* had shown old *TV Guide* covers as part of advertisements comparing *TV Guide* with the *Herald's*



unavailable in the consensual market, and because the free flow of information is at stake, a strong case for fair use can be advanced in these cases.<sup>181</sup> Thus, it has often been suggested that burlesques and satires of copyrighted works deserve generous fair use treatment, since the copyright owners are unlikely to produce or license such work themselves.<sup>182</sup>

It might be argued that allowing fair use to criticisms, satires, and other materials that are potentially hostile to the copyrighted work will undermine incentives to produce original work. But while criticisms and the like may indeed reduce an owner's receipts, the goal of copyright is to generate incentives for the production of works that satisfy consumer tastes. If a criticism reveals a work's flaws, it is appropriate that demand for the work should decrease.<sup>183</sup>

Criticism is valuable, *inter alia*, because the market works to further the social good only when consumers have accurate information about the goods available. As the Supreme Court has written: "So long as we preserve a predominantly free enterprise economy, the allocation of our resources in large measure will be made through numerous private economic decisions. It is a matter of public interest that those decisions, in the aggregate, be . . . well informed."<sup>184</sup> A similar public policy argument would encourage the taste-changing functions of burlesque and satire.<sup>185</sup> For these and other forms of criticism, fair use is particularly

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television supplement. *TV Guide's* motivation for refusing permission to use these covers would seem to be related not to a desire to exploit those covers' aesthetic qualities, but rather to a desire to prevent consumers from being persuaded by the ads. When *TV Guide* brought suit, fair use was found.

<sup>181</sup> See cases and statute cited *supra* notes 176-80.

<sup>182</sup> See, e.g., A. LATMAN & R. GORMAN, *supra* note 19, at 484-85; Nimmer, Comments and Views Submitted to the Copyright Office on Fair Use of Copyrighted Works, appended to Latman Study, *supra* note 102, at 42, 43. Sheldon Light valuably put this argument into an explicit economic framework. Light, *Parody, Burlesque and the Economic Rationale for Copyright*, 11 CONN. L. REV. 615 (1979).

<sup>183</sup> Of course, an injury to a copyright owner arising out of increased consumer knowledge would not be injury relevant to the second or third parts of the test. Copyright law seeks to guard against decreased demand for the copyright owner's product arising out of substitution; when decreased demand arises out of changed consumer preferences, that should be reflected in decreased revenues. See A. LATMAN & R. GORMAN, *supra* note 19, at 485 (raising a similar issue).

<sup>184</sup> *Virginia Pharmacy Bd. v. Virginia Consumer Council, Inc.*, 425 U.S. 748, 765 (1976).

<sup>185</sup> Economics seeks to satisfy consumer tastes, however they may evolve, and assumes "that man is a rational maximizer of his ends in life." R. POSNER, *supra* note 33, at 3.

appropriate when the owner's reluctance to license use of his work is motivated by the desire to restrict the flow of information.

In discussing instances where copyright owners' antidissemination motives<sup>186</sup> trigger a distrust of the market, however, it must be stressed that refusals to grant permission to license should ordinarily be honored. A refusal to license must not automatically justify a right to fair use; markets can function only if owners have a right to say "no" as well as "yes."<sup>187</sup> When an owner refuses to license because he is concerned that defendant's work will substitute for his own work or derivative works,<sup>188</sup> the owner is representing not only his own interest, but also the interest of his potential customers and thus the public interest.<sup>189</sup> Market failure should be found only when the defendant can prove<sup>190</sup> that the copyright owner would refuse to license out of a desire unrelated to the goals of copyright—notably, a desire to keep certain information from the public.<sup>191</sup> Unfortunately, some courts seem to have viewed even some legitimate refusals as justifying fair use treatment.<sup>192</sup> A clearer focus on

<sup>186</sup> Such motives might in an extreme case be termed "bad faith," reflecting on the equitable origins of the fair use doctrine. See *Meeropol v. Nizer*, 560 F.2d 1061, 1069 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978).

<sup>187</sup> See *Roy Export Co. Estab. of Vaduz v. CBS*, 503 F. Supp. 1137, 1147 n.6 (S.D.N.Y. 1980), *aff'd*, 672 F.2d 1095 (2d Cir. 1982).

<sup>188</sup> See *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Coop. Prods., Inc.*, 479 F. Supp. 351, 360-61 (N.D. Ga. 1979) ("The Court first recognizes that a non-parodic or non-satiric stage version of [plaintiff's work] *Gone With the Wind* is a protected derivative use of the original works which only the holders of the valid, existing copyrights in such works have a right to exploit. . . . [Defendant's play] "Scarlet Fever" could harm a potential market for or value of a stage version of *Gone With the Wind*.").

<sup>189</sup> But see Goldstein, *supra* note 39, at 1056 ("The infringer is . . . the sole proponent of the generalized interest in access . . .").

<sup>190</sup> On the allocation of the burden of proof, see *supra* text accompanying notes 135-148.

<sup>191</sup> It should also be noted, however, that while fair use may be appropriate when copyrights in published works are improperly used for the purpose of manipulating public debate, fair use should not be used to force disclosure of works that the author has heretofore kept secret. The right to privacy that found expression in the "right of first publication" in common-law copyright, see Warren & Brandeis, *supra* note 70, should still be honored, at least for truly private works such as undisclosed diaries and the like. See Senate Report, *supra* note 26, at 64 ("The applicability of the fair use doctrine to unpublished works is narrowly limited . . ."). But see M. NIMMER, *supra* note 97, § 13.05 n.2, at 13-54.

<sup>192</sup> In *New York Times Co. v. Roxbury Data Interface, Inc.*, 434 F. Supp. 217 (D.N.J. 1977), the court refused, on fair use grounds, to enjoin defendants from producing an index that the copyright owners had declined to publish. The court was influenced by the plaintiff's unwillingness to publish a work like that produced by defendants, even though the plaintiff's unwillingness

whether the nature of the reluctance to license involved market failure could help avoid this problem.

Even though the presence of antidissemination motives signals a reason to mistrust the market, a market breakdown is not always the result. Where, for example, a potential satirist plans a remunerative commercial use whose popularity will depend in part on the attractive or dramatic qualities of the original being satirized, he may be willing to offer a substantial payment for the right to use elements of the copyrighted work in a satirical form. The copyright owner might accept such payment in the expectation that it should more than compensate him for any loss he might experience in his primary market as a result of the satirical treatment. If a market bargain would be possible, fair use should be denied<sup>193</sup> unless the court perceives a danger that the owner might use his market right to distort the satiric content.

Several factors already employed by the courts and Congress are relevant to the inquiry into whether a bargain for a use could take place. As mentioned, the commercial nature of the use is important,<sup>194</sup> as is substantiality.<sup>195</sup> The more commercial the nature of the use, and the more the defendant's work will compete with the copyrighted work, the greater the impact of any given quantity of copying is likely to be.<sup>196</sup> Also, anticipated profit—the incentive for a market bargain—is more likely to be high where the taking is extensive. These criteria in turn can have an impact upon the court's assessment of substantiality.<sup>197</sup> If despite

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may have stemmed from a desire to protect its own derivative works. *Cf.*, *Roy Export Co. Estab. of Vaduz v. CBS*, 503 F. Supp. 1137, 1146, n.5 (S.D.N.Y. 1980), ("[I]f the *Roxbury* court did consider harm to the potential market of derivative work to be irrelevant to a determination of the availability of the fair use defense, . . . we disagree . . ."), *aff'd*, 672 F.2d 1095 (2d Cir. 1982). Similarly, in *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130 (S.D.N.Y. 1968), the owner of copyright in the Zapruder photographs of the Kennedy assassination denied permission to use the pictures. The denial did not come out of any antidissemination motive (e.g., to restrain criticism of the Warren Commission), but rather out of a desire to exploit the photographs economically. While there may have been some impropriety in plaintiff's plans for "monopolizing" the films, *see Goldstein, supra* 39, at 986-88, 1035-55, it is preferable to view the market failure in *Geis* as not involving an anti-dissemination motive. The case is better viewed as involving an externality or nonmonetizable interest. *See infra* text accompanying notes 163-75.

<sup>193</sup> This is what appeared to occur in the *Benny* case. *See infra* notes 221 & 223.

<sup>194</sup> *See* 17 U.S.C. § 107(1) (Supp. IV 1980).

<sup>195</sup> *See id.*, § 107(3).

<sup>196</sup> *See id.*, § 107(4).

<sup>197</sup> *See Loew's, Inc. v. CBS*, 131 F. Supp. 165, 184-85 (S.D. Cal. 1955), *aff'd sub. nom. Benny v. Loew's, Inc.*, 239 F.2d 532 (9th Cir. 1956), *aff'd per curiam* by an equally divided Court *sub nom. CBS v. Loew's, Inc.*, 356 U.S. 43 (1958).

the theoretical possibility of an antidissemiation motive the court feels that a market bargain could have been reached, or that the defendant is operating in a realm that the copyright owner himself might have been willing to exploit,<sup>198</sup> fair use should be denied.

### B. *Assessment of Injury and Benefit*

The courts generally speak of "balancing" or "weighing" in the fair use area without employing any coherent methodology for determining how the various factors thrown into the pot—such as public interest and injury to the copyright owner—should be addressed.<sup>199</sup> The fair use test presented here can clarify that process by suggesting, first, that "public interest" cannot provide a justification for fair use unless there is a reason to believe that the market cannot be relied upon to serve that interest; and second, that where the market cannot be relied upon, market measures for comparing an owner's loss with a user's gain can provide some objective guide to determining where the public interest lies. Since the courts' amorphous handling of injury and benefit already reveals patterns that are consistent with the fair use test advanced here, the test in turn may serve to clarify the existing case law. It is therefore worthwhile to explore further some aspects of how the second part of the instant fair use test finds expression in the cases.

1. *Defendant's Interest.* The fair use test presented here requires that in order to warrant consideration for fair use protection the defendant's use must have some positive social value.<sup>200</sup> The cases do indicate that

<sup>198</sup> See also *WXIA-TV v. Duncan*, 8 Med. L. Rptr. 2075, 2079 n.9 (N.D. Ga. 1982) (issue of whether "plaintiff [television station's] copyright market inherently excludes" use in question held relevant to market impact factor of fair use).

<sup>199</sup> Often the balancing concept employed in the cases is more diffuse than that applied in the second part of the fair use test set forth here. This Second Circuit statement is fairly typical: "The fair use doctrine offers a means of balancing the exclusive rights of a copyright holder with the public's interest in dissemination of information affecting areas of universal concern, such as art, science and industry." *Wainwright Securities Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 94 (2d Cir. 1977). For examples of the courts' assessments of injury and benefit see *Meeropol v. Nizer*, 560 F.2d 1061 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978); *Rosemont Enter., Inc. v. Random House, Inc.*, 366 F.2d 303 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967).

Some cases do directly weigh the copyright owner's loss against the public benefit, but even there it is unclear at what stage weighing becomes relevant. See, e.g., *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130 (S.D.N.Y. 1968), discussed *supra* note 192.

<sup>200</sup> Only the social value of those parts of defendant's work *need* to use plaintiff's work is relevant here. It is necessary to evaluate not just the value of defendant's work, but also whether he needed to use plaintiff's work to achieve

fair use will be denied where the court perceives the defendant's use to be without value, as where the defendant is using the copyrighted work for the purpose of achieving a deception, e.g., falsely to indicate that the author of the copyrighted work has endorsed the user's product.<sup>201</sup> If, on the other hand, the use has value, the courts will consider its nature and measure its importance.<sup>202</sup>

It may seem inconsistent that courts are willing to evaluate the public

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that value. See *Roy Export Co. Estab. of Vaduz v. CBS*, 503 F. Supp. 1137, 1144 (S.D.N.Y. 1980) (in assessing the purpose and character of defendant CBS's use, "[t]he jury could reasonably have concluded that if . . . it was essential to proper coverage of [Charlie] Chaplin's death that some film clips be shown, the showing of excerpts from films in the public domain would have been sufficient, and that CBS's decision to broadcast the offending version was motivated by commercial rather than educational considerations"), *aff'd*, 672 F.2d 1095, 1100 (2d Cir. 1982) (assessing defendant's claim of a First Amendment privilege in the copyright field) ("The showing of copyrighted [Chaplin] films was not essential to CBS's news report of Charlie Chaplin's death or to its assessment of his place in history; public domain films were available for the purpose, and the public is already generally familiar with his work.") See also *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 756-59 (9th Cir. 1978) (evaluation of "necessity" in parody situations), *cert. denied*, 493 U.S. 1132 (1979); *Meeropol v. Nizer*, 560 F.2d 1061, 1071 n.14 (2d Cir. 1977) ("necessity for verbatim copying"), *cert. denied*, 434 U.S. 1013 (1978). See also Denicola, *supra* note 39, at 306-13 (necessity in the First Amendment context).

<sup>201</sup> In *Martin Luther King, Jr. Center for Social Change, Inc. v. American Heritage Prods.*, 508 F. Supp. 854 (N.D. Ga. 1981), defendant corporation had marketed plastic busts of Dr. King, using the name of the Center for Social Change and using excerpts from Dr. King's copyrighted speeches in its advertisements and other materials. In rejecting the defendant's claim of fair use, the court noted that there was no "public interest consideration . . . present in this case. . . . Defendant's use of substantial passages from Dr. King's creative works was purely to induce consumers to buy the plastic busts and to convey the [false] impression that the Center approved of the product. This is not a 'fair use.'" *Id.* at 861. See also *Amana Refrigeration, Inc. v. Consumers Union of the United States, Inc.*, 431 F. Supp. 324, 326 (N.D. Iowa 1977) (deceptive use of quotations), discussed *supra* note 141.

This consideration may also help to explain the court's decision in *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978), *cert. denied*, 493 U.S. 1132 (1979), for the value of the defendants' depiction of "counter-cultural" lifestyles may have been difficult for the court to perceive. This illustrates one danger of relying on defendants' and courts' subjective measures of value.

<sup>202</sup> See generally A. LATMAN & R. GORMAN, *supra* note 19, at 473-75 (suggesting that a "public interest" factor outweighing all others" may be developing that is "arguably bubbling under the surface of cases involving new technology").

interest or worthiness of defendant's work in the fair use context, yet are unwilling, when granting protection in the first instance, to investigate whether plaintiff's work is "worthy" of copyright or, in the constitutional phrase, likely to "Promote the Progress of Science."<sup>203</sup> But, in light of the comparatively limited application of fair use doctrine, the distinction is defensible. If authors were required to prove the intellectual or aesthetic virtues of their works in order to obtain copyright protection, the courts would be continually embroiled in hard questions about artistic and other measures of quality for which they are ill-equipped and for which the marketplace criterion of consumer demand might be a more appropriate measure.<sup>204</sup> By contrast, the fair use inquiry into how greatly defendant's work served the public interest, and how significantly that interest would be impaired if infringement were found, needs to be considered only if market failure has been proven.<sup>205</sup> Furthermore, the presence of market failure in fair use cases suggests that consumer demand will not be appropriately reflected in owner/user transactions, so that the court may be the only institution capable of making the judgment. In addition, the case-by-case flexibility of fair use allows the courts to weigh the value criterion in defendant's favor only when they do feel equipped to make such judgments. This judicial diffidence may explain why fair use is often found in certain recurring categories,<sup>206</sup> or in other instances where the public interest is quite obvious.<sup>207</sup>

One unresolved question is whether defendant's work serves the

<sup>203</sup> See *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903). In *Bleistein*, Justice Holmes wrote: "It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits." *Id.* at 251. See also *Light*, *supra* note 182, at 635-36 (a test for fair use should not allow a court to make literary evaluations of parodies and satires).

<sup>204</sup> See *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251-52 (1903).

<sup>205</sup> See *supra* text accompanying notes 89-92.

<sup>206</sup> "Whether the privilege [of fair use] may justifiably be applied to particular materials turns initially on the nature of the materials, e.g., whether their distribution would serve the public interest in the free dissemination of information and whether their preparation requires some use of prior materials dealing with the same subject matter. Consequently, the privilege has been applied to works in the fields of science, law, medicine, history and biography." *Rosemont Enter., Inc. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966) (citation omitted), *cert. denied*, 385 U.S. 1009 (1967).

<sup>207</sup> See, e.g., *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130, 146 (S.D.N.Y. 1968) ("There is a public interest in having the fullest information available on the murder of President Kennedy. [Defendant] Thompson did serious work on the subject and has a theory entitled to public consideration."). See also *supra* notes 170-73 and accompanying text.

public interest if it is primarily entertainment.<sup>208</sup> Some courts have suggested that entertainment has a social value,<sup>209</sup> while a recent opinion demanded that defendant show some additional claim to serving the public.<sup>210</sup> An economic analysis would consider entertainment to be val-

<sup>208</sup> It can be argued that entertainment has a social value as worthy of protection *pro tanto* as any other—which is the position taken by this Article—or that entertainment uses have no value entitled to fair use protection, *see infra* note 210, or that its value is not susceptible to judicial appraisal, *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429, 452 (C.D. Cal 1979) (refusing to disqualify copyrighted “New Mickey Mouse Club” episodes from fair use treatment despite an unwillingness to evaluate their social merit), *rev’d in part and remanded*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S.Ct. 2926 (1982). *Cf.*, *Stanley v. Georgia*, 394 U.S. 557, 566 (1969) (for First Amendment purposes, “[t]he line between the transmission of ideas and mere entertainment is much too elusive for this Court to draw, if indeed such a line can be drawn at all”).

<sup>209</sup> Thus, the Second Circuit has seen social value in humor. *See Elsemere Music, Inc. v. NBC*, 623 F.2d 252, 253 & n.1 (2d Cir. 1980) (*per curiam*) (emphasis added):

[I]n today’s world of often unrelieved solemnity, copyright law should be hospitable to the humor of parody . . . . A parody is entitled at least to ‘conjure up’ the original. Even more extensive use would still be fair use, provided the parody builds upon the original, using the original as a known element of modern culture and contributing something new for *humorous effect* or commentary.

In the *Betamax* case, the Court of Appeals for the Ninth Circuit refused to base its holding of no fair use on the mere fact that the challenged uses served entertainment purposes. Although the Ninth Circuit noted that “there seems to be some indication that the scope of fair use is greater when informational type works, as opposed to more creative products, are involved,” and that “[i]f a work is more appropriately characterized as entertainment, it is less likely that a claim of fair use will be accepted,” *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963, 972 (9th Cir. 1981) (footnote omitted), *cert. granted*, 102 S.Ct. 2926 (1982) (No. 81-1687), the court’s opinion did consider the entertainment to be of some value and took that value into account *pro tanto* in making its fair use determination. *Id.* at 971.

<sup>210</sup> In *Metro-Goldwyn-Mayer Inc. v. Showcase Atlanta Coop. Prods., Inc.*, 479 F. Supp. 351 (N.D. Ga. 1979), the owners and creators of “Scarlett Fever,” a musical play based on *Gone With The Wind*, argued that their use of the copyrighted material was a parody or satire protected by fair use. The court rejected this contention, reasoning, *inter alia*, that

in order to constitute the type of parody eligible for fair use protection, parody must do more than merely achieve comic effect. It must also make some critical comment or statement about the original work which reflects the original perspective of the parodist—thereby giving the parody social value beyond its entertainment function.

*Id.* at 357 (footnote omitted).

The court in *Metro-Goldwyn-Mayer* took this position because it believed that “[o]therwise, any comic use of an existing work would be protected”

uable, for it is an object of consumer preference like any other.<sup>211</sup> However, it is likely that an entertainment use will be able to pay its own way through the market,<sup>212</sup> so that market failure will less often appear in those contexts.<sup>213</sup> A commercial use like entertainment is also likely to cause more injury than a noncommercial one.<sup>214</sup> Thus, while entertain-

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from liability via the fair use doctrine. *Id.* However, recognizing that entertainment has social value would not entitle all comic works to immunity from liability, as the court supposed; under a market-oriented approach, fair use would not be available unless there were justification for departing from the market. Without that market failure, no amount of social value should justify free use. *See supra* notes 89-91 and accompanying text.

It is true that a lack of critical comment or perspective should militate against fair use, but the reason is not that such work lacks all social value. Rather, if an alleged "parody" fails to give audiences a new opinion of the copyrighted work, fair use may be barred because there is no market failure, i.e., because there is nothing to indicate that the copyright holder would have refused to license this use of his work. *See supra* notes 89-91 and accompanying text. In sum, the holding of the *Metro-Goldwyn-Mayer* court can be squared with the view advanced by this Article, that entertainment is a valuable use entitled *pro tanto* to fair use protection, if it is recognized that the court was using the language of social value to address whether a market failure appeared. Such an interpretation of *Metro-Goldwyn-Mayer* fits the facts of the case: there was no suggestion that the holders of copyright interests in *Gone With The Wind* objected to defendant's production in order to prevent criticism of the famous work from reaching the public or had any other antidissemiation motive. Rather, the inference was that plaintiffs were acting to protect their rights to license similar derivative works of their own. *See* 479 F. Supp. at 360-61. Since no market failure appeared, fair use was appropriately denied.

<sup>211</sup> Some courts appear to award entertainment a social value, but weigh it less heavily in the fair use balance than other uses. The Ninth Circuit Court of Appeals arguably took this position in the *Betamax* case, finding home television recording to be of some value but of less importance than the "serious damage to medical science" that concerned the *Williams & Wilkins* court. *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963, 972 (9th Cir. 1981), *cert. granted*, 102 S.Ct. 2926 (1982) (No. 81-1687).

<sup>212</sup> Entertainment is more likely to be able to recapture its social value in receipts than are the typical objects of fair use solicitude such as scholarship, and the monetary marketplace measures are likely to be more suitable gauges of the value of entertainment. *See supra* text accompanying notes 163-75. The courts often conflate the issues of whether a use encounters market failure and whether it has social value. *See e.g.*, *Martin Luther King, Jr. Center for Social Change, Inc. v. American Heritage Prods., Inc.*, 508 F. Supp. 854, 861 (N.D. Ga. 1981) ("Although the fact that a use of a work is for commercial gain will not automatically preclude a finding of 'fair use,' generally fair use will be more readily recognized where the defendant's use is for educational, historical, or scientific purposes.").

<sup>213</sup> To satisfy the first element of the fair use test presented herein, market failure must be shown. *See supra* notes 89-91 and accompanying text.

<sup>214</sup> The presence of injury makes it more difficult to satisfy the second and third



ment uses, like commercial uses, may serve the public welfare,<sup>215</sup> where they are present the fair use test is unlikely to be satisfied for other reasons.

2. *Plaintiff's Interest.* Injury to the plaintiff's market has long been considered the dominant factor in fair use adjudication.<sup>216</sup> Injury most strikingly results when a defendant advertises his work as a possible substitute for the copyrighted original.<sup>217</sup> When a defendant uses plaintiff's copyrighted work in a way that competes with that work, fair use is particularly unlikely.<sup>218</sup> Where the defendant's work reaches a market that the plaintiff has not yet tapped, however, the injury is less apparent

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elements of the fair use test presented herein. See *supra* notes 92-103 & 104-124 and accompanying text.

<sup>215</sup> "Whether an author or publisher reaps economic benefits from the sale of a biographical work . . . has no bearing on whether a public benefit may be derived from such a work." *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967).

<sup>216</sup> See M. NIMMER, *supra* note 97, § 13.05[A][4], at 13-64 to 13-65; *Triangle Publications v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1177 (5th Cir. 1980).

<sup>217</sup> See, e.g., *Wainwright Secs. Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 93-94, 96 (2d Cir. 1977) (enjoining weekly newspaper that had regularly abstracted plaintiff's copyrighted research reports, and had advertised the availability of such abstracts as one of its strong selling points), *cert. denied*, 434 U.S. 1014 (1978); *Meeropol v. Nizer*, 560 F.2d 1061, 1069-71 (2d Cir. 1977) (reversing summary judgment for defendants who used plaintiff's copyrighted letters without permission in book about plaintiff's parents, *cert. denied*, 434 U.S. 1013 (1978). The court in *Meeropol* noted that "[a]lthough these letters represent less than one percent of [defendant's book], the letters were prominently featured in promotional material for the book," 560 F.2d at 1071 (footnote omitted), and "whether the book is bought because it contains the Rosenberg letters" may be considered, *id.* at 1071 n.14. See also *Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130 (S.D.N.Y. 1968) (plaintiff's motion for summary judgment denied on grounds of fair use where defendant author used sketches of copyrighted Zapruder films of Kennedy assassination as part of book criticizing the Warren Commission). The court in *Geis* considered the question of audience motivation quite relevant. In an opinion granting fair use treatment, the court found that "[t]he Book is not bought because it contained the Zapruder pictures." 293 F. Supp. at 146.

<sup>218</sup> The more that is taken from the copyrighted work, the more likely is defendant's work to substitute for the original, so that the amount of the taking is relevant to injury. One of the fair use factors listed in the statute is "the amount and substantiality of the portion used in relation to the copyrighted work as a whole." 17 U.S.C. § 107(3) (Supp. IV 1980). In the *Betamax* case compare the Ninth Circuit's view of the substantiality criterion, *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963, 973 (9th Cir. 1981) ("excessive copying precludes fair use"; lack of market injury is "immaterial") (relying, inter alia, on the *Benny* case, see *infra* note 221), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687) with that of the district court,

and the case treatment has been disparate.<sup>219</sup> The analysis presented here suggests that probable injury to those derivative work markets that plaintiff might exploit is relevant to determining whether or not a use is fair.<sup>220</sup> The defendant himself may be one of the plaintiff's potential customers,<sup>221</sup> and computation of injury should include the amount that

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480 F. Supp. 429, 454-56 (C.D. Cal. 1979) ("the substantiality factor is inextricably bound with the issue of harm"). The substantiality criterion is also relevant to market failure analysis, for with less substantial takings the impact of transaction costs on the market is likely to be greater and the amount of injury is likely to be less. See *supra* notes 31 (fair use factors) and 155-59 (transaction costs) and accompanying text.

<sup>219</sup> Compare *New York Times v. Roxbury Data Interface, Inc.*, 434 F. Supp. 217 (D.N.J. 1977) (harm to plaintiff from loss of potential derivative market for *Times* index insufficient to bar defendant's production of index) with *Roy Export Co. Estab. of Vaduz v. CBS*, 503 F. Supp. 1137 (S.D.N.Y. 1980) (harm to derivative market for Chaplin film biographies, which plaintiff had already entered, argues against fair use treatment), *aff'd*, 672 F.2d 1095 (2d Cir. 1982), both discussed *supra* note 192.

<sup>220</sup> This is also the view taken by the court in *Roy Export Co. Estab. of Vaduz v. CBS*, 503 F. Supp. 1137, 1145-46 & n.5 (S.D.N.Y. 1980), *aff'd*, 672 F.2d 1095 (2d Cir. 1982). See also *Metro-Goldwyn-Mayer v. Showcase Atlanta Coop. Prods., Inc.*, 479 F. Supp. 351, 360-61 (N.D. Ga. 1979) (discussed *supra* note 188). As indicated by *WXIA-TV v. Duncan*, 8 Med. L. Repr. 2075, 2078-80 (N.D. Ga. 1982), a court should factually determine whether plaintiff does exploit or could exploit the market tapped by defendant. Antidissemination motives (e.g., the satire cases) or conflicts of interest (e.g., the *WXIA* case) may remove a use from potential exploitation by the copyright owner.

<sup>221</sup> A focus on this often neglected fact may clarify one source of persistent confusion in this area: the extent to which a finding of "no injury" should itself justify fair use.

In the famous *Benny* case, *Loew's, Inc. v. CBS*, 131 F. Supp. 165 (S.D. Cal. 1955), *aff'd sub nom. Benny v. Loew's, Inc.*, 239 F.2d 532 (9th Cir. 1956), *aff'd per curiam by an equally divided Court sub nom. CBS v. Loew's, Inc.*, 356 U.S. 43 (1958), Jack Benny produced a fifteen-minute television skit that burlesqued the movie "Gaslight." He borrowed the movie's characters, plot development, setting, and even an appreciable amount of dialogue. The district court held that the burlesque was an infringement, stating, *inter alia*, that

*[t]he mere absence of competition or injurious effect upon the copyrighted work will not make a use fair. The right of a copyright proprietor to exclude others is absolute and if it has been violated the fact that the infringement will not affect the sale or exploitation of the work or pecuniarily damage him is immaterial.*

*Id.* at 184 (emphasis added). However, the *Benny* court discussed only the effect of defendant's use on plaintiff's "sale or exploitation" to customers other than defendant himself, a factor that we might call "competitive injury." There is another potential type of injury: the loss of what defendant himself might pay to use plaintiff's work in his own projects, which we might

the defendant would have paid for the work had he not bypassed the market. If defendant utilizes the copyrighted work for sale in a new market, those receipts provide some guide to what defendant might have paid.<sup>222</sup> Similarly, if the defendant realizes a cost savings in using plaintiff's work as a building block for his project, the cost saved<sup>223</sup> may provide some guide to what defendant would have paid and therefore to what plaintiff has lost.

3. *Balancing Under Consent Analysis.* The role of consent has been the subject of some discussion in traditional fair use commentary.<sup>224</sup> Several cases have found the copyright owner's apparent consent to

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call "building block injury." The mere absence of competitive injury should not justify fair use, not only because of the market failure requirement, but also because sufficient building block injury may be present to cause substantial injury to incentives. Building block injury will be absent only with complete market failure between copyright owner and user.

After Benny lost the case, "trade rumour" reported that the copyright owners licensed Benny to use the material for \$100,000. *Netterville, Copyright and Tort Aspects of Parody, Mimicry and Humorous Commentary*, 35 S. CAL L. REV. 225, 233 (1962). This suggests both that despite the burlesque form of the use, *see supra* text accompanying notes 193-98, there was no market failure, and that the "building block" receipts were substantial. *See infra* note 223. Infringement rather than fair use was the proper result. The court's language suggesting there was "no injury" is thus somewhat deceptive.

<sup>222</sup> This calculation is consistent with the successful copyright plaintiff's ability to recover profits as well as damages to the extent they do not overlap. *See* 17 U.S.C. § 504(b) (1976).

<sup>223</sup> *See, e.g., Northwestern Bell Tel. Co. v. Bedco of Minn., Inc.*, 501 F. Supp. 299, 300 (D. Minn. 1980) (defendant soliciting advertising and listings for new yellow pages directory sent advertisers photocopies of such businesses' listings in the copyrighted Northwestern Bell yellow pages; preliminary injunction granted). The court in *Northwestern Bell* noted: "[W]hat a subsequent compiler cannot do is copy from an already copyrighted directory and save himself the labor and expense incurred by the prior compiler." *Id.* at 302 (quoting *Southwestern Bell Tel. Co. v. Nationwide Indep. Directory Serv., Inc.*, 371 F. Supp. 900, 906 (W.D. Ark. 1974)).

In two leading companion cases, a television parody of the movie "Gaslight" that used most of that movie's plot elements was held an infringement, while fair use was granted to a parody of "From Here to Eternity" that depended less on the movie's own plot lines for interest. *Compare Loew's, Inc. v. CBS*, 131 F. Supp. 165, 170-71 n.9 (S.D. Cal. 1955), *aff'd sub nom. Benny v. Loew's, Inc.*, 239 F.2d 532 (9th Cir. 1956), *aff'd per curiam by an equally divided Court*, 356 U.S. 43 (1958) ("Gaslight"), *with Columbia Pictures Corp. v. NBC*, 137 F. Supp. 348, 350-58 (S.D. Cal. 1955) ("From Here to Eternity"). As mentioned *supra* note 221, the infringers of "Gaslight" must have considered the substantial building blocks borrowed from the movie to be of value; they reportedly purchased a license, after loss of the case, at a price of \$100,000.

<sup>224</sup> *See, e.g., Cohen, supra* note 146, at 45, 50-51.

favor a fair use holding,<sup>225</sup> or have indicated that a custom of permitted use (i.e., a pattern of apparent consent among copyright owners) could favor fair use.<sup>226</sup> The important study that Professor Latman prepared for the Senate Committee on the Judiciary presented the consent of the reasonable copyright owner as a potential unifying principle,<sup>227</sup> but other commentary has dismissed consent analyses as "fictional."<sup>228</sup>

Economic analysis helps to explain why apparent consent and custom may weigh in favor of fair use and also helps to delineate the limits of their applicability. As intimated earlier, hypothetical consent may serve as a useful model for balancing the injuries and benefits of a given copyright use. Cases in which courts have employed consent terminology provide implicit examples of such balancing and illustrate related economic principles.<sup>229</sup>

A court is likely to find fair use when a copyright owner's behavior gave apparent consent to the use, even if that copyright owner never actually intended to allow the specific use in question.<sup>230</sup> In such cases, consent is inferred from the plaintiff's actions; this inference is consistent

<sup>225</sup> See *infra* notes 230-33 and accompanying text.

<sup>226</sup> See Cohen, *supra* note 146 at 43, 51-52, and sources cited therein; *infra* note 235.

<sup>227</sup> Professor Latman suggested:

[T]he tests [for fair use] may perhaps be summarized by: importance of the material copied or performed from the point of view of the reasonable copyright owner. In other words, would the reasonable copyright owner have consented to the use? At times, custom or public policy defines what is reasonable.

Latman Study, *supra* note 102, at 15.

<sup>228</sup> See, e.g., M. NIMMER, *supra* note 97, § 13.05, at 13-55 (1980).

<sup>229</sup> This section discusses several types of consent. Apparent consent asks whether an individual copyright owner seems to have given his actual consent. "Likely" or "probable" consent (custom) asks whether an individual copyright owner, if asked, would give his consent. Hypothetical consent under the second branch of the fair use tests asks if a copyright owner who was offered a perfect market price would consent. Each type of consent provides a mode of structuring the inquiry into whether social welfare is served by a transaction, so each is relevant to the second branch of the fair use test. In addition, facts that suggest the presence of apparent and likely consent indicate that little would be gained by insistence on a market bargain, so that they are relevant to the first part of the fair use test and, because consent indicates there is no injury to the owner, to the third part of the test as well. Apparent and likely consent thus serve as illustrations unifying the three parts of the test.

<sup>230</sup> See *Karll v. Curtis Publishing Co.*, 39 F. Supp. 836 (E.D. Wis. 1941) (eight lines of a song written by a fan of the Green Bay Packers quoted in magazine articles about the team; songwriter's complaint against the magazine dismissed on grounds of fair use). The court stated, inter alia: "When the

with society's need to make its members responsible for their actions.<sup>231</sup> Since it is less expensive for persons who own copyrights to avoid misleading potential users than it is for users to seek explicit permission from all owners whose behavior has implied permission to use,<sup>232</sup> a fair use holding in this context stimulates more economically desirable behavior than would a finding of liability.<sup>233</sup>

Although apparent consent may provide an acceptable basis for fair use, its absence should not trigger liability. Instead, the absence of apparent consent should merely make the court examine whether other justifications for market bypass may be present. Thus, posting an explicit "do not copy" warning on a book may negate a copyright owner's apparent consent. The "do not copy" warning would not, however, prevent a court from granting fair use of that work on grounds other than apparent consent, so that the courts' freedom to grant fair use despite such a warning does not render "fictional" the use of a consent rationale in appropriate cases.

Just as judicial reluctance to stimulate needlessly expensive behavior may be at the core of the apparent consent cases, so too it may explain those cases in which the courts exhibit a sensitivity to whether a chal-

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plaintiff dedicated the song to the Green Bay Packers by implication at least he consented to a reasonable use thereof associated with the Packers." *Id.* at 837. *See also* *American Inst. of Architects v. Fenichel*, 41 F. Supp. 146 (S.D.N.Y. 1941) (publisher of booklet of forms sued defendant who made six copies of one form apparently for use in architectural business; cover of the booklet stated: "The Institute's forms [are] intended for use in actual practice . . . and . . . may be drawn upon by architects in improving their own forms . . ."; summary judgment awarded to defendant on grounds of fair use). Note that in both *Karll* and *Fenichel*, apparent consent was only one of several factors relied upon.

<sup>231</sup> As Dean Prosser has written:

Consent to an act is simply willingness that it shall occur. Actual willingness . . . will prevent liability . . . even though the plaintiff has done nothing to manifest it to the defendant. But the converse is also true, that a manifestation of consent, upon which the defendant may reasonably rely, will be equally effective even though there is no willingness in fact. In our society we must perforce rely upon the overt words and acts of others, rather than upon their undisclosed minds . . .

W. PROSSER, *supra* note 99, at 101 (footnotes omitted).

<sup>232</sup> Most such owners will probably have intentions consistent with their actions, and seeking consent of the already-willing is wasteful.

<sup>233</sup> A fair use holding here also respects the reliance interests that equity concepts of fairness have long recognized. The goal of providing incentives to encourage economically desirable behavior is relevant to the legal import of reliance in contexts other than fair use as well. *See, e.g.,* POSNER, *supra* note 33, at 67-70 (reliance in the contract context).

lenged use is minor,<sup>234</sup> or customary.<sup>235</sup> Similarly, in instances where defendant's use is likely to yield the owner himself a net benefit,<sup>236</sup> such

<sup>234</sup> Among the fair use factors listed in § 107 are "the amount and substantiality of the portion used in relation to the copyrighted work as a whole," and "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107 (3) & (4) (1976). The smaller the amount taken and the smaller the economic impact, the more likely consent would appear to be.

<sup>235</sup> Fair use has sometimes been described as that which is "reasonable and customary." Note, 15 S. CAL L. REV. 249, 250 (1942); Latman Study, *supra* note 102, at 7. See also Shapiro, Bernstein & Co. v. P.F. Collier & Son Co., 26 U.S.P.Q. (BNA) 40, 42 (S.D.N.Y. 1934); MacMillan Co. v. King, 223 F. 862 (D. Mass 1914).

It is likely that the mass of fair use situations go unlitigated because owners willingly tolerate customary uses. A newspaper review that summarizes the plot of a reviewed play provides one classic example. Though widely presumed to be fair use, it is not a focus of much litigation itself. Presumably playwrights do consent to this use. Similarly, most scholars actively want their ideas to become part of the dialogue in their fields, even though participation in such dialogue might require them to tolerate colleagues quoting from and summarizing the expression of their copyrighted work. Thus, in scholarly fields and reviews—two areas of fair use mentioned specifically by § 107—actual subjective consent is probably quite common.

Custom may yield some information about the dominant expectations and incentives of a typical copyright owner in a given milieu and may suggest whether copyright owners similarly situated to the plaintiff in a given case would consent to a contested use. It is thus revealing on the issue of whether a typical copyright owner would consent. Also, disturbing the pattern of custom can be expensive. We have already seen, however, that while custom may be suggestive of fair use treatment, it cannot and should not be a sufficient basis for fair use standing alone. See *supra* notes 122-24 and accompanying text. Inter alia, circumstances that justified the custom may change, and silence on the part of copyright owners does not invariably signal willing acquiescence.

<sup>236</sup> Beneficial effects can take many forms. For example, defendant's work can provide publicity for the original. See, e.g., *Karll v. Curtis Publishing Co.*, 39 F. Supp. 836, 837 (E.D. Wis. 1941):

[I]t is very difficult to see how the value of the song could in any manner have been diminished by the article in question. Undoubtedly many thousands who read the article became aware for the first time of the existence of a musical composer by the name of Erick Karll [plaintiff].  
See also Liebowitz, *supra* note 64, at 9-11.

It has already been noted that copyright owners might be unwilling to license reviewers to produce potentially negative reviews, and that the presence of this possibility favors a grant of fair use when reviews are at issue. In addition, where the reviewers produce positive results for the owner, consent would appear likely. See Professor Latman's discussion of *Karll* and of the publicity value generally arising from reviews and criticism of scholarly works in A. LATMAN, *THE COPYRIGHT LAW: HOWELL'S COPYRIGHT LAW REVISED AND THE 1976 ACT* 205 (5th ed. 1979). See also *G. Ricordi & Co. v.*

complements<sup>237</sup> are likely to receive fair use treatment.<sup>238</sup> In these cases, consent may be "implied" in the sense that the typical or reasonable

Mason, 201 F. 182, 183 (C.C.S.D.N.Y. 1911) (publicity value of defendant's work noted; motion for preliminary injunction denied), and 201 F. 184 (S.D.N.Y. 1912) (plaintiff's bill dismissed), *aff'd*, 210 F. 277 (2d Cir. 1913); Latman Study, *supra* note 102, at 7 n.14. However, the market failure aspect of reviews is present whether or not the review turns out to be favorable. Otherwise, the copyright owner's market right might be used as leverage to obtain unwarranted positive reviews.

Where the primary function of defendant's work is to give increased access to plaintiff's work, this increased access may bring a benefit to plaintiff or at least indicate the noncompetitive relationship between the two works. See *New York Times v. Roxbury Data Interface, Inc.*, 434 F. Supp. 217 (S.D.N.Y. 1977) (defendant's index that was compiled from the *New York Times* Index, held to be fair use and thus not violative of copyright in the *New York Times* Index). Among the other factors the *Roxbury Data* court found relevant was the noncompetitive nature of the two works:

The effect of defendants' personal name index on the market for the Times Index appears slight. Since defendants' index carries citations only to the New York Times Index, defendants' index is useless unless its user has access to the Times Index, from which he will be directed to the articles appearing in the New York Times . . . . [P]urchase of defendants' index in no way supersedes the need for plaintiffs' index . . . .

*Id.* at 223-24.

This sensitivity to the economic relation between works is consistent with a general sensitivity to the function of works. See the discussion of function in *M. NIMMER*, *supra* note 97, at § 13.05[B], at 13-65 to 13-72.

<sup>237</sup> Traditionally, liability for copyright infringement has been found where copyrighted works are used in ways that compete with their originals. However, two related goods need not be substitutes; they may also be "complements," such that production of one good makes the other more desirable. Substitutes and complements can be exemplified as follows:

[B]utter and margarine are substitutes because a decrease in the price of butter will result in a decrease in the quantity demanded of margarine—many margarine eaters really prefer the "higher-priced spread." On the other hand . . . gin and tonic may be complements since a decrease in the price of gin may increase the quantity demanded of gin, thus increasing the quantity demanded of tonic since gin and tonic tend to be used together.

E MANSFIELD, *supra* note 65, at 149-50. Complements exhibit negative cross-elasticity of demand; that is, availability of a complement increases demand for the product. On the other hand, positive cross-elasticity is exhibited by substitutes; that is, availability of a complement increases demand for the product. On the other hand, positive cross-elasticity is exhibited by substitutes; that is, availability of a substitute generally decreases demand for the product. Determination of whether goods are complements or substitutes is empirical, based on observation of market forces. *Id.* Complementarity should favor fair use.

I am indebted to Warren F. Schwartz here.

<sup>238</sup> See *supra* note 236.

copyright owner would probably consent to the use.<sup>239</sup> The cost in time and money of obtaining consent can be high, both in absolute terms (i.e., constituting a drain on resources) and in relative terms (i.e., high enough to discourage the creation of new works or socially desirable dissemination).<sup>240</sup> The courts seem to be unwilling to require all users to undertake the cost of obtaining permission from likely-consenting owners; they may feel that such a price is too high to pay for the purpose of protecting that unusual owner who would object to a customary, minor, or beneficial use.

In all of these cases, apparent and expected consent act as a substitute for an actual market transaction, indicating that there is no social loss for plaintiff from defendant's use. If transaction costs would inhibit transfers where consent is likely, fair use is an appropriate response. More specifically, in such contexts the second part of the fair use test advocated in this Article is satisfied.

### C. Substantial Injury Hurdle

Courts do not ordinarily separate the balancing and substantial injury inquiries, although it would probably be agreed that "[h]arm which 'imperils the existence of a publication' is more destructive of a fair use defense than is harm which would 'limit profits.'"<sup>241</sup> Several courts have demonstrated a sensitivity to the ultimate issue of whether allowing defendant's use would erode incentives.<sup>242</sup> For the reasons discussed above,<sup>243</sup> It would be desirable for the two issues to be separately iden-

<sup>239</sup> See *supra* notes 98-100 and accompanying text.

<sup>240</sup> As noted previously, if the costs of doing business (including transaction costs) exceed the anticipated benefits, business will not be done. The result may be that a socially useful work will not be produced. Consider in this regard Judge Breyer's discussion of the impact that the inconvenience of obtaining consent can have on a scientist's use of prior works. Breyer, *The Uneasy Case for Copyright*, *supra* note 63, at 316-18.

<sup>241</sup> *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F. Supp. 429, 452 (C.D. Cal. 1979) (citing *Fried, Fair Use and the New Act*, 22 N.Y.L. SCH. L. REV. 497, 509 n.53 (1976-77), *rev'd. in part and remanded*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687)).

<sup>242</sup> See, e.g., *Meeropol v. Nizer*, 560 F.2d 1061, 1069-70 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978); *Encyclopaedia Britannica Educ. Corp. v. Crooks*, 542 F. Supp. 1156, 1174 (W.D.N.Y. 1982) ("Fair use must be reasonable. . . . [I]t is not reasonable to drive plaintiffs from the educational television market."); *Columbia Pictures Corp. v. NBC*, 137 F. Supp. 348, 350-51 (S.D. Cal. 1955) (by implication).

<sup>243</sup> The substantial injury hurdle embraces a broader category of injury than does the balancing element of the fair use test, and serves different purposes. See *supra* text accompanying notes 108-24.



tified and separately considered in the future.

The economic analysis required by the substantial injury test can aid in integrating the first two parts of the fair use test with traditional fair use law. For example, incentive analysis can help to distinguish between those cases in which a custom of uncompensated use indicates the market can be safely bypassed and those instances in which honoring a custom of such use would harm the copyright scheme. An inquiry into potential market cures, as mandated by the substantial injury hurdle, allows a court to determine whether the circumstances that gave rise to the custom are subject to change, and whether the copyright owners' apparent acquiescence indeed indicates they have no objection to a given use. Without such an inquiry, reliance on custom could bar copyright owners from obtaining needed remuneration, especially for modes of use arising from newly developed technologies.

Similarly, the identification of market barriers for out-of-print works should be supplemented by an incentive analysis.<sup>244</sup> If allowing an uncompensated use would seriously prejudice a developing reprint market in such books, fair use would be inappropriate. Courts have recognized the market-impact dimension of the out-of-print problem, without a clear focus on its market-failure aspect.<sup>245</sup> Application of the third phase of the market test would serve to reconcile solicitude for the copyright owners' economic interest in out-of-print works with the Senate Report's apparent concern for maintaining access to these materials.

A model that demonstrates a unification of the three fair use concerns presented here appears in the Agreement on Guidelines for Classroom Copying in Not-For-Profit Educational Institutions.<sup>246</sup> The Guidelines are simultaneously concerned with brevity, spontaneity, and the cumulative market effect of copying. For example, under the Guidelines, copying that is extensive in quantity or involves "works intended to be 'consumable' in the course of study or of teaching" would not be fair use even if spontaneous and not capable of effectuation in the market.<sup>247</sup> The Guidelines represent only "the minimum standards" for fair use; the three-part test can serve to structure the fair use inquiry concerning

<sup>244</sup> See *supra* notes 150-54 and accompanying text, discussing the out-of-print problem in connection with market barriers.

<sup>245</sup> See *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171, 1176 n.4 (5th Cir. 1980); *Meeropol v. Nizer*, 560 F.2d 1061 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978).

<sup>246</sup> House Report, *supra* note 10, and 68-70, reprinted in 1976 U.S. Code Cong. & Ad. News at 5681-84. See *supra* notes 150-52 and accompanying text, discussing the Guidelines in the context of market barriers.

<sup>247</sup> House Report, *supra* note 10, at 69, reprinted in 1976 U.S. Code Cong. & Ad. News at 5685. Such copying could have a significantly adverse effect on the copyright owner's market.

classroom use outside of the Guidelines' parameters.<sup>248</sup>

Overall, the discussion in the preceding sections reveals that incentive analysis can provide a useful addition to the framework for the cases that have grappled with market-oriented approaches to fair use. Now that the nature of the connection between the three-part test and the statute and case law has been explored on a general level, the discussion will turn to two particular scenarios to allow for a more detailed explanation of fair-use analysis.

#### IV. CASE STUDIES FOR FAIR-USE ANALYSIS

Both of the cases that follow are relevant to the discussion because they address instances in which the grant of fair use might be favored by public opinion, but the grant is controversial when viewed from a traditional fair use perspective. In *Williams & Wilkins*, the first case studied, the court implicitly attempted to use a market approach; in the second, the *Betamax* case this market approach was rejected. This reveals some confusion as to the role of both the market approach and the traditional fair-use factors, which might be alleviated if the inchoate doctrinal approach of the fair use cases were reformulated as suggested here. The discussion that follows will suggest how appropriately to apply a market-based test to the *Williams & Wilkins* and *Betamax* situations.

##### A. *Williams & Wilkins*

In *Williams & Wilkins*, an equally divided Supreme Court affirmed without opinion a decision by the Court of Claims that extensive library photocopying could constitute fair use. The Court of Claims opinion<sup>249</sup> implicitly made use of the approach recommended in this Article. It will be useful to apply to that opinion—called “the leading case in the application of the [fair use] doctrine to noncommercial copying”<sup>250</sup>—the three-part test described herein, both to illustrate the application of that

<sup>248</sup> House Report, *supra* note 10, at 68, reprinted in 1976 U.S. Code Cong. & Ad. News at 5684 (“the purpose of the following guidelines is to state the minimum standards of educational fair use . . . there may be instance in which copying which does not fall within the guidelines . . . may nonetheless be permitted under the criteria of fair use”). That the Guidelines were arrived at through interest-group bargaining also suggests the appropriateness of a consent-based analysis.

<sup>249</sup> *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd by an equally divided Court*, 420 U.S. 376 (1975) (per curiam). The Court of Claims had reversed the trial court's decision that the United States was liable for infringement, 172 U.S.P.Q. (BNA) 670 (Ct. Cl. 1972).

<sup>250</sup> *Encyclopaedia Britannica Educ. Corp. v. Crooks*, 447 F. Supp. 243, 250 (W.D.N.Y. 1978). The decision in *Williams & Wilkins* preceded the 1976

test and to understand the nature of the decision.

The facts were these: Publisher Williams & Wilkins Company charged that its copyrights in four medical journals were being infringed by the photocopying efforts of two United States government libraries, the technical library of the National Institutes of Health (NIH) and the National Library of Medicine (NLM). The government conceded that at least one photocopy had been made of eight articles published in one or more of the journals,<sup>251</sup> but the court's focus was not on those particular copies. Rather, it viewed itself as passing judgment on the libraries' entire photocopying practice. In 1970, NIH made approximately 93,000 photocopies of articles for supply to the NIH research staff.<sup>252</sup> In 1968, a "representative year,"<sup>253</sup> NLM filled approximately 120,000 requests<sup>254</sup> from other libraries, government agencies, and private or commercial organizations<sup>255</sup> seeking photocopies of articles.<sup>256</sup> The Court of Claims held that this photocopying activity was protected by fair use.<sup>257</sup>

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congressional revision of the Copyright Act, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended in 17 U.S.C. (1976 & Supp. IV 1980)). As part of the 1976 Act, and in response to the reaction of librarian groups following the commencement of the *Williams & Wilkins* suit, Congress enacted 17 U.S.C. § 108 (1976 & Supp. IV 1980), which provides a structure within which much library photocopying is legally permissible. LATMAN & R. GORMAN, *supra* note 19, at 519-20. "Section 108(d) might be said to codify the rule in *Williams & Wilkins*." Nimmer, *supra* note 9, at 1056 n.21. Nimmer notes, however, that the impact of § 108(g)(2) is unclear. That subsection denies protection to "systematic reproduction" of a work, and appears to be responsive to market failure and injury concerns.

Section 108 provides that "[n]othing in this section . . . in any way affects the right of fair use." 17 U.S.C. § 108(f)(4) (1976 & Supp. IV 1980). But the relationship between §§ 107 and 108 is the subject of some debate. *See, e.g.*, A. LATMAN & R. GORMAN, *supra* note 19, at 519. Despite the statutory changes, "[t]he court's analysis in *Williams & Wilkins* . . . remains valid today as to questions left open by the new Act." *Encyclopaedia Britannica*, 447 F. Supp. at 251 n.8. *But see Williams & Wilkins*, 487 F.2d at 1359 (ambiguous meaning of "copy" under 1909 Act relevant to fair use finding). *See also infra* note 273.

<sup>251</sup> *Williams & Wilkins*, 487 F.2d at 1349.

<sup>252</sup> *Id.* at 1348.

<sup>253</sup> *Id.* at 1349.

<sup>254</sup> *Id.*

<sup>255</sup> *Id.* ("[A]bout 12 percent of the requests came from private or commercial organizations, particularly drug companies.").

<sup>256</sup> *Id.* "Both institutions normally restrict copying on an individual request to a single copy of a single article of a journal issue, and to articles of less than 50 pages." *Id.* at 1354.

<sup>257</sup> *Id.* at 1362-63 and *passim*. Note that the libraries' self-imposed restrictions (e.g., a refusal to provide articles from recent and widely-available journals to certain users, *id.* at 1355) were important to the court's finding of fair use. *Id.* at 1354-56.

Application of the three-part test first requires identification of possible market failure. As discussed earlier,<sup>258</sup> the existence of a noncommercial use may signal a potential market failure, as may the presence of a value such as human health that is not easily monetized. These elements were present in *Williams & Wilkins*, for the court stressed that "scientific progress, untainted by any commercial gain from the reproduction, is the hallmark of the whole enterprise of duplication."<sup>259</sup> Medicine is traditionally a well-paying field, however, and while research may not be as lucrative as practice, the court did not suggest that the photocopy users would fail to be rewarded monetarily for the increase in their skills and accomplishments resulting from their use of the copyrighted work. It is therefore best to look elsewhere for evidence of market failure.

In the Court of Claims's perception, no satisfactory market would form for the valuable medical uses made possible by photocopying if photocopying ceased.<sup>260</sup> The court believed that the articles desired would not be available for purchase<sup>261</sup> or that the items desired would not be available except if tied to the purchase of other, expensive items.<sup>262</sup> But these availability problems become important only if no market for paid photocopies would evolve. As a dissenting opinion pointed out,<sup>263</sup> it is unclear why the majority felt that photocopying itself would cease being available if the plaintiff publisher were given the judgment of liability it was seeking.

The majority's assumption that photocopying would cease may rest on another type of market defect: high transaction costs.<sup>264</sup> If each per-

<sup>258</sup> See *supra* notes 163-75 and accompanying text.

<sup>259</sup> 487 F.2d at 1354. The court also stressed the "personal, individual focus" of the photocopying. *Id.* at 1355. Such personal uses may be more readily discouraged by transaction costs. See *supra* text accompanying notes 155-60.

<sup>260</sup> 487 F.2d at 1356-57.

<sup>261</sup> *Id.* at 1356 ("[t]he supply of reprints and back numbers is wholly inadequate"). See also *id.* at 1357 and n.17 (plaintiff itself gives notice that it does not stock back issues).

<sup>262</sup> *Id.* at 1357.

<sup>263</sup> *Id.* at 1371 (Cowen, C.J., dissenting):

The court has bottomed its decision to a very large extent on its finding, which is not disputed, that medical science would be seriously hurt if the photocopying by defendant's libraries is entirely stopped. But the court goes further and concludes that a judgment for plaintiff would lead to this result. It is not altogether clear to me how the court arrives at the second conclusion, and I think it is based on unwarranted assumptions.

<sup>264</sup> See the discussion of transaction costs *supra* notes 155-62 and accompanying text. See Goldstein, *The Private Consumption of Public Goods: A Comment on Williams & Wilkins Co. v. United States*, 21 BULL. COPR. SOC'Y 204 (1974) (recognizing the transaction cost problem but arguing it should not have

son seeking a photocopy were required to bargain with the copyright owner, the costs and inconvenience of bargaining would prevent many of the uses from being made.<sup>265</sup> Thus, if conventional modes of bargaining were the only tools available with which to effect transfers, markets might fail to form, and a holding of infringement might end photocopying.

Conventional one-on-one bargaining is not the only alternative, however. Many commentators and plaintiffs themselves had suggested that enforcing the plaintiff's copyright would not preclude a continuation of photocopying.<sup>266</sup> It was argued that a licensing royalty system or clearinghouse might arise,<sup>267</sup> reducing transaction costs to a bearable level, so that plaintiffs could be paid *and* defendants could have use of the copyrighted material. Chief Judge Cowen in dissent presented this position, arguing that a market in photocopies would exist after a judgment of liability, either by means of a reasonable royalty paid via license or by means of clearinghouses, or a combination thereof.<sup>268</sup>

The majority was unwilling to consider these possible market

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justified fair use in that case). In addition, the majority seemed to fear that a finding of infringement would lead courts in other contexts, via *stare decisis*, to enjoin photocopying. *Williams & Wilkins*, 487 F.2d at 1360. Judge Nichols, in dissent, suggested that such injunctions would not necessarily follow. *Id.* at 1386-87 (Nichols, J., dissenting). In any event, even were an injunction to issue, it might not permanently stop an activity—the prevailing party, on whose behalf the injunction issues, may be able to sell the enjoined party a right to continue his activity. See Stanford Note, *supra* note 121, at 248-49. A determination of whether such a market would evolve following an injunction is relevant to assessing substantial injury. See Calabresi & Melamed, *supra* note 38, at 1116.

<sup>265</sup> Some of the duplication of effort inherent in such individual transactions might be reduced if the library made the bargaining arrangements, but even then the transaction costs might be prohibitively high. Thus, "[d]efendant suggested at trial that payment of compensation to plaintiff for photocopying its journals would create a continuing undue and oppressive administrative and financial burden on NLM and the NIH library." *Williams & Wilkins*, 487 F.2d at 1384 (Cowen, C.J., dissenting). Whether or not the transaction costs would in fact have been "oppressive" was not fully resolved; in the opinion of Chief Judge Cowen, the record did not justify defendant's fears. *Id.* at 1384-85.

<sup>266</sup> *Williams & Wilkins*, 487 F.2d at 1360-61. The potential role of licensing and clearinghouses has been explored by many scholars. See, e.g., M. NIMMER, *supra* note 97, § 13.05[E][4][e], at 13-90 to 13-92 (discussing a possible judicial role in the creation of compulsory licenses).

<sup>267</sup> *Williams & Wilkins*, 487 F.2d at 1372, 1378-79 & n.12, 1384-86 (Cowen, C.J., dissenting).

<sup>268</sup> *Id.* See also *id.* at 1385 n.17.

cures.<sup>269</sup> It doubted whether the licensing plan suggested by plaintiff would have been "viable,"<sup>270</sup> "whether a . . . clearinghouse system can be developed without legislation, and if so whether it would be desirable,"<sup>271</sup> and it declined to consider author willingness to license.<sup>272</sup> The majority also felt that the 1909 Copyright Act foreclosed a court from imposing a licensing system.<sup>273</sup> This attitude contrasted with Chief Judge Cowen's dissent, which considered it quite relevant that an award to plaintiff "may very well lead to a satisfactory agreement between the parties for a continuation of the photocopying by defendant upon payment of a reasonable royalty to plaintiff."<sup>274</sup>

In sum, the majority opinion in *Williams & Wilkins* premised its holding on the questionable assumption that certain valuable uses would have to cease if liability were imposed, or at least that there was a high risk that no adequate market would evolve to disseminate the copyrighted works and the socially valuable information they contained to the desired extent.<sup>275</sup> It was in the context of this assumption that the court made its assessment of harms and benefits.

In broad outline, the court's approach to costs and benefits followed

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<sup>269</sup> It did, however, consider whether a market cure might evolve if plaintiff's copyright were *not* enforced as to photocopies: "It has been suggested . . . that publishers *now* have the power to adopt the intermediate solution of charging more for subscriptions sold to libraries or other entities which engage regularly in photocopying." *Id.* at 1360 n.26 (emphasis added).

The court placed this unevaluated and seeming casual suggestion in a footnote rather than addressing the issue more directly and vigorously. If the copyright owners would be able to capture photocopy income even without a liability judgment, that would be relevant to determining what injury the owners would suffer from a fair use holding.

Professor Demsetz has suggested that price discrimination is consistent with efficiency in markets for public goods. See Demsetz, *supra* note 48, at 300-06. See also Liebowitz, *supra* note 64 at 12-17 (discussing price discrimination in journals).

<sup>270</sup> 487 F.2d at 1360. See also *id.* at n.24.

<sup>271</sup> *Id.* at 1360 n.24. "The possible intermediate solutions are also of the pragmatic kind legislatures, not courts, can and should fashion." *Id.* at 1360.

<sup>272</sup> *Id.*

<sup>273</sup> "[U]nder the [the 1909 statute] . . . we have the choice only of thumb's up or thumb's down, for the photocopying practice involved in this litigation, without any real Congressional guidance. Intermediate or compromise solutions are not within our authority." *Id.* (footnote omitted). But see M. NIMMER, *supra* note 97, § 13.05[E][4][e], at 13-82 to 13-86.

In addition to the general limitations of copyright law that might affect other courts, the Court of Claims lacked the power to enjoin governmental libraries. 487 F.2d at 1346 n.1. See 28 U.S.C. § 1498 (1976 & Supp. IV 1980).

<sup>274</sup> 487 F.2d at 1372 (Cowen, C.J., dissenting).

<sup>275</sup> *Id.* at 1360, 1362-63.

the pattern recommended here. The majority balanced the harm that would be imposed on medical science by a decision in favor of liability<sup>276</sup> with the harm that would be imposed on the publisher by a finding of fair use,<sup>277</sup> and concluded that the "balance of risks" was on defendant's side.<sup>278</sup> This implicitly satisfied the second branch of the fair use test described herein.<sup>279</sup> The majority also concluded that the publisher would suffer no "serious adverse impact,"<sup>280</sup> a conclusion that, if true, would satisfy the substantial injury hurdle that is the third part of the fair use test.<sup>281</sup> A closer look at the court's analysis, however, reveals flaws in its approach.

The majority's opinion recognized that the first step in the balancing process is the determination of whether defendant's use serves public welfare.<sup>282</sup> Given the nature of medical research, the court had no trouble

<sup>276</sup> *Id.* at 1356-57, 1362-63, and *passim*.

<sup>277</sup> *Id.* at 1357-59.

<sup>278</sup> *Id.* at 1359.

<sup>279</sup> See *supra* text accompanying notes 92-103. Note, however, that the court declined to prescribe a general rule using balancing methodology:

[O]ur holding rests upon this record which fails to show a significant detriment to plaintiff but does demonstrate injury to medical and scientific research if photocopying of this kind is held unlawful. We leave untouched, because we do not have to reach them, the situations where the copyright owner is shown to be hurt or the recipients (or their interests) would not be significantly injured if the reproductions were ruled to infringe.

487 F.2d at 1362-63. This is consistent with the Court of Claims's overall reluctance to state general rules in this case:

[T]he conclusion that defendant's particular use . . . has been 'fair' rests upon all of the elements discussed [in a previous portion of the opinion] and not upon any one, or any combination less than all. We do not have to, and do not, say that any particular component would be enough . . . . Conversely, we do not have to, and do not, say that all the elements we mention are essential . . . .

*Id.* at 1362.

<sup>280</sup> *Id.* at 1359.

<sup>281</sup> See the discussion of the substantial injury hurdle, *supra* text accompanying notes 104-24. The court found that the record failed to "show a serious adverse impact, either on plaintiff or on medical publishers generally, from the photocopying practices of the type of NIH and NLM." 487 F.2d at 1359 (emphasis added). The court was thus looking to the impact of its decision on the marketplace as a whole, which is consistent with the substantial injury hurdle. See *supra* text accompanying notes 115-24.

<sup>282</sup> "Whether the privilege may justifiably be applied to particular materials turns initially on the nature of the materials, e.g., whether their distribution would serve the public interest in the free dissemination of information and whether their preparation requires some use of prior materials dealing with the same subject matter." 487 F.2d at 1352-53 (quoting *Rosemont Enters., Inc. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966)).

with this inquiry. The court then discussed how this interest would be hurt (i.e., what benefits would be lost) if liability were imposed; unfortunately, the court concentrated this discussion on an examination of how medical science would be affected if photocopying were ended.<sup>283</sup> As seen above, however, it is not certain that an end to photocopying would indeed have followed from a judgment of liability. The failure to consider the possibility that photocopying might continue under royalty arrangements overstated the amount at stake for medical science.

The court's evaluation of harm to plaintiff is also questionable in some respects. In particular, the court refused to include in its assessment of plaintiff's injury the potential photocopy royalty income that the plaintiff *might have received* if its copyright were enforced. The court wrote:

It is wrong to measure the detriment to plaintiff by loss of presumed royalty income—a standard which necessarily assumes that plaintiff had a right to issue licenses. That would be true, of course, only if it were first decided that the defendant's practices did not constitute "fair use." In determining whether the company has been sufficiently hurt to cause these practices to become "unfair," one cannot assume at the start the merit of the plaintiff's position . . . .<sup>284</sup>

By contrast, the economic approach to fair use presented in this Article begins with the premise that a copyright owner is ordinarily entitled to revenue for all substantial uses of his work within the statutorily protected categories.<sup>285</sup> Both fairness to the copyright owner and economic efficiency demand that the assessment of his injury include the loss of the revenues he would receive in the market were his entitlement to be enforced. If the market would not fail fully after a finding of liability, the plaintiff would be able to serve the public interest by selling his work at least to some extent. If such revenues were possible in substantial amounts, then their presence or absence could have a significant impact on the copyright owner's incentives and his patterns of production.<sup>286</sup> To deny consideration to such potential revenues would be to place impossible burdens on most plaintiffs,<sup>287</sup> rendering them incapable of

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<sup>283</sup> "There is no doubt in our minds that medical science would be seriously hurt if such library photocopying were stopped." *Id.* at 1356. See *supra* notes 260-75 and accompanying text.

<sup>284</sup> 487 F.2d at 1357 n.19.

<sup>285</sup> Certain uses are not within protected categories at all, of course. See generally 17 U.S.C. § 106 (1976).

<sup>286</sup> See *supra* text accompanying notes 122-24.

<sup>287</sup> The court put a burden of demonstrating detriment on the plaintiff. 487 F.2d



demonstrating the substantial injury that might follow from a grant of fair use.

Thus, although the *Williams & Wilkins* decision evidences a concern with market failure similar to that discussed here, the opinion suffers from a lack of an articulated and coherent rationale.<sup>288</sup> An explicit focus on the issues of market failure, balancing and substantial injury would have eliminated some of the pitfalls discussed above. Nevertheless, the debate between majority and dissenters in *Williams & Wilkins* focused properly not on formalistic questions, but on key issues such as whether or not markets would form. In doing so, the judges of that court addressed one of the central questions in the debate over whether copyright law can be adapted to the new technologies.

### B. *The Betamax Case: Intrinsic Uses*

In the *Betamax* case, the Ninth Circuit reversed a district court judgment that home videorecording constituted fair use.<sup>289</sup> In doing so, it strongly criticized the district court for using "*Williams & Wilkins Co.*'s distortions of the fair use rationale."<sup>290</sup> The "distortion" that primarily disturbed the Ninth Circuit was the Court of Claims's willingness to extend fair use treatment to the use of a work "for its intrinsic purpose—to make what might be called the 'ordinary' use of it."<sup>291</sup> The Ninth Circuit relied heavily on Leon Seltzer's contrary view that fair use generally should deal only with " 'the use by a second author of a first author's work.' "<sup>292</sup> It also intimated that it accepted Seltzer's belief that "ordinary" use by photocopying and videorecording " 'triggers questions of reallocation of costs,' "<sup>293</sup> that such questions should be dealt with in

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at 1359. This article has suggested that this burden should be placed on the plaintiff only where the defendant has made a convincing showing that the market between owner and user is so unlikely to function properly that the assumptions underlying the statutory damage provisions are undermined. See *supra* notes 137-44 and accompanying text. The Court of Claims's allocation of the burden indeed arose in part from the court's perception that the situation failed to conform to any perfect market model. 487 F.2d at 1358-59. But the court's insufficient consideration of market structure left in doubt whether the market failure was sufficiently likely or severe to justify this crucial shift in burden.

<sup>288</sup> See *supra* note 279.

<sup>289</sup> *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981), modifying 480 F. Supp. 429 (C.D. Cal. 1979), *cert. granted*, 102 S. Ct. 2926 (1982) (No. 81-1687).

<sup>290</sup> *Id.* at 970 (emphasis omitted).

<sup>291</sup> *Id.* at 970 (quoting L. Seltzer, *supra* note 4, at 24).

<sup>292</sup> *Id.* (quoting L. Seltzer, *supra* note 4, at 24 (emphasis omitted)).

<sup>293</sup> *Id.* at 971 (quoting L. Seltzer, *supra* note 4, at 38 (emphasis omitted)).

specific exemptions rather than by fair use, and that they are thus "matters for Congress, not the courts."<sup>294</sup>

Turning initially to the proposition that "ordinary" use is not within the proper ambit of the fair use doctrine, one finds that the copyright statute itself specifically embraces at least one "ordinary" use among the examples for which fair use is appropriate: "multiple copies for classroom use" find explicit shelter under section 107.<sup>295</sup> In addition to the explicit wording of section 107, legislative history shows Congress treating photocopying and recording as legitimate subjects for resolution under the fair use doctrine.<sup>296</sup> Similarly, the Ninth Circuit did not deny that home taping of sound recordings, as "intrinsic," "ordinary," consumer-type use, long considered permissible, might constitute fair use.<sup>297</sup>

<sup>294</sup> *Id.* at 971.

<sup>295</sup> 17 U.S.C. § 107 (Supp. IV 1980).

<sup>296</sup> See House Report, *supra* note 10, at 65-74, reprinted in 1976 U.S. Code & Ad. News at 5678-88; Senate Report, *supra* note 26, at 61-67. See also the congressional debate regarding sound recordings, 117 Cong. Rec. 34, 748 (1971) (statement of Representative Kastenmeier) (child's home recording of broadcast of music for listening pleasure is fair use), quoted in *Universal City Studios, Inc.*, 480 F. Supp. at 446.

<sup>297</sup> The Ninth Circuit addressed the issue of home sound recordings in terms of an exemption potentially arising out of the Sound Recording Amendment of 1971. (The Ninth Circuit inquired whether, if such an exemption existed, it would apply to home video-tape recording. The court concluded that it would not.) However, such characterization is erroneous. Whether or not persons who make tape recordings of music at home are copyright infringers is an issue that cannot be resolved solely by reference to an exemption potentially arising out of the 1971 legislative history. See M. Nimmer, *supra* note 125, at 1505. Long before the Sound Recording Amendment of 1971, the copyright in musical compositions (including, e.g., musical scores) could be infringed by the making of unauthorized recordings. See § 1(e) of the Copyright Act of 1909, 35 Stat. 1075, codified and reenacted 1947, amended 1976. When Congress in 1971 expressed a belief that home audio recording "over the past 20 years" was not an infringement, Nimmer, *supra* note 125, at 1509 (quoting H.R. Rep. No. 987, 92nd Cong., 1st Sess. 7, reprinted in 1971 U.S. Code & Ad. News 1566, 1572), the only possible legal basis for that belief was fair use. *Id.* at 1509-11. See also remarks of Representative Kastenmeier, 480 F. Supp. at 446 (discussed in Nimmer, *supra*, at 1511-12). Thus it is fair use that must be applied if home audio recording is to be immune from liability, and such recording is clearly "an intrinsic use."

Professor Nimmer argues that although "[c]ourts and commentators have assumed that audio home recording is beyond the reach of copyright laws," Nimmer, *supra* at 1505, such recording should be considered an infringement. In making this argument, he relies on Seltzer's view that intrinsic uses should not be granted fair use treatment. Nimmer, *supra*, at 1521-22. However, Professor Nimmer himself urges in support of his conclusion the practicality of various methods of payment, thus revealing an implicit con-

It is true that, historically, new authors were given fair use treatment more often than ordinary users. The reason may simply be that most markets are set up to serve ordinary consumers, and usually function well in that context; market failure will arise more often in circumstances where users seek to employ the work in unexpected ways and fair use will thus tend to be awarded in such circumstances. In addition, the public interests served by second authors are likely to be stronger than the interests served by ordinary consumers<sup>298</sup> and injury to incentives may be less severe when the user is a second author,<sup>299</sup> whose use is unlikely to be repeated by others, and whose work, by being different from the copyrighted work, may not be competitive with it for the same ultimate audience. But none of these functional considerations suggest there should be a per se bar against awarding fair use to ordinary users; on the contrary, in the case where the transactions between copyright owner and ordinary user exhibit the same characteristics of market failure, small injury, and public interest, fair use may well be appropriate.<sup>300</sup> The court of appeals stated that the inclusion of photocopying, video-recording, and other "intrinsic" uses within fair use would cause "a fundamental restructuring of the copyright system not justified by the statutory scheme or traditional notions of fair use."<sup>301</sup> This Article, however, has shown that it is the user faced with market failure, whether he is a second author or an "ordinary" user, who is the traditional judicial and statutory object of fair use solicitude.

In light of the Ninth Circuit's reliance on Leon Seltzer's "intrinsic

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cern with market cure. Nimmer, *supra* at 1525-34. Moreover, he intimates a willingness to accept an economic justification for fair use. See Nimmer, *supra*, at 1530 n.88.

<sup>298</sup> On the other hand, ordinary consumers are more likely to be deterred by transaction costs. See *supra* note 259.

<sup>299</sup> See *supra* text accompanying notes 115-16.

<sup>300</sup> See generally *supra* notes 88-124 and accompanying text.

<sup>301</sup> 659 F.2d at 971.

The Ninth Circuit also asserted that use of the *Williams & Wilkins* approach would undermine incentives, *id.* at 970, and that such an approach would put copyright holders "in the unenviable position of proving damage in a context in which extreme difficulty is acknowledged," *id.* at 971. This Article has suggested that a substantial injury hurdle and sensitive application of burdens of proof can avoid these dangers. See *supra* notes 104-24 & 135-48 and accompanying text. The Ninth Circuit noted that "home users assign economic value to their ability to have control over access to copyrighted works," and that "[t]he copyright laws would seem to require that the copyright owner be given the opportunity to exploit this market." 659 F.2d at 974. Without an exploration of market cures, however, it is unclear whether such opportunity could be exploited and what constitutes the "potential market" for the copyrighted works.

use” terminology, it is important to note that Seltzer’s own underlying approach to fair use is arguably adaptable to a market failure analysis. He suggests that “a more useful fair use statute”<sup>302</sup> than the one enacted by Congress would begin as follows: “Fair use is use that is necessary for the furtherance of knowledge, literature, and the arts AND does not deprive the creator of the work of an appropriately expected economic reward.”<sup>303</sup> On the surface, Seltzer’s prohibition against extending fair use to “ordinary” uses would seem to follow quite logically from his ideal statute’s concern with appropriately expected economic reward: The ordinary user is precisely the person from whom the copyright owner expects remuneration, so that granting fair use to such person would violate Seltzer’s statute by “depriving the creator . . . of an appropriately expected economic reward.” But, where there is market failure, enforcing the owner’s rights may not bring economic reward; more fundamentally, the author’s normal expectations will involve his evaluation of what kind of markets exist for his work. In the presence of market failure, “ordinary” users become extraordinary, and fair use can be granted without deprivation of “appropriately expected” receipts. Thus, ordinary users faced with market failure might have some claim to fair use under the basic clause of Seltzer’s proposed statute.<sup>304</sup>

The Ninth Circuit’s reliance on Seltzer’s conclusions regarding intrinsic use is also questionable since, as Seltzer acknowledged, Congress did not follow his recommended pattern.<sup>305</sup> In particular, Congress did not adopt any strict conceptual distinction between those uses properly treated by exemptions and those properly treated by fair use.<sup>306</sup> Seltzer argued that Congress erred in doing so;<sup>307</sup> this Article argues that the legislation accurately reflected past judicial developments. In any event, the open-ended nature of the congressional approach to fair use suggests that endorsement of an inflexible standard like “intrinsic use” would be

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<sup>302</sup> L. Seltzer, *supra* note 4, at 31.

<sup>303</sup> *Id.* (emphasis omitted).

<sup>304</sup> Seltzer himself does not develop his basic clause in this way, of course. *See id.* at 36 (“Fair use, if it is to have any coherent meaning, must *by itself* suggest to both creator and society that it is *not* part of the normal market.” (emphasis in original)). Seltzer’s ideal statute would not appear to direct a court to take into account the economic and structural context in which defendant’s use appears. Rather, he suggests that the second clause of his ideal statute might read: “In determining whether the use made of a work in a particular case deprives its creator of such a reward, account should be taken first of the nature of the copyrighted work and then of the purpose, character, and extent of the use.” *Id.* at 36 (emphasis omitted).

<sup>305</sup> *Id.* at 27-28, 40.

<sup>306</sup> *Id.* at 27-28.

<sup>307</sup> *Id.*

inappropriate.

A market-oriented test would be more consistent with this flexible congressional approach, and is capable of addressing the *Betamax* problem. Under the proposed three-part test, the first issue would be to identify whether market failure potentially appears in the home video-recording context. It does, in two areas. Home users might well find transaction costs prohibitively high if they were required to bargain individually with copyright owners over the right to tape each desired program. The mere task of identifying the copyright owners in advance of broadcasts might present insurmountable difficulties. Second, prohibitions against home taping might be impossible to enforce; the potential loss of privacy might pose a cost higher than the society would wish to bear,<sup>308</sup> and the economic cost to the copyright owners of identifying potential violators and bringing them to justice might be greater than any profits likely to be generated by deterrence of unauthorized taping.<sup>309</sup> Bargains that cannot be enforced present a classic type of market failure.<sup>310</sup>

Theoretically, it is possible that both aspects of the market failure could be cured if the manufacturers of videorecorders and videorecording tape are subjected to liability judgments.<sup>311</sup> The court could potentially "award damages or a continuing royalty,"<sup>312</sup> which would act as an incentive to the liable parties to set up a workable collection system, or the court might itself take steps toward such a system.<sup>313</sup> Among the suggestions that have been discussed are imposing royalty charges to be collected at the time of recorder or tape purchases as an "add-on" to the price.<sup>314</sup> Collection of the royalty fees and monitoring of the collection

<sup>308</sup> See *Universal City Studios, Inc.*, 480 F. Supp. at 446, 454, 468.

<sup>309</sup> In the event of a criminal violation, the government would of course bear the transaction costs. However, criminal liability for infringement applies only to "[a]ny person who infringes a copyright willfully and for purposes of commercial advantage or private financial gain." 17 U.S.C. § 506(a) (1976).

<sup>310</sup> See *supra* note 48.

<sup>311</sup> Defendants in *Universal City Studios, Inc.* included, inter alia, the manufacturers of the Betamax videorecorder and of videorecording tapes. 659 F.2d at 964. See Stanford Note, *supra* note 121, at 257-62.

<sup>312</sup> *Universal City Studios, Inc.*, 659 F.2d at 976.

<sup>313</sup> Query whether these remedies are within the court's own injunctive powers. See Stanford Note, *supra* note 121, at 261; *supra* notes 129-34 and accompanying text. Also, a court should consider the administrative costs of its own actions in deciding on what course to follow. If administrative costs are high in relation to the benefits expected, an attempt at market cure may be undesirable.

<sup>314</sup> See Stanford Note, *supra* note 121, at 261-62; McCullaugh, Shock Vibrates through Industry, *Billboard*, Oct. 31, 1981, at 1. See also Demsetz, *supra* note 48, at 306 ("In many instances it may be possible to tie in the consumption

process might thus be practicable, easing the enforcement burden. A centralized agent might receive and distribute the royalty funds proportionately to the owners of popular programs at a level of transaction cost less than that which would be necessary if individual bargains were to be required.<sup>315</sup>

Viewed from this perspective, the key questions are whether such market cures will evolve, whether they will be practicable, and what ought to be a court's role in achieving them. The *Betamax* case might be decided either way under this analysis, depending on what additional findings were made. If a market cure were achievable through a finding of liability, and if a grant of fair use would deprive the plaintiffs of substantial revenues from this potential market, fair use would be inappropriate because the substantial injury hurdle could not be surmounted. If, however, the court determined that a market cure were not practicable, further inquiry would follow. The court would then "weigh . . . the 'benefit' of an extremely popular increase in access with the 'harm' to a plaintiff."<sup>316</sup> If the court found that the balance favored defendants, and if it found that judgment for defendants would not substantially injure plaintiffs' incentives, fair use would be granted; otherwise, liability would be imposed.

Neither the district court nor the court of appeals adequately addressed the question of market cure. The district court held that even if home taping constituted copyright infringement, the manufacturers would not have been liable.<sup>317</sup> Under such a view, the possible market cure discussed above would be unavailable.<sup>318</sup> The court of appeals imposed liability on the manufacturers.<sup>319</sup> If that court was correct in its approach to contributory liability, such market cures are potentially in

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of a second product with consumption of the collective good, and private incentives may very well exist for the production of the tied-in good because exclusion is possible."). Of course, further factual investigation would be necessary to know if such market cures would be practicable. See, e.g., McCullaugh, *supra* ("execution and administration" of hardware surcharge system viewed by some as "nightmarish").

<sup>315</sup> Performing rights societies serve a similar function for musical works today, under judicial antitrust supervision. See A. LATMAN & R. GORMAN, *supra* note 19, at 455-58.

<sup>316</sup> *Universal City Studios, Inc.*, 659 F.2d at 971. The Ninth Circuit accurately described the procedure while rejecting it.

<sup>317</sup> 480 F. Supp. at 457-62. See also the district court's discussion of injunctive relief, *id.* at 463-69.

<sup>318</sup> "[R]equiring copyright holders to sue individual home users might amount to a total exemption for the *Betamax* . . ." Stanford Note, *supra* note 121, at 258.

<sup>319</sup> 659 F.2d at 974-76.

the hands of the courts. However, the court declined to focus on the question.<sup>320</sup> In fact, it rejected the notion that the practicability or availability of relief (i.e., market cure) should be relevant to the issue of liability versus fair use.<sup>321</sup> It thereby imposed on society the deliberately unconsidered risk that either access would cease, or that widespread and unredressed copyright violations would bring the law into disrepute or ridicule. Once the court of appeals rejected the district court's view of contributory liability, it should have remanded the case for further findings on the issue of market cure.

### C. Summary

The *Williams & Wilkins* court seemed to focus primarily on the social interests served by defendant's photocopying practices. The *Betamax* court seemed to focus on the property owner's interests. It is hoped that the three-part test presented here can unify both perspectives.

### CONCLUSION

An economic and structural analysis of the fair use doctrine and its place in the copyright scheme reveals that fair use is ordinarily granted when the market cannot be relied upon to allow socially desirable access to, and use of, copyrighted works. This Article has presented a three-part test for fair use that reflects this focus on market failure, and has traced how this test could be incorporated within the traditional approach to fair use. Moreover, the discussion of the *William & Wilkins* opinion, which most closely applied the three-part test, and of the *Betamax* case, demonstrated that the test can provide a framework in which the courts can directly face the underlying issues that should govern the application of fair use doctrine to new technologies.

It is important that a market failure approach to fair use not be expanded into a justification for allowing court intervention whenever the market fails to reach "perfect" results, for no market is ever perfect.

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<sup>320</sup> It seemed to assume that such a cure was possible, however. See *id.* at 976-77. ("[D]amages or a continuing royalty . . . may very well be an acceptable resolution in this context."). Among the sources cited by the Ninth Circuit was the Stanford Note, *supra* note 121, which discussed methods of market restructuring. See 659 F.2d 966 nn.1, 2. Explicit consideration of the possibility was necessary, to avoid misunderstandings and ridicule on the one hand, and, on the other, to avoid the danger of a complete cessation of use of the new technology. See *supra* note 124 (discussing popular reactions to the Ninth Circuit decision).

<sup>321</sup> 659 F.2d at 976.

What emerges from the case law and the copyright statute is a focus on individual types of transactions, not a concern with restructuring an entire set of markets to reach ideal goals, and an identification of those imperfections that will not be tolerated because of their particular impact on dissemination and the ultimate goals of copyright. That transactional emphasis is the proper one. It allows particularly desirable transfers that are blocked by market failure to go forward outside the market, but also allows the courts to impose liability where widespread use of this bypass would cause substantial injury to the copyright owner. This Article has accordingly discussed not only the market failure grounds for fair use, but also the limitations that should be placed on employment of the doctrine. It is submitted that the three-part test presented here is of assistance in analyzing fair use issues and provides a helpful tool for predicting and guiding decisions in this most difficult area of copyright law.

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PART III**LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS**

## 1. United States of America and Territories

## 444. U.S. CONGRESS. HOUSE.

H.R. 7207. A bill to amend title 17 of the United States Code to protect semiconductor chips and masks against unauthorized duplication, and for other purposes. Introduced by Mr. Edwards on September 29, 1982; and referred to the Committee on the Judiciary. (97th Cong., 2d Sess.).

To be cited as the "Semiconductor Chip Protection Act of 1982", this bill would amend the 1976 Copyright Act to provide copyright protection for semiconductor chips and masks and establish a compulsory license mechanism to permit otherwise unauthorized use of semiconductor chip products. This bill would also redefine "semiconductor chip products," a "mask work" and a "mask". It would also qualify a semiconductor chip as a "copy" and give copyright owners exclusive rights in mask works.

## 2. Foreign Nations

445. WEST GERMANY. *Laws, statutes, etc.*

Draft of a bill of the federal government. Federal Council. R-Fz-K- Wi, 370/82 (Sept. 17, 1982).

A lengthy West German legislative proposal regarding "home taping" and "photocopying." Included in the draft of this bill are changes in legal provisions in the area of copyright law. Also included in the proposal are discussions of copyright protection for photographic works and their reproduction, performances of church music, compensation rates for "authors" and new regulations for arbitration proceedings for disputes between companies and individual users.

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## PART IV

**JUDICIAL DEVELOPMENTS IN LITERARY AND  
ARTISTIC PROPERTY**

## A. DECISIONS OF U.S. COURTS

## 1. Federal Court Decisions

446. **SAILOR MUSIC v. THE GAP STORES, INC.**, 516 F. Supp. 923 (S.D.N.Y.) *aff'd*, 668 F.2d 84 (2d Cir. 1981) [Gagliardi, D.J.].

Bernard Korman, New York, N.Y., for plaintiffs; Weil, Gotshal and Manges, New York, N.Y., Robert Sugarman, of counsel, for defendant.

Motion and cross-motion for summary judgment in action for infringement of copyright in musical compositions. Plaintiffs awarded summary judgment; defendant denied summary judgment. *Held*, playing songs on a home radio receiver wired to four speakers in a retail store of 2769 square feet is a public performance under section 106(4) of the Copyright Act of 1976 and is not exempt under section 110(5).

Plaintiffs own the copyrights in a number of songs which were played during radio broadcasts received in defendant's stores. Defendant owns a chain of clothing stores whose average size is 3500 square feet. Radio programs are played in the stores for the entertainment of their customers over receivers wired to loudspeakers on the selling floor. Defendant's allegedly infringing acts took place at two New York City Stores of 2769 and 4690 square feet which played music on radios wired to four and seven speakers, respectively, recessed in each store's ceiling behind wire grids. Defendant did not deny that, under § 106(4) of the Copyright Act, it publicly performed the songs, but claimed it was protected from liability by section 110(5). Section 110(5) exempts from liability a performance by reception "on a single receiving apparatus of a kind commonly used in private homes" if no direct charge is made for the performance and it is not further trans-

mitted to the public. Plaintiffs admitted defendant made no direct charge for the radio programs, but claimed that it did not meet the other requirements of section 110(5).

The court looked to the House Committee Report on the Copyright Act of 1976 (H.R. Rep. No. 94-1976) for assistance in interpreting section 110(5). The House Report described section 110(5) as a codification of the holding in *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975). *Aiken* held that a proprietor of a restaurant with a public area of 620 square feet did not perform music played on a standard radio which was not further augmented. The factors to be considered in applying section 110(5) would be the size, arrangement and noise level of the space concerned, and the extent to which the receiver is altered.

Applying the statutory and House Report standards to the instant case, the District Court held that The Gap was not entitled to the protection of section 110(5) after making the following determinations: The Gap stores have public areas considerably larger than 620 square feet; whether or not the individual stereo components used in the stores were similar to those used in private homes, the complete systems were equivalent to commercial sound systems; the radio broadcasts received on the radio receiver components and played on the recessed loudspeakers were "further transmitted to the public." An additional factor relied upon by the court was the judgment that it would have been practical for The Gap stores to have subscribed to a commercial background music service, in contrast to the small restaurant discussed in *Aiken*.

447. MELTZER v. ZOLLER, 520 F. Supp. 847 (D.N.J. Aug. 17, 1981) [Whipple, D.J.].

Harvey R. Meltzer, Livingston, N.J., plaintiff pro se; Sills, Beck, Cummins, Radin and Tischman, Newark, N.J., Barry L. Shapiro, of counsel, for defendants; Lum, Biunno and Thompkins, Newark, N.J., David C. Dreifus, of counsel, for third party defendants.

Action for infringement of the copyright in unpublished architectural plans for a house, brought by the owner of the house. *Held*, plaintiff had no interest in the subject copyright under the Copyright Act of 1976 or the common law.

In the Spring of 1977, Xenco, Inc. agreed to commission architectural plans for a home to be built for plaintiffs upon payment of \$500.00. If plaintiff engaged Xenco to build the house, the \$500.00 would be credited to plaintiff's account; if not, Xenco

would absorb the architect's fee in excess of \$500.00. Plaintiff was then introduced by Xenco to Matthew Zito, an architect associated with the firm of William Chirgotis, the firm engaged by Xenco. Plaintiff and Zito discussed plaintiff's desires and Chirgotis' stock plans. During the summer of 1977, Zito produced drawings incorporating elements of two Chirgotis plans and plaintiff's "thumbnail sketches." In September, plaintiff hired Xenco to build a house based on Zito's plans.

After plaintiff's house was built, Xenco showed it, with plaintiff's permission, to prospective clients. Defendant Meir Zoller hired Xenco to build a house based on the plans for plaintiff's home. When plaintiff learned that the plans for his house were to be used for the Zoller house, he began the instant action for infringement of the copyright in the plans. Plaintiff claimed, in the alternative, that he was the owner of the copyright under the work for hire doctrine, or, because of his contribution to the plans. After a trial, the District Court granted judgment against plaintiff, holding that he had no interest in the subject copyright.

The court held that plaintiff's claim under the work for hire doctrine must be determined under the Copyright Act of 1976, although the plans for plaintiff's house were unpublished on the effective date of the Act and any interest in them would initially have been determined by common law. However, the plans for the Zoller house were not drawn, and no cause of action existed, until after the effective date of the Act. The court based its decision on section 301 of the Act, which provides that, after the effective date of the Act, copyright rights are to be governed by federal law, except with respect to causes of action arising before that date.

Under the Act, the copyright in a work initially vests in its author. The copyright in a work created by an employee in the course of his employment belongs to his employer. However, a work prepared by an independent contractor is a work for hire only if it falls into one of a number of specific categories and the parties agree that it shall be considered a work for hire. The District Court found that the plans for plaintiff's home did not fall into one of those categories and there was no written agreement providing that the plans were to be considered a work for hire. Therefore, the court held, plaintiff could not claim any interest in the plan's copyright under the work for hire doctrine.

The court also held that plaintiff would not have acquired any rights under the common law formulation of the work for hire doctrine. Under common law, the copyright in a commis-

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sioned work vested according to the intentions of the contracting parties. If those intentions were not articulated, it was presumed that the commissioning party acquired the copyright. However, the District Court held that plaintiff could not benefit from this presumption because he did not commission the plans; Xenco did. Moreover, the court continued, the presumption would have been rebutted by the custom of the architectural profession that an architect retains the copyright in his work and the past practice of Xenco and the Chirgotis firm.

The District Court also rejected plaintiff's claim based on his contributions to the plans. Although he suggested some of the ideas embodied in the plans, the Chirgotis firm, not he, fixed the plans in a tangible medium of expression. Therefore, under the Copyright Act of 1976, plaintiff could claim no status as an author.

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## PART V

## BIBLIOGRAPHY

## A. BOOKS, TREATISES AND CASSETTES

## 1. United States Publications

448. Software protection: Current developments in copyright and patent and their relationship to trade secret. Law & Business, Inc./Harcourt Brace Jovanovich (1982), 447 p.

A compilation of writings from which talks were given at the "Seminar on Software Protection: Current Developments in Copyright and Patent and Their Relationship to Trade Secret." The papers address copyright, patent and international protection issues and explore the interrelationship among copyright, patent and trade secrets in the area of software.

## B. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

## 1. United States

449. COLE, DAVID J. Home videotaping of copyright material; cracks in the 1976 Copyright Act. *Capital University Law Review*, vol. 11, no. 2 (Winter, 1981), pp. 215-265.

A look at the facts of the case of *Universal City Studio v. Sony Corporation of America*, the district court's holding and the Ninth Circuit's decision. The author then views the problem of home videotaping and the 1976 Copyright Act. The legislative history behind the 1976 Copyright Act is provided. The author discusses further the duplication of videotapes and the taping of live transmissions.

450. DAVIS, PHILLIP *and* PETER RUSSELL. Incriminating the video pir-

ates. *New Law Journal*, vol. 132, no. 6052 (May 13, 1982), pp. 471-472.

An analysis of several British cases including *Anton Pillar KG v. Manufacturing Processes Ltd.*; *Rank Film Distributors v. Video Information Centre*; *RHM Foods Ltd. v. Bovril Ltd.*; and *Home Office v. Harman*. The authors explain the foundations of Britain's "Anton Pillar" orders and state that they were developed largely as a response to record piracy and statutory reform that has been implemented since then.

451. JASZI, PETER. When works collide: derivative motion pictures, underlying rights, and the public interest. *UCLA Law Review*, vol. 28, no. 4 (Apr. 1981), p. 715-816.

A look at copyright conflicts and classic motion pictures and especially the importance of public access. The author discusses "derivative" motion pictures and "underlying" works and the sources of conflict between the two. The author continues by analyzing how conflicts arise and how courts decide, including a view of five court cases: *Gilliam v. American Broadcasting Co.*; *Rohauer v. Killiam Shows, Inc.*; *Filmvideo Releasing Corp. v. Hastings*; *Classic Film Museum, Inc. v. Warner Bros.*; and *Russell v. Price*.

452. KORAH, VALENTINE. The limitation of copyright and patents by the rules for the free movement of goods in the European Common Market. *Case Western Reserve*, vol. 14, no. 1 (Winter 1982), pp. 7-47.

An analysis of the EEC Constitution and the free movement of goods in the Common Market. In Part IV the author discusses patents and copyrights and several cases including *Parke Davis v. Probel*; *Deutsche Grammophon v. Metro*; *Centrafarm v. Sterling*; *Musik Vertrieb Membran* and *K-Tel International v. Gema*. Also discussed is Belgian cable television, particularly the case of *Coditel v. Cine Vog Films*.

453. PATRY, WILLIAM. In praise of the Betamax decision: an examination of *Universal City Studios v. Sony Corp. of America*. *South Texas Law Journal*, vol. 22, no. 2 (1981), pp. 211-249.

A close examination of the *Betamax* case beginning with a discussion of the parties and the nature of liability. The proceedings in the district court are given along with a discussion of fair use and the court's analysis of the four fair use factors. Liability

of corporate defendants is investigated.

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A look at computer software: the technology, the market and the needs of the industry. The author investigates copyright revision, CONTU's recommendations and the Software Copyright Amendment of 1980. Mr. Root also looks into the scope of copyright protection of software under the patent revision bill. He continues with a discussion of the strengths of copyright protection versus trade secrecy protection for computer software and the best ways of selecting a means of protection.

455. SCHWARTZ, ROBERT. Public access to cable television. *Hastings Law Journal*, vol. 33, no. 4 (Mar. 1982), pp. 1009-44.

In *FCC v. Midwest Video Corp.*, the Supreme Court held that the Commission's rules "requiring cable operators to leave a small percentage of their . . . channels open for nondiscriminatory public access without any editorial control by the operator exceeded the authority granted by the Federal Communications Act of 1934." This comment criticizes that decision and examines its impact on First Amendment rights of free speech and the future of public access to cable television. It also provides background information concerning the development of cable TV and its regulation by the FCC.

456. TURNER, JAMES L. It's a bird, it's a plane, or is it public domain? Analysis of copyright protection afforded fictional characters. *South Texas Law Journal*, vol. 22, no. 2 (1982), pp. 341-355.

A look at cartoon characters and the recognition of characters as intangible property. The author discusses the problem of literary characters, giving examples of the "Sam Spade" case (*Warner Brothers, Inc. v. Columbia Broadcasting System, Inc.*). Also discussed are cases preceding the Copyright Act of 1976 and the concept of federal preemption. Finally, the author discusses the case of "Superman v. The Greatest American Hero."

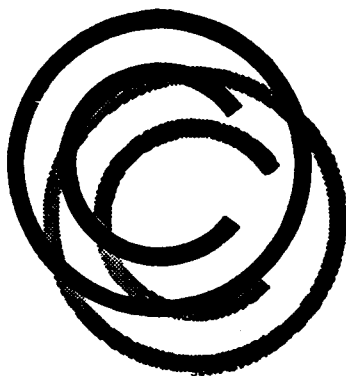
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## **SAMUEL W. TANNENBAUM (1890-1982)**

On November 9, 1982, The Copyright Society lost its first President, the dean of the copyright bar, Samuel W. Tannenbaum.

Nobody could have participated in the copyright community during the past half century without knowing of and benefiting from Sam's activities. In recognition of these tireless activities, The Copyright Society gave him a special award in 1978.

Sam's education was at Columbia University where he followed his bachelor's degree with a Master of Arts, earned together with his LL.B. in 1912. Throughout his career, his alma mater appropriately recognized his achievements, awarding him the Columbia College Dean's Award of Merit in 1965 and membership in the Harlan Fiske Stone Fellowship of Columbia Law School beginning in 1970.

Mr. Tannenbaum's service to the copyright community covered not only matters of domestic copyright law but international dimensions as well. Thus, he served not only as a Vice President of the National Committee in Support of the Universal Copyright Convention, but also as a member of the panel of experts for UNESCO in connection with that treaty.

On a day-to-day basis, he rendered essential services to the motion picture industry and a wide variety of copyright owners and users. This was accomplished through his guidance, together with his loyal and talented partner and wife Frieda, in the internationally known law firm of Johnson & Tannenbaum.

Sam always had time for a friendly chat or a word of wisdom for his colleagues and for young aspiring copyright lawyers. Supplementing his own personal generosity in this regard, he, together with his devoted friend, Chuck Seton, institutionalized this sort of interchange with the Copyright Luncheon Circle. When The Copyright Society assumed responsibility for this institution weeks before Sam's death, we noted:

"The entire copyright community, through The Copyright Society of the U.S.A., expresses its profound appreciation for the tireless, creative and effective labors of Samuel W. Tannenbaum and Charles B. Seton in bringing to generations of lawyers and executives the learning, good fellowship and warmth provided by the Copyright Luncheon Circle for 31 years."

All of these contributions will be missed. We will also miss the perennial smile, the twinkle in the eye and the warmth of a good friend.



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PART I

ARTICLES

457. FRANCE, MERE DES ARTS . . . ET DES LOIS: ALSO FOR  
FOREIGN WORKS? AN ESSAY ON PROTECTION OF FOREIGN  
WORKS IN FRANCE

By FRANK P. ANGEL\*

I. INTRODUCTION

It has become all but a cliché to characterize copyright in France as a favorite brainchild of the revolutionaries of 1789, some of whom were among the most brilliant popular authors of the time.<sup>1</sup> A study of international French copyright case law may stimulate one to test the universal application of a law praised as highly protective of authorship.

Today the statistics reflecting the flow of copyrighted works from the United States towards France and other major Western democracies bear witness to the existence of increasingly developing cultural exchange patterns. In 1970, the United States exported maps, charts, books, pamphlets, globes and bound periodicals to France for a value of U.S. \$908,065.<sup>2</sup> In 1980, this number rose to \$4,852,770 for books, pamphlets, maps and globes only.<sup>3</sup>

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\*LL.M., 1982, UCLA School of Law; License en Droit, Université de Paris—I, Pantheon-Sorbonne; Member of the Luxembourg Bar. Mr. Angel is currently a law clerk in the firm of Arnold S. Malter in Los Angeles.

This article was originally prepared as a paper for the Copyright Seminar at UCLA School of Law. The author wishes to express his gratitude to Professor Melville B. Nimmer for his encouragement and thoughtful suggestions.

<sup>1</sup> Until March 11, 1958, French statutory copyright was contained in the Decrees of January 13-19, 1791 Relating to Theatrical Shows and July 19-24, 1793 modified by the Law of March 11, 1902 Relating to the Property Rights of Authors of All Kinds of Written Works, Composers of Music, Painters and Drawers.

<sup>2</sup> See United States Department of Commerce, Bureau of Census, *United States Foreign Trade, Exports, Commodity Groupings by World Area*, at 354 (Annual 1970). The figures for the United Kingdom (\$17,197,345) and Germany (\$2,867,386) were substantially higher.

<sup>3</sup> See United States Department of Commerce, Bureau of Census, *United States Exports, Commodity Groupings by World Area*, at 3-126 (Annual 1980). The

The figures for the motion picture industry reveal that in 1974, 26.5% of a total of 505 motion pictures imported by France for commercial exhibition in theatres were made in the United States;<sup>4</sup> only 9.1% were produced in Germany and 4.4% in the United Kingdom.<sup>5</sup> During the year 1980, the total value of motion picture films exported from the United States, exposed and developed, whether or not incorporating sound track or consisting only of sound track, amounted to U.S.\$74,465,586, 3.03% or \$2,269,969 being the share of the receipts collected from France.<sup>6</sup> The volume of trade in phonograph records and

United Kingdom and West Germany imports are valued respectively at U.S.\$94,818,008 and \$9,139,389. *Id.* at 3-126.

Available research materials indicate that in 1976 the United States was number two in the world book production with 84,542 titles. See UNESCO, *Statistical Yearbook 1978-79*, table 14.1 at 1007 (number of titles by Universal Decimal Classification classes). Moreover, English is by far the most translated language of the world. For example in 1973, 1132 titles out of 1934 were French translations of English literary works. See UNESCO, *Statistical Yearbook 1977*, tables 11.11 and 11.13 at 890 and 902. It must of course be noted that these figures do not distinguish between works imported from the United Kingdom or other English speaking countries and the United States.

- <sup>4</sup> See UNESCO, *Statistical Yearbook 1978-1979*, table 17.2 at 1166. It is interesting to notice that France is by far a more active film producer than the United Kingdom or the Federal Republic of Germany. The following data borrowed from the UNESCO Yearbooks for 1977, see table 14.1 at 819, and 1978-1979, see table 17.1 at 1164, are eloquent:

| Production of Long Films Destined for Commercial Exhibition |      |      |      |      |      |
|-------------------------------------------------------------|------|------|------|------|------|
|                                                             | 1965 | 1970 | 1973 | 1975 | 1977 |
| France                                                      | 142  | 138  | 200  | 222  | 222  |
| Federal Republic                                            |      |      |      |      |      |
| Of Germany                                                  | 72   | 129  | 99   | 81   | 58   |
| United Kingdom                                              | 69   | 85   | 80   | 70   | 42   |
| United States                                               | ?    | 191  | ?    | ?    | ?    |

This gap may explain the relatively greater volume of exports of American motion pictures to Germany and Great Britain. See note 5, *infra*. The latest figures show a severe drop in the British and German production. They also show French commercial film production at an unprecedented high of 222.

- <sup>5</sup> See UNESCO *Statistical Yearbook of 1978-79*, table 17.2 at 1166. 38.6% of the 259 motion pictures imported to Germany in 1977 were made in the United States, and this percentage was even higher for Great Britain—46% from a total of 276.

- <sup>6</sup> See United States Department of Commerce, Bureau of Census, *United States Exports, Commodity Groupings by World Area*, at 3-124 (Annual 1980). The same source indicates that Germany's and Great Britain's respective shares were 5.85% or \$4,364,790 and 10.7% or \$7,974,070. In 1970, the United States exported films in the amount "only" of \$28,494,064, while France imported \$879,049 or 3.08%.



other sound or similar recordings, record blanks and blank magnetic recording media is by far more important than the volume of trade of motion pictures. Exports of the enumerated articles accounted for a total of \$599,527, 881 in the American balance of trade for 1980. \$34,101,880 or 5.69% are attributable to France, \$52,020,429 or 8.68% to Western Germany and \$96,124,393 or 16.03% to the United Kingdom.<sup>7</sup> Being mindful of the fact that this overview could be extended to other copyright subject-matter, one may conclude that despite France's comparatively greater cultural independence from the United States, the volume of exchanges is increasing. The increase in value of exports of copies and phonorecords emphasizes the need for adequate copyright protection for American works of authorship outside the United States. It likewise warrants a survey of international copyright case law abroad.

### *The Major Sources of International Copyright Law*

Protection of American and other foreign works in France may be achieved on the basis of the Universal Copyright Convention of September 6, 1952 [hereinafter U.C.C.] and the Convention for the Protection of Literary and Artistic Works first signed in Berne in 1886 [hereinafter Berne Convention], its current version being embodied in the Paris Act of July 24, 1971.<sup>8</sup>

#### *1. The National Treatment Principle*

Probably the most salient feature of these treaties is the so-called principle of national treatment. Treaty member countries are precluded from maintaining discrimination between national and foreign authors by reason of citizenship or publication abroad. This fundamental rule is to be found in article II of the U.C.C.<sup>9</sup> Literary, scientific and artistic works, whether published or unpublished, are eligible for copyright protection by virtue of the nationality or residence of the author and

<sup>7</sup> United States Department of Commerce, Bureau of Census, *United States Exports, Commodity Groupings by World Area*, at 3-130 (Annual 1980). The Bureau of Census tables do not isolate the yields from non-copyrightable material or the portion representing royalty receipts.

<sup>8</sup> The texts of both treaties are reprinted in NIMMER ON COPYRIGHT, apps. 24-27; see also Presidential Proclamation of April 9, 1910, reprinted in UNESCO 3 COPYRIGHT LAWS AND TREATIES OF THE WORLD, U.S.A., Item 13 (1956); Presidential Proclamation of July 1, 1891, reprinted in IX James D. Richardson, A COMPILATION OF THE MESSAGES AND PAPERS OF THE PRESIDENTS, 1789-1897, at 147 (1898).

<sup>9</sup> Art. 11 (Paris Act) is reproduced in the appendix to this paper.

alternately, in the case of published works, via first publication in any signatory country.<sup>10</sup>

In the Berne Convention, the principle of national treatment<sup>11</sup> has been stated apart from the indication of the points of contact on which such national treatment is made contingent.<sup>12</sup> Important exceptions operating to the effect of short-circuiting the application of the rule of equality of protection will be highlighted in connection with particular case discussions.

## 2. Substantive Rights

The U.C.C. scope of protection of substantive rights and the special grants of protectible rights under the Berne Convention are not coextensive. No moral rights are set forth in the U.C.C.<sup>13</sup> The Berne Treaty has recognized the *droit moral* since the 1928 Rome Act.<sup>14</sup> Exclusive reproduction rights,<sup>15</sup> public performance rights,<sup>16</sup> broadcasting rights,<sup>17</sup>

<sup>10</sup> For detailed developments on the U.C.C. rule of national treatment, see A. BOGSCH, *THE LAW OF COPYRIGHT UNDER THE UNIVERSAL CONVENTION*, at 11-23 (1968) [hereinafter BOGSCH]; see also H. DESBOIS & A. FRANÇON & A. KEREVER, *LES CONVENTIONS INTERNATIONALES DU DROIT D'AUTEUR ET DES DROITS VOISINS*, at 75-80 (1976) [hereinafter DESBOIS & FRANÇON & KEREVER].

<sup>11</sup> See Berne Convention, art. 5(1) (Paris Act), reproduced in the appendix. The rule of national treatment does not automatically trigger the application of the *lex fori* to the foreign law suit. See MASOUEY, *GUIDE TO THE BERNE CONVENTION*, at 34 (1978) [hereinafter MASOUEY]; see also DESBOIS & FRANÇON & KEREVER, *supra*, note 10 at 153; see generally *id.* at 150-56. Hence a copyright infringement suit submitted to a French court could be governed by the law of a third country where the violation occurred. *Sté Boosey and Hawkes Ltd. v. Taverne*, Judgment of May 16, 1972, Trib. civ., Bayonne, 1972 *Revue Trimestrielle de Droit Commercial* [R.T.D.C.] 624 note H. Desbois, (*see infra* note 79 and accompanying text) illustrates this hypothesis.

<sup>12</sup> The main criteria determining availability of Berne protection are defined in art. 3 (Paris Act), whereas art. 4 (Paris Act) lists specific points of contact with respect to cinematographic and architectural works.

<sup>13</sup> The major reason for this lacuna lies in the Convention promoters' determination to obtain and retain the adherence of as many countries as possible, particularly the United States. For extensive discussions on this issue, see M. Nimmer, *Implications of the Prospective Revisions of the Berne Convention and the United States Copyright Law*, 19 STAN. L. REV. 499 (1967); Note, *Abandon Restrictions, All Ye Who Enter Here!: The New United States Copyright Law and the Berne Convention*, 9 N.Y.U.J. INT'L L. & POL. 455 (1977).

<sup>14</sup> For the current Berne version of *droit moral* protection, see art. 6 bis (Paris Act), partly reproduced in the appendix.

<sup>15</sup> See Berne Convention, art. 9 (Paris Act).

<sup>16</sup> See *id.*, art. 11 (Paris Act).

<sup>17</sup> See *id.*, art. 11 bis (Paris Act).

recitation rights,<sup>18</sup> adaptation rights,<sup>19</sup> a modicum of mechanical recording rights,<sup>20</sup> and cinematographic adaptation as well as original motion picture rights<sup>21</sup> all come within the ambit of the Berne Treaty. The U.C.C., in article IV bis (1) (Paris Text), requires minimum protection at least for exclusive reproduction, public performance and broadcasting rights. The right of translation figures in both treaties.<sup>22</sup>

### *3. Extension of the Berne Convention to Works of American Origin*

A brief discussion concerning Berne eligibility for works of American origin is warranted by the interest this alternative route to treaty protection may present in a number of instances.

#### *a. "Back Door" to Berne*

A work of authorship first published in the United States by an American author is eligible for copyright protection in any Berne country provided that the publication occurred simultaneously in at least one member country of the Berne Union.<sup>23</sup> Simultaneous publication occurs if the work "has been published in two or more countries within thirty days of its first publication."<sup>24</sup> The Berne Treaty formulates a quantitative requirement with regard to publication. Copies must be available "such as to satisfy the reasonable requirements of the public, having regard to the nature of the work."<sup>25</sup> It has been argued that with respect to motion pictures this test is met by proving that "a real exploitation

<sup>18</sup> See *id.*, art. 11 ter (Paris Act).

<sup>19</sup> See *id.*, art. 12 (Paris Act).

<sup>20</sup> See *id.*, art. 13 (Paris Act).

<sup>21</sup> See *id.*, arts 14 and 14 bis (Paris Act). Text of art. 14 bis (1) and (2) (a) in the appendix.

<sup>22</sup> See U.C.C., art V (Paris Act); Berne Convention, art. 8.

<sup>23</sup> See Berne Convention, art. 3(1) (b) (Paris Act). This provision is reproduced in the appendix.

<sup>24</sup> Berne Convention, art. 3(4) (Paris Act). The Rome Act does not state the deadline of 30 days first introduced at the 1948 Brussels revision. See art. 4(3) §2 (Brussels Act); NIMMER ON COPYRIGHT, §17.04[D] [2] [b]. Under the Rome Act simultaneous publication therefore strictly meant publication on the same day. See NIMMER ON COPYRIGHT, *id.*, at 17-14. As to the status of a work simultaneously published in a country before it acceded to the Berne Union, see NIMMER ON COPYRIGHT, *id.* note 27; MASOUYÉ, *supra* note 11 at 27-28; DESBOIS & FRANÇON & KEREVER, *supra* note 10 at 133-35.

<sup>25</sup> This so-called public requirements test which has been refined in the Paris Act is stated in art. 3(3) (Paris Text); see NIMMER ON COPYRIGHT, §17.04[D] [2] [c], at 17-16—17-17.

took place after [the distribution of a sufficient number of film copies]."<sup>26</sup>

#### b. Advantages of Berne Protection For American Authors

There are at least three major advantages for American copyright owners to obtain Berne protection.

First, a number of countries have not signed the U.C.C. although they are members of the Berne Union.<sup>27</sup> An American work simultaneously published in any Berne country qualifies for treaty protection in these non-U.C.C. nations. This may be significant if the latter refuse to recognize valid copyrights of authors who are nationals of a country with which they have no treaty relations.

A second, more important advantage is related to copyright duration. Both multilateral treaties enunciate a rule of reciprocity by which a foreign court can deny protection to a work of authorship which already entered the public domain in its country of origin.<sup>28</sup> Under the Geneva system, this restriction is further tightened by the provision that in the case of simultaneous publication in two or more U.C.C. member states, the shorter term in force in one of them is deemed to be the term of the country of origin.<sup>29</sup> This means that if only one of several countries

<sup>26</sup> DESBOIS & FRANÇON & KEREVER, *supra* note 10 at 135. In the opinion of these scholars, when actual exploitation followed distribution, the *moment* of publication is still determined by the date of distribution. This view must be the correct one, since if simultaneous publication were to occur only at the moment a motion picture is actually shown in the movie theatres, compliance with the thirty-days deadline would needlessly be hampered. Motion picture copyright owners would indeed have to oblige their licensees to ensure that the movies start running at pre-planned dates. Failure by motion picture distributors to pay heed to this somewhat cumbersome requirement of simultaneous presentation hence unduly jeopardizes Berne protection for motion pictures otherwise simultaneously distributed in one or more Berne countries and one or more non-Berne countries.

One might, however, wonder how the French commentators reconcile their thesis with art. 3(3) *in fine* of the Berne Treaty (Paris Text) for which "the *performance* of a . . . cinematographic . . . work . . . shall not constitute publication." (Emphasis added.) Does exhibition of a film not precisely mean "performance"? See MASOUYÉ, *supra* note 11 at 28 and 83.

<sup>27</sup> The following Berne countries were not members of the U.C.C. as of January 1, 1981: Benin, Central African Republic, Chad, Congo, Cyprus, Egypt, Gabon, Guinea, Holy See, Ivory Coast, Libya, Madagascar, Mali, Mauritania, Niger, Romania, South Africa, Sri Lanka, Surinam, Thailand, Togo, Turkey, Upper Volta, Uruguay and Zaire. See NIMMER ON COPYRIGHT, Apps. 21-22. It appears from this picture that especially for purposes of licensing on the African continent, simultaneous publication is imperative.

<sup>28</sup> See *infra* notes 97-110 and accompanying text.

<sup>29</sup> See U.C.C., art. IV(6) (Paris Act). The time limit for simultaneous publication

of simultaneous publication strictly complies with the minimum copyright duration clause of life of the author plus *twenty-five* years,<sup>30</sup> an American work could be denied copyright protection in any U.C.C. country after the expiration of this term. Under the Berne system, the rule of the shorter term is virtually annihilated since Union countries are bound *jure conventionis* to grant a minimum copyright term of life of the author plus *fifty* years.<sup>31</sup> Simultaneous publication in a Berne country may be significant for American works subject to the U.S. copyright renewal structure. Under the U.C.C., failure to comply with the renewal formalities applying to works which had obtained a statutory copyright before the 1976 Copyright Act's effective date could trigger the application of the rule of the shorter term twenty-eight years after statutory copyright was secured.<sup>32</sup> Under the Berne Convention, however, the work must enjoy protection during the life of the author and for fifty years after his death.

Thirdly, no American work published prior to September 16, 1955, the day on which the U.C.C. became effective in the United States, may avail itself of the protection of this Treaty in other contracting countries.<sup>33</sup> Neither is such a work protectible in other countries where the convention took effect subsequent to September 16, 1955.<sup>34</sup> On the other hand, a great number of older works internationally unprotectible under the U.C.C. are rescued by virtue of the simultaneous publication device

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within the meaning of this text is the same as under art. 3(4) of the Berne Treaty (Paris Act), namely 30 days from first publication.

<sup>30</sup> See U.C.C., art IV (2) (a) (Paris Act).

<sup>31</sup> See Berne Convention, arts. 5(4) (b) and 7(1) (Paris Act). The fact that the shortest term prevails if works are published simultaneously in several countries of the Union with different terms, is irrelevant here. For the American owner of a work simultaneously published in two or more Berne countries this merely means that he cannot claim protection beyond the term of the life of the author plus fifty years if longer terms are granted in a Berne forum country.

<sup>32</sup> See *infra* notes 105-110 and accompanying text.

<sup>33</sup> See NIMMER ON COPYRIGHT, §17.04[B].

<sup>34</sup> See NIMMER ON COPYRIGHT, §17.04[D] [1]; *contra* BOGSCH, *supra* note 10 at 84 ("[h]ad the Conference wanted to exclude from the Convention protection any work (. . . not in the public domain) existing on the critical date [*i.e.*, the date on which the Convention becomes effective in the contracting country in which protection is claimed], it could have done so by stipulating that the Convention only applies to works created after the critical date, or by stipulating that the Convention shall not apply to any existing work. The Conference adopted neither of these two all-embracing formulas. Instead it used restrictive language ("permanently in the public domain") and it would seem difficult to argue that the Conference, speaking about works (or rights) permanently in the public domain, also meant works (or rights) not permanently in the public domain").

of the older Berne Treaty. This advantage is amplified by the Berne Convention rule of retroactive protection accorded to "all works which, at the moment of its coming into force, have not yet fallen into the public domain in the country of origin through the expiring of the term of protection."<sup>35</sup>

The least expensive way for American authors to enter the Berne Treaty through the back door would seem to be to simultaneously publish their works in Canada.<sup>36</sup> This practice may nevertheless require simultaneous publication *stricto sensu*, that is on the same day, since Canada ratified only the Rome Act.<sup>37</sup> In strict law it may be argued that a court of another Berne country deciding a copyright infringement suit must apply the Rome Act notwithstanding ratification of the later Brussels or Paris Acts by the state in which it sits.<sup>38</sup>

The principle of national treatment set forth by the two copyright conventions triggers a mechanism which guarantees the access by foreign works to the entire scheme of the French laws' protection.<sup>39</sup> This paper will focus on the judicial aspects of French law. A poet once nostalgically described his country as "*France, mère des arts, des armes et des lois. . .*"<sup>40</sup> Through the analysis of the case law, the author of this article has been led to doubt that France deserves to be called "motherland of the arts and . . . the laws"—at least for foreign works of authorship.

## II. THE PRINCIPLE OF EQUALITY OF COPYRIGHT PROTECTION FOR FOREIGN WORKS

It is hardly surprising that, after the consecration of the *droit d'auteur* by the French Revolution, some courts held that copyright derived from a natural right.<sup>41</sup> The corollary of this idea was particularly beneficial

<sup>35</sup> Art. 18(1) (Paris Act).

<sup>36</sup> Canada is bound by the Rome Act since August 1, 1931. See NIMMER ON COPYRIGHT, App. 22.

<sup>37</sup> See *supra* note 24 and accompanying text.

<sup>38</sup> For further developments on this conundrum, see NIMMER ON COPYRIGHT, §17.04[D] [2] [b], notes 27 and 29.

<sup>39</sup> The French Copyright Act is embodied in the Law No. 57-296 of March 11, 1957 on Literary and Artistic Property, reprinted in *English language in UNESCO, 1 Copyright Laws and Treaties of the World*, France, Item 1 (Supp. 1977) [hereinafter Copyright Statute].

<sup>40</sup> From "Regrets" by Joachim du Bellay, excerpts reprinted in G. POMPIDOU, *ANTHOLOGIE DE LA POÉSIE FRANÇAISE* 79 (1961).

<sup>41</sup> See e.g. *Verdi v. Calzado*, Judgment of Dec. 14, 1857, Cass., 1858 Dalloz [D.] I. 161, 164; *Bessel v. SACEM*, Judgment of Dec. 6, 1933, Trib. civ., Seine, 1934 Clunet, *Journal du Droit International* [Clunet] 907.

to artists who were nationals of countries which were not party to any copyright treaty with France.

### A. Absence of Treaty Protection

#### 1. Enjoyment of Rights and Conflicts of Law

French international civil law traditionally distinguishes between enjoyment of rights (*jouissance de droits*) by a foreign plaintiff and conflicts of law. The concept of enjoyment of rights originates in article 11 of the Civil Code, which subjects the benefit of private rights (*droits civils*) to a reciprocity clause designed to prod other countries to guarantee similar rights to Frenchmen abroad. For the courts, article 11 was to be construed to grant foreigners the enjoyment of all private rights of which they were not expressly deprived by statute. The landmark *Le Chant du Monde*<sup>42</sup> case imported this doctrine into copyright law apropos of unauthorized use of several Russian composers' works in the motion picture *The Iron Curtain*. In an appeal taken by *Le Chant du Monde*, assignee of the composers' rights, against a lower court order quashing its writ of attachment of the copy of the film shown in a Parisian movie theatre, the Paris Court of Appeals took notice that there was no particular statute which denied foreign authors the exercise of the rights enjoyable under French copyright law. Yet for the appellate judges, recognition by Soviet law of a right of private nature (*droit privatif*) in favor of the composers had to be established as a prerequisite for the plaintiff to invoke copyright protection in France.<sup>43</sup> The court alternately argued that article 3 of the old French Copyright Act on which plaintiff's suit was based was a public policy statute, given the drastic impounding procedure it mandated. It concluded that this provision "may be relied on by everyone . . ., once it is established that . . . an unlawful repro-

<sup>42</sup> *Société le Chant du Monde v. Société Fox Europa*, Judgment of Jan. 13, 1953, Cour d'appel, Paris, 1953 *Revue Critique de Droit International Privé* [R.C.D.I.P.] 739 note Y. Loussouarn, *aff'd*, Judgment of Dec. 22, 1959, Cass. civ., 28 *Revue Internationale du Droit d'Auteur* [R.I.D.A.] 120 (1960) note G. Holleaux; 1960 R.C.D.I.P. 362 note F. Terré.

<sup>43</sup> The court did not examine whether the composers' rights were in the public domain in the Soviet Union. It was satisfied with the existence of original rights which arose before the Soviet Revolution. Compare *Shostakovich v. Twentieth Century-Fox Film Corp.*, 80 N.Y.S.2d 575 (Sup. Ct. 1948), where it was held that under New York law, Dmitry Shostakovich's mere disapproval of the context in which defendant reproduced his compositions was not sufficient to justify a claim for injunctive relief. In this lawsuit it was taken for granted that the background musical compositions used in *The Iron Curtain* belonged to the public domain.

duction . . . infring[es] in France the exploitation monopoly sanctioned France the exploitation monopoly sanctioned by the French statute."<sup>44</sup>

The Supreme Court (*Cour de Cassation*) placed its imprimatur on the court of appeals' reasoning, specifying that French law governed because the infringement took place in France.<sup>45</sup> Overturning former case law which stated that a non-French work could only be protected if the first performance took place in France, the *Cour de Cassation* held that equal treatment must obtain on the mere condition that the foreign work has a valid copyright in its country of origin. It did not elaborate what it meant by "right of private nature."<sup>46</sup>

There is no case proposing a conflicts of law solution in the case of

<sup>44</sup> 1953 R.C.D.I.P. at 742. (Court holdings are translated by the writer of this paper). See also *Soc. Toho Cy. Ltd. v. Soc. Film d'art*, Judgment of June 3, Court d'appel, Paris, 1961, 33 R.I.D.A. 112 (1961) (holding that according to the public policy underlying the procedure for seizure of infringing copies, a foreign corporation may seek the impounding of film copies made in violation of its rights in a motion picture produced abroad).

<sup>45</sup> See 28 R.I.D.A. at 121 (1960) note G. Holleaux.

<sup>46</sup> The source of the right-of-private-nature condition lies in a line of cases dealing with illegal imports of infringing copies into France. Violation of the copyright laws of the country of export was held to constitute a necessary element of the offense. Claimants had to show that by virtue of the law of the country of export, they enjoyed a valid copyright. See *Grus v. Ricordi*, Judgment of July 25, 1887, Cass., 1888 D. I 4; *Leduc v. Bessel*, Judgment of March 24, 1924, Cass. crim., 1924 Clunet, 708. The better view seems, however, to separate the matter of protection for foreign works in France from the issue of unlawful importation of reproductions instead of jumbling concepts fashioned for quite different purposes. See also R. Sarraute, *La Loi du 11. 3. 1957 et le Droit d'Auteur des Etrangers en France*, 1961 GAZETTE DU PALAIS [G.P.] 28, 29.

*Le Chant du Monde* was preceded by two lower court judgments, *Bessel v. Société des Auteurs et Compositeurs Dramatiques*, Judgment of Feb. 14, 1931, Trib. civ., Seine, 1932 Clunet 113 and *Bessel v. SACEM*, Judgment of Dec. 6, 1933, Trib. civ., Seine, 1934 Clunet 907. The second decision in particular, concerned with performance rights in musical works composed by Moussorgsky and Rimsky-Korsakov, ignored any right-of-private-nature condition. The Tribunal Civil de la Seine maintained that "no restriction whatsoever can be imposed on the full application of French law, and our law being solely and totally applicable, there is no need to refer to old Russian or Soviet law." *Id.* at 909 (emphasis added).

According to an authorized commentator, see 28 R.I.D.A. 121, at 130 (1960), member of the panel of the *Chant du Monde* Supreme Court, the right-of-private-nature condition only requires that in the country of origin, an author's copyright be recognized in principle, whereas French law is to govern the scope of protection. Later, it has again been decided that French law grants copyright protection regardless of any reciprocity condition. See *Kouznetsov v. Sté Emmanuel Vitte*, Judgment of Feb. 16, 1961, Trib. gr. inst., Lyon, 1962 R.C.D.I.P. 299 note H. Desbois.



unpublished foreign works. Yet nothing in the courts' statements on the application of French law to works published in a foreign country hints that this solution is not equally extendible to unpublished works. Quite to the contrary, the 1957 Copyright Statute unambiguously adopts the historically deeply rooted principle of protection of intellectual works by the mere act of their creation, independently of publication.<sup>47</sup> It would thus seem odd to subject infringement actions with respect to unpublished foreign works to the law of the country of origin.<sup>48</sup>

The courts' liberalism vis-a-vis foreign works raised scholarly criticism and was eventually doomed by the 1964 Reciprocity Law.<sup>49</sup> The blame was pinned on the principle of assimilation between French and foreign works, insofar as it had the effect of unilaterally protecting Russian works in France. Critics took umbrage at the fact that under Soviet law, French copyright owners were refused the rights granted to Russians or their assignees in France.<sup>50</sup> Moreover, the judicial principle of national treatment as applied to non-Berne or non-U.C.C. nationals afforded greater protection than any treaty standards. The rule of the shorter term set forth in both multilateral copyright conventions illustrates this paradox.<sup>51</sup>

## 2. *The Introduction of a Reciprocity Rule*

The substance of the Reciprocity Law reads as follows:

(1) "Subject to the provisions of any international convention to which France is a party, in a case where it is discovered after consultation with the Minister for Foreign Affairs, that a State does not grant to works which appeared [*divulguées*, divulged, *i.e.*, made public] for the first time in France, in any form whatsoever, sufficient and effective protection, works which appeared for the first time within the territory of that State shall not be protected by French law so far as copyright is concerned.

(2) Any derogation, however, of the integrity or the authorship [*paternité*, paternity] of such works is forbidden.

(3) In the cases provided for under paragraph 1 above, the roy-

<sup>47</sup> See Copyright Statute, arts. 1, 2, and 7, the latter text presuming creation "by the mere fact of the author's conception being realized, even incompletely."

<sup>48</sup> But see Case Comment, H. Desbois, 1962 R.C.D.I.P. 299, at 308.

<sup>49</sup> See *infra* notes 52-61 and accompanying text.

<sup>50</sup> See, e.g., Case Comment, H. Desbois, 1962 R.C.D.I.P. 299, at 305-307.

<sup>51</sup> See *infra* notes 97-110 and accompanying text; see also Case Comment, Y. Loussouarn, 1953 R.C.D.I.P. 739, at 747-48.

alties shall be paid to societies of general interest designated by decree."<sup>52</sup>

A territorial criterion of first divulgation abroad prevails over the personal criterion of citizenship of the author. Thus, a French or multilateral treaty national having published a protectible work in a non-treaty country will be subject to the Reciprocity Law. It is questionable whether this rule withstands the Berne principle of protection by virtue of Union country citizenship.<sup>53</sup> The Reciprocity Law similarly raises a reverse discrimination problem with respect to French copyright owners.

In other instances, the geographical criterion of first publication abroad fosters international copyright protection without disturbing the rules of national treatment. Non-treaty nationals who first publish their works in France or in another treaty country are not forestalled from enjoyment of copyright in France.

For example, assignees of Russian composers first publishing a musical work in the German city of Leipzig, enjoy Berne protection. In *Glazounov v. Théâtre des Champs-Élysées*,<sup>54</sup> the defendant, owner of the theatre of the Champs-Élysées, rested his refusal to honor a contract with the Authors and Dramatical Composers Society on the Reciprocity Law. This contract granted the theatre performance rights in the opera *Prince Igor* against payment of royalties determined by a fixed percentage of the box office receipts.<sup>55</sup>

<sup>52</sup> Law No. 64-589 of July 8, 1964 Relating to the Application of the Principle of Reciprocity in Connection With the Protection of Copyright, art. 1, *reprinted in English language in UNESCO, 1 COPYRIGHT LAW AND TREATIES OF THE WORLD*, France, Item 6A (Supp. 1964) [hereinafter Reciprocity Law]. For a general comment on this Law, see H. DESBOIS, *LE DROIT D'AUTEUR EN FRANCE*, 923-34 (1978) [hereinafter cited as DESBOIS]; A. Françon, *La Loi du 8 Juillet 1964 sur l'Application du Principe de Réciprocité en Matière de Droit d'Auteur*, 1964 R.C.D.I.P. 279-303.

<sup>53</sup> See Berne Convention, art. 3(1) (Paris Act). The same discrepancy also affects U.C.C. nationals publishing their work in a non-treaty country. See U.C.C., art. II(1) (Paris Act); see also BOGSCH, *supra* note 10 at 12.

<sup>54</sup> Judgment of Nov. 15, 1968, Trib. gr. inst., Paris, 60 R.I.D.A. 155 (1969); 1969 R.C.D.I.P. 670 note A. Françon; 1970 R.T.D.C. 711 note H. Desbois.

<sup>55</sup> At the time of the Russian composer Aleksandr Borodin's death in 1887, certain themes of *Prince Igor* had been set down in outline form. Rimsky-Korsakov and Glazounov completed the musical composition. A puzzling case of first impression arose out of this unusual situation, the issue being whether the opera was a joint work (*oeuvre de collaboration*, work of collaboration), see Copyright Statute, arts. 9 §1 and 10 §1, or a derivative work (*oeuvre composite*, composite work), see Copyright Statute, arts. 9 §2 and 12. The determination of the status of the finished work directly bore on plaintiff's right to claim royalties for the whole composition. The defendant asserted that Glazounov's royalties only remunerated his separable contribution.

The Paris Tribunal de Grande Instance declared the 1964 Law inapplicable since it expressly reserves copyright treaty provisions.<sup>56</sup>

French authorities are split over the meaning of the requirement of "sufficient and effective protection" in a foreign state. Will a court only generally compare the levels of protection between the French and a given foreign copyright statute, or will it rather adopt a case-by-case approach, painstakingly weighing equivalent rights before deciding whether a foreign work may enjoy copyright in France?<sup>57</sup>

Since the Reciprocity Law is designed to set forth the legal conditions for enjoyment of copyright in France rather than to fashion specific conflicts of law rules, the first alternative ought to prevail. Subjecting copyright protection to an analysis of the very existence of a valid equivalent right under foreign copyright law actually implies direct application of that law each time it contains stricter standards than its French counterpart. *Chicago Pneumatic Tools v. S.A. Muller & Cie*<sup>58</sup> lends support to this view while holding that "in France, it is a principle that aliens are assimilated to nationals, without having to rely on the U.C.C. and even

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Acknowledging the fact that during his lifetime Borodin played several passages of his creation to Glazounov and Rimsky-Korsakov, the tribunal characterized this form of communication an "artistic communion" and held that the "opera . . . work of collaboration . . . is the common property of the coauthors." 60 R.I.D.A. at 158 (1969). It may be inferred from the tribunal's somewhat hazy semantics that it considered the opera to be the joint work of the three composers, although Borodin always intended to be the sole author of the opera. Compare 17 U.S.C. §101 (definition of a joint work) and see NIMMER ON COPYRIGHT, §§6.01, 6.02, 6.03, and 6.05. In any event, the common design of Glazounov and Rimsky-Korsakov to complete the work, buttressed by plaintiff's documentary evidence, leads to the conclusion that at least as between these two composers, the work was an "*oeuvre de collaboration*." From the foregoing, the tribunal decided that the Authors and Dramatical Composers Society representing Glazounov's widow was entitled, *qua* assignee of an individual share in the entire opera, to claim a royalty based on the whole work, without prejudice to any subsequent allocation of proportionate interests between the composers' different assigns.

<sup>56</sup> 60 R.I.D.A. at 159 (1969).

<sup>57</sup> See bibliographic references *supra* note 52. From the legislative report, Desbois concludes that courts must merely strike an overall balance between the French and the foreign laws at issue. See DESBOIS, note 52 *supra* at 929-32. Françon adheres to the "comparable individual rights" test. See 1964 R.C.D.I.P. at 289.

The meaning of "adequate and effective protection" as used in art. I of the U.C.C. is as elusive as the Reciprocity Law expression "sufficient and effective protection." The U.C.C. language seems to encourage a "civilized country" standard without drawing a line between acceptable and unacceptable variances from the norm. See BOGSCH, *supra* note 10 at 5-7.

<sup>58</sup> Judgment of Oct. 8, 1978, Trib. com., Paris, 101 R.I.D.A. 161 (1979).

less on the Reciprocity Law, on condition that [their country of origin] has a legislation on copyright of a *sufficient* level."<sup>59</sup>

Two important moral rights, namely the right of integrity and the right of paternity, escape the thrust of the Reciprocity Law. Yet other moral rights protectible under the Copyright Statute, such as the right to retract and the right to correct,<sup>60</sup> have not been excluded from the reciprocity rule. This dichotomy is indicative of the 1964 French parliament's intent not to ride roughshod over all moral rights.

The economic impact of the Reciprocity Law affects the foreign copyright owner as well as the French user. Non-treaty authors are not entitled to claim royalties for the exploitation of their works. On the other hand, the Law does not purvey a free license to users but bestows the royalty claim upon associations of general public interest. Rights management societies figure among the beneficiaries of this hybrid system which has been dubbed *domain public payant*.

It is finally noteworthy that unlike the American system of Presidential proclamations,<sup>61</sup> the Reciprocity Law only calls for a preliminary non-binding consultation with the Minister of Foreign Affairs to inform the interested parties and the court on the level of protection French works are afforded abroad.

### B. Treaty Protection

Protection for works of American origin has been achieved via the U.C.C. rather than through the Berne back door.

#### 1. The Universal Copyright Convention

The U.C.C. as a matter of principle guarantees national treatment for authors of contracting countries irrespective of the nature of the rights they enjoy in their country of origin.<sup>62</sup> Thus, a foreign assignee of exploitation rights in a motion picture first published in the United States may invoke the reproduction and performance rights provisions of the French Copyright Statute to obtain injunctive relief and damages against a French infringer. Moreover, the author of the motion picture himself has a valid claim based on violation of his *droit moral*,<sup>63</sup> not-

<sup>59</sup> *Id.* at 164 (emphasis added).

<sup>60</sup> See Copyright Statute, art. 32.

<sup>61</sup> See 17 U.S.C. §104(b) (4); NIMMER ON COPYRIGHT, §5.05[B] [c].

<sup>62</sup> See *supra*, notes 9-10 and accompanying text; BOGSCH, *supra* note 10 at 20-21.

<sup>63</sup> The right to respect for an author's name, authorship and work being "per-

withstanding non-recognition of moral rights in the law of the country of first publication. In *Société Roy Export Co. Establishment et Charlie Chaplin v. Société Les Films Roger Richebé* [hereinafter *The Kid*],<sup>64</sup> the Paris Court of Appeals upheld a foreign corporation's exploitation rights in the American silent motion picture *The Kid* as well as Charlie Chaplin's moral right as the author.<sup>65</sup> The court, stating that under the U.C.C., aliens must enjoy the same rights as French citizens, stressed that non-reciprocity in the domain of moral rights protection is not a proper reason for limiting the rule of national treatment to the economic attributes of copyright.<sup>66</sup> In *Ass'n Urantia Found. v. Jacques Weiss*,<sup>67</sup> the Tribunal de Grande Instance of Paris held that by virtue of article II(1) of the U.C.C., the American Urantia Foundation may obtain French copyright protection. Plaintiff claimed rights in the book of Urantia, revealed and dictated by the Power above to a group of anonymous mortals. The latter allegedly entrusted another group of mortals with the plates reproducing the manuscript of the book of Urantia, asking them to publish the cosmogonic teachings. Urantia maintained that it had been founded for that purpose and that while having been vested with the duty to ensure respect for the integrity of the Urantia teaching, it became the legal assignee of exclusive reproduction and translation rights therein. The defendant was plaintiff's licensee of these rights for France. The complaint alleged breaches of contract and copyright infringement. The plaintiff blamed the defendant among other things for distortions committed in the translation of the second edition of the Urantia book and for having, by the affixation of stickers, concealed the copyright notice on 5,500 copies of the third edition. Taking notice of the lack of prima facie evidence of plaintiff's allegations of translational alterations, the tribunal refused to order the expert valuation sought by Urantia,<sup>68</sup> but granted injunctive relief for the concealment of the copyright notice. While applying the rule of equal protection, the tribunal observed that Urantia's copyright acquired in 1962 was not alleged to be in the public domain in the United States. This observation is unfortunate since the book of Urantia could not have been refused copyright protection for

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petual, inalienable and imprescriptible," see Copyright Statute, art. 6 §2, cannot be transferred to the assignee of the exploitation rights.

<sup>64</sup> Judgment of April 29, 1959, Cour d'appel, Paris, 28 R.I.D.A. 133 (1960).

<sup>65</sup> See also *infra* note 117 and accompanying text.

<sup>66</sup> See 28 R.I.D.A. at 138 (1960).

<sup>67</sup> Judgment of Nov. 13, 1975, Trib. gr. inst., Paris, 88 R.I.D.A. 134 (1976).

<sup>68</sup> Arguably, the tribunal could have more stringently insisted on this droit moral aspect of the translation right. Art. V(2) (d) of the U.C.C. (Paris Text) expressly calls for a right to a correct translation.

being permanently in the public domain in the United States.<sup>69</sup> The book of Urantia arguably may well be in the public domain in the United States if it has been presented as a factual account.<sup>70</sup>

*Sté. Edgar Rice Burroughs Inc. v. Sté. d'Achat Moderne Samod*<sup>71</sup> granted French copyright law protection to the assignee and heirs of the rights in the written adventures of Tarzan. The defendant corporation, while launching an advertisement campaign for a chain of supermarkets, had used a photograph representing a jungle man surrounded by a woman and an ape. The defendant's intent in recreating Tarzan and his companions was obvious. The tribunal, not without mentioning proper renewal of the copyright in the United States, held that plaintiffs fully enjoy French property rights in these characters. Here, the public domain question was correctly raised, the issue being whether the work entered the public domain in the United States, not whether it was permanently in the public domain.

## 2. The Berne Convention

The rule of national treatment in the Berne Convention is strengthened by the provision that the enjoyment and exercise of copyrights "shall be independent of the existence of protection in the country of origin of the work."<sup>72</sup> This mechanism has hardly ever suffered any breakdown in a French forum.<sup>73</sup> In *Soc. Toho v. Les Films d'Art*,<sup>74</sup> the Tribunal de Grande Instance de la Seine granted Berne protection to a Japanese plaintiff claiming copyright ownership in the film *Hawai*

<sup>69</sup> See BOGSCH, *supra* note 10 at 20-21. According to the author, the Geneva Conference rejected a proposal for the denial of equal treatment to works which are permanently in the public domain in the country of origin.

It may as well be inferred from the transitional provision of art. VII of the U.C.C. (Paris Text) ("[t]his Convention shall not apply to works or rights in works which, at the effective date of this Convention in a Contracting State where protection is claimed are permanently in the public domain in the said Contracting State") (emphasis added) that works published in a U.C.C. country after the effective date of the Convention are protectible in any other U.C.C. country irrespective of their possible public domain status in the country of first publication; see also BOGSCH, *supra* note 10 at 83.

<sup>70</sup> See NIMMER ON COPYRIGHT, §2.11 [A]-[C].

<sup>71</sup> Judgment of Jan. 21, 1977, Trib. gr. inst., Paris, 95 R.I.D.A. 179 (1978); see also *infra*, note 122.

<sup>72</sup> See art. 5 §2 (Paris Act); see also MASOUYÉ, *supra* note 11 at 33-34; DESBOIS & FRANÇON & KEREVER, *supra* note 10 at 152-55.

<sup>73</sup> But see Dimitri B. Ionesco v. Sté Metro Goldwyn Mayer, Judgment of Feb. 14, 1977, Trib. gr. inst., Paris, 97 R.I.D.A. 179 (1978); 1978 R.T.D.C. 799 note H. Desbois, *infra* note 124 and accompanying text.

<sup>74</sup> Judgment of April 9, 1963, Trib. gr. inst., Seine, 39-40 R.I.D.A. 257 (1963).

*Malay Oki Kayren*, sequences of which were copied in the film *Kamikaze*, produced in France by Les Films d'Art. The original Japanese motion picture exalting the attack on Pearl Harbour was confiscated by the American Justice Department in 1951, six years after an attachment had been decreed by the Supreme Commandership of the Allied Forces. The defendant came into possession of all documents in connection with *Kamikaze* through a grant its predecessor in title had obtained from the United States Air Force Department in 1960. In its motion to dismiss the plaintiff's copyright infringement suit, Les Films d'Art contended that pursuant to the confiscation of the original film, Toho's copyright was forfeited. The 1951 confiscation of the film was accomplished according to the Peace Treaty signed between the Allied Forces and Japan, stipulations of which conferred to the former all property remaining under Japanese control at the end of the War. The tribunal decided that upon the Treaty, the American administration could only assign United States exploitation rights in the confiscated motion picture. Considering that the French government never exercised any rights with regard to the original motion picture, the tribunal concluded that

neither a Japanese national enjoying the double protection of the 1957 Copyright Statute and the Berne Convention nor the Japanese government acting on his behalf, can be deemed to have waived copyrights for a country [France] which . . . does not claim [any] rights [in the original motion picture].<sup>75</sup>

The *Prince Igor* tribunal,<sup>76</sup> applying the Berne Convention national treatment to the grantee of the exploitation rights in the opera which had been published in Germany, was confronted with the difficulty that Leipzig, the city of first publication, became part of the German Democratic Republic after World War II. At the date of the judgment, the Democratic Republic had not yet signed the Berne Convention. The French judges disposed of the problem by declaring that because of the ratification in 1933 of the 1928 Rome Act by the German government of the time, the Berne Treaty became effective in the whole German territory. In other words, the post-World War II division of that territory and non-ratification by the German Democratic Republic of the Berne Convention do not imply that publication in Leipzig will retroactively be regarded as having occurred in a non-treaty country.<sup>77</sup> But the court

<sup>75</sup> *Id.* at 260.

<sup>76</sup> See *supra* note 54 and accompanying text.

<sup>77</sup> For the opposite question of protection in a Berne country after (simultaneous) publication of a foreign (American) work in that country *before* it joined the Berne Union, see NIMMER ON COPYRIGHT, §17.04[D] [2] [b], note 27.

improperly rested its holding on article 4(1) of the Brussels Act on equal protection for Berne nationals. Since Russia, the authors' country of citizenship, was not a member of the Berne Union, the court should have referred to article 6(1) of the Brussels Act, which promulgates equal protection for non-Berne nationals, provided that they first publish their work in a Union country.<sup>78</sup>

The application of the rule of equality of protection has been reaffirmed in *Sté. Boosey and Hawkes Ltd v. Taverne*<sup>79</sup> which opposed the assignment of exploitation rights in Maurice Ravel's orchestral adaptation of *Pictures at an Exhibition*, a piano suite by Modest Moussorgski, to the French composer's heir. The plaintiff sought a declaratory judgment for express recognition of his rights for the United Kingdom and the British Commonwealth. The orchestration was first published in Germany. The Tribunal of Bayonne held that British law was to be applied to the plaintiff's suit, since the United Kingdom was the country for which protection was claimed. The lower court thus implemented the British termination of transfers provisions<sup>80</sup> by which an author's rights revert to his heirs or legatees twenty-five years after his death.

*S.P.A.D.E.M. v. Editions Nagel*<sup>81</sup> illustrates the application of the national treatment rule based on citizenship of the author, regardless of the place of first publication. The Tribunal de Grande Instance de Paris, invoking the natural right aspect of literary property, even more broadly held that an author's citizenship will be disregarded no matter where first publication took place, unless it occurred in a country refusing reciprocity.

One of the exceptions to the rule of equality of protection exists in connection with designs and models.<sup>82</sup> National statutes protecting de-

<sup>78</sup> Did the tribunal correctly resort to the Brussels Act which had not been ratified by the German Democratic Republic? See Brussels Act, art. 27(1), in force in France at the time of the litigation ("[t]his Convention shall replace, in relations between the Countries of the Union, the Convention of Berne of the 9th September 1886, and the subsequent revisions thereof. *The instruments previously in force shall continue to be applicable in relations with Countries which do not ratify this Convention.*") (Emphasis added.) At any event, the Rome Act already contained the geographical criterion of national treatment for non-Berne nationals having first published their works in a Berne country. See DESBOIS & FRANCON & KEREVER, *supra* note 10 at 35.

<sup>79</sup> Judgment of May 16, 1972, Trib. civ., Bayonne, 1972 R.T.C.D. 624 note H. Desbois.

<sup>80</sup> See U.K. Copyright Act of 1911, 1 & 2 Geo. 5, c. 46, §§5(2), 24(1) (a); see also NIMMER ON COPYRIGHT, §17.12[A].

<sup>81</sup> Judgment of March 29, 1979, Trib. gr. inst., Paris, 102 R.I.D.A. 164 (1979).

<sup>82</sup> See Berne Convention, arts. 2(5) §2 (Brussels Act) or 2(7) (Paris Act) reproduced in the appendix.



signs and models are applicable to Berne claimants only to the extent that the law of the country of origin similarly grants protection for these categories of works of applied art. French courts broadly construe this exception. In *Soc. Thomasson v. Soc. Golf Azur*,<sup>83</sup> the German owner of models of miniature golf tracks and his French licensee sued Thomasson for copyright infringement because it had installed for one of its customers several tracks similar to the plaintiff's models. Reversing the lower court judgment which had sustained the plaintiffs' cause of action, the court of appeals held that the Brussels Act provisions on designs and models

can only be understood in the sense that nobody may require in a Union country protection for a given work on a legal basis other than the legislation on models and designs, if the work is only protected as design and model in the country of origin.<sup>84</sup>

The court then went on to analyze German copyright law to find out whether works qualifying as designs or models are granted copyright. German law appeared to be very restrictive.<sup>85</sup> The court, finding that the models of miniature golf tracks did not meet the German test of copyrightability, concluded that they could neither be protected under the French Copyright Statute. The *Golf Azur* panel's reading of the Berne reciprocity exception for designs and models entails systematic application of the law of the country of origin if the latter's standards of copyrightability are stricter than those of the forum.<sup>86</sup>

### *C. Importation and Sale of Unlawful Reproductions (Contrefaçons)*

Recent case law betokens a remarkable development affecting the applicability of the criminal provisions of the law regarding the importation or sale of unlawful reproductions. Older opinions required the

<sup>83</sup> *Soc. Thomasson v. Soc. Golf Azur*, Judgment of Oct. 12, 1971, Cour d'appel, Lyon, 1972 R.C.D.I.P. 482 note A. Françon; see also *Syma System A.G. v. S.O.D.E.M. Sté*, Judgment of July 10, 1973, Trib. gr. inst., Paris, 1975 R.T.D.C. 511, note H. Desbois.

<sup>84</sup> 1972 R.C.D.I.P. at 483. In this instance, the plaintiffs had failed to comply with the deposit requirements of the French law on designs and models.

<sup>85</sup> German law was interpreted to grant protection to models only if two conditions coalesce. First, the artistic element of the design must be separable from the utilitarian function and second, the aesthetic aspect (*Gestaltungshoehe*) must be such that according to common concepts one could still consider the work a work of art. Compare NIMMER ON COPYRIGHT, §2.08[B] [3].

<sup>86</sup> See DESBOIS & FRANÇON & KEREVER, *supra* note 10 at 163.

prosecuting party or plaintiffs to prove that the reproductions transported into France had been made in violation of the copyright laws of the country of export.<sup>87</sup>

The 1957 Copyright Statute weakened former case law by revamping article 426 of the Penal Code.<sup>88</sup> Set out in full, this provision currently reads as follows:

[a]ny reproduction, performance or dissemination of an intellectual work by any means whatever, in violation of the author's rights *as defined and regulated by law* shall equally constitute an offense of unlawful reproduction (*délit de contrefaçon*). (Emphasis added.)

The French parliament impliedly referred to the Copyright Statute when mentioning rights "as defined and regulated by law." Article 426 does not address any international copyright law situation, but is related to the importation-of-unlawful-reproductions provision of article 425 §2 by the word "equally." The Tribunal de Grande Instance de Paris administered the *coup de grâce* to the old theory by broadly construing the statutory phrases "sale . . . and importation of unlawful reproductions"<sup>89</sup> and "reproduction . . . or dissemination of unlawful reproductions",<sup>90</sup> so as to hold them applicable to infringers who were not necessarily violating foreign copyright laws. The rule change took place in *Ministère Public v. A.P.*<sup>91</sup> A Parisian record store had commercialized

<sup>87</sup> See, e.g., *Grus v. Ricordi*, Judgment of July 25, 1887, Cass., 1888 D. I 4; *Leduc v. Bessel*, Judgment of March 24, 1924, Cass. crim., 1924 Clunet, 708; cf. also *Chaliapine v. Union des Républiques Socialistes Soviétiques*, Judgment of July 28, 1932, Cour d'appel, Paris, 1934 D. 139.

According to art. 425 §2 of the Penal Code "[t]he sale, exportation and importation of unlawful reproductions of works shall be subject to [a fine of 36,000 to 1,200,000 francs]." On its face, the wording of this article does not indicate whether the unlawfulness of the reproductions must be examined according to French and foreign law or if infringement of French valid copyrights alone triggers its application; cf. also Case Comment, G. Lepointe, 1934 D. 139, at 141. Compare U.K. Copyright Act of 1956, 4 & 5 Eliz. 2, Part II, §16(2) providing that copyright is infringed "by any person who, without the license of the owner of the copyright, imports an article . . . into the United Kingdom . . . if to his knowledge the making of that article constituted an infringement of that copyright or *would have constituted such an infringement if the article had been made in the place to which it is so imported.*" (Emphasis added.)

<sup>88</sup> See Copyright Statute, art. 71.

<sup>89</sup> See Penal Code, art. 425 §2.

<sup>90</sup> See Penal Code, art. 426.

<sup>91</sup> Judgment of Dec. 3, 1976, Trib. gr. inst., Paris, 92 R.I.D.A. 161 (1977).

thirty-five bootleg Rolling Stones phonorecords under the title *Going Back to the Roots: American Tour 1972*, imported from the Netherlands. The manager and employee of the store were charged, inter alia, with selling illegal reproductions. The tribunal convicted them upon the counts of the indictment, holding that "the author or his agent [the French Mechanical Reproduction Rights Society] enjoy the protection of the law in France, even though the exploitation of the work is free in the country of manufacture [of the phonorecords]."<sup>92</sup> This statement, however, is mere dictum in light of the fact that the imported records were pirated. In a later proceeding, *S.D.R.M. v. Béatrice G.*,<sup>93</sup> the issue was quite the same except that the imported phonorecords had been lawfully made and distributed in the United States. The defendant imported phonorecords, cassettes and cartridges from the United States without paying royalties to the French Mechanical Reproduction Rights Society.<sup>94</sup> She was convicted in a decision which quoted almost verbatim the earlier dictum in *Ministère Public v. A.P.*, including, in addition, foreign authors among those entitled to sue under the Penal Code.<sup>95</sup>

<sup>92</sup> *Id.* at 162.

<sup>93</sup> Judgment of April 24, 1980, Trib. gr. inst., Paris, 106 R.I.D.A. 135 (1980).

<sup>94</sup> Pursuant to an assignment from the Harry Fox Agency, Inc., the French Society was entitled to claim on behalf of American copyright owners royalties due for the exploitation of their works in France.

<sup>95</sup> The court rested its holding on the national treatment rule of art. II(1) of the U.C.C. (Paris Text). It furthermore found support in art. 31 §3 of the French Copyright Statute. This text requires that transfers of rights indicate their "extent and purpose . . . place and . . . duration." (Emphasis added.) The American licensor and his licensee were bound by a consensual agreement covering only the North American continent. Among the documentary evidence figured a telegram from Harry Fox to the French plaintiff indicating that the royalties paid within the consensual licensing scheme for the United States and Canada would not immunize exports to other countries against royalty claims based on *reproduction* rights. The telegram did not similarly reserve distribution rights. In light of the first sale doctrine, see 17 U.S.C. §109(a), it may be doubted that claims based on distribution rights could have been reserved at all. Considering that the defendant never intended to violate any reproduction right but imported the phonorecords for further sales, the opinion actually protects a divested right with respect to records lawfully sold in the United States.

One may envisage the opposite situation of American owners of non-dramatic musical works publicly distributing phonorecords in France. According to §115(a) (1) of the United States Copyright Act, no compulsory license would be triggered by virtue of distribution of the phonorecords outside the United States. See NIMMER ON COPYRIGHT, §8.04[C]. In sum, as between the United States and France, composers of nondramatic musical works enjoy iron-clad guarantees against divestiture of their reproduction and distribution rights. Distribution in France does not trigger the com-

It follows from the Paris Tribunal de Grande Instance doctrine laid down in *M.P. v. A.P.* and *Béatrice G.* that importation of copies or phonorecords for the purpose of unauthorized reproduction, distribution or both, is impermissible, no matter what the status of protection of the work is in the country of first publication.<sup>96</sup>

### III. COPYRIGHT DURATION

The mechanism of the *jus conventionis* governing the term of protection of foreign authors' rights sets forth a serious exception to the principle of national treatment. This exception, commonly referred to as the rule of the shorter term, figures in the U.C.C. and in the Berne Treaty.<sup>97</sup> A close reading of both conventions' provisions suggests that the Berne Convention, particularly the Paris Act, leaves comparatively less leeway for national courts to ignore the rule of the shorter term. French courts broadly apply the rule.

#### A. Rule of the Shorter Term Under the Berne Convention: *Société Sofipro-Suprafilms v. Société Barbara*<sup>98</sup>

pulsory license device in the United States, while distribution in the United States of particular copies does not give rise to a first sale doctrine in France. It only remains open whether distribution of copies in France may trigger application of the first sale doctrine in the United States.

<sup>96</sup> This conclusion has to be qualified in light of U.C.C. or Berne exceptions to the rule of national treatment.

According to a Cour de Cassation opinion, *Enrique Mayer*, Judgment of Feb. 2, 1977, Cass. crim., 93 R.I.D.A. 139 (1977), unauthorized printing and distribution of slavish copies of a French work of art in the United States is actionable and punishable in France provided that one of the elements of the offense takes place or can be located in France. The elements of the crime are the material fact of the reproduction, an act of bad faith presumed against the defendant, and infringement of a right defined by the French copyright statute. The third prong being almost always present, a copyright owner may sue a defendant domiciled in France, regardless of the fact that the latter may never have imported the infringing copies. The *Enrique Mayer* Court incidentally remarked that the defendant's infringing acts were also punishable in the United States. It would be rash to draw the sweeping conclusion from this mere observation not styled as a *conditio sine qua non* that the Supreme Court did not abandon the old infringement test of unlawful reproduction. At any event, in *Béatrice G.*, the Paris Tribunal de Grande Instance passed over without comment on *Enrique Mayer*.

<sup>97</sup> See U.C.C., art. IV(1), (4) (a) and (b) (Paris Act); Berne Convention, art. 7(8).

Both texts appear in the appendix.

<sup>98</sup> Judgment of March 19, 1964, Trib. gr. inst., Seine, 1965 R.C.D.I.P. 89 note H. Desbois.

*Ebb Tide* is a work of joint authorship which was published in London in 1894. Barbara, a French motion picture company, had obtained pre-judgment attachment of copies of the film *Le Reflux*, a derivative work based on the French translation of the English novel *Ebb Tide*. *Le Reflux* was produced under the supervision of Sofipro. Barbara traced its chain of title to cinematographic adaptation rights back to a grant from Lloyd Osbourne, the last surviving author of the English novel. At his death in 1947, occurring more than fifty years after the coauthor Robert Louis Stevenson had died, the work entered the public domain in the United Kingdom. According to French statutory law, it would have been protectible until 1997.<sup>99</sup> Filing an application with the Tribunal de Grande Instance de la Seine to quash the writ of attachment, the defendant invoked the rule of the shorter term of the Rome Act.<sup>100</sup> The plaintiff opposed that pursuant to article 19 of the Berne Convention providing a better treatment clause<sup>101</sup> for Union claimants, his claim should be governed by the *Chant du Monde* right-of-private-nature test. He maintained that this test, requiring nothing but the existence of minimum copyright protection in the country of origin of the work, was satisfied and hence would prevent the rule of the shorter term from coming into play. The Tribunal de Grande Instance was unsympathetic to this reasoning. Supposing the Rome Act framers' intention, it held that article 19 was not designed to interfere with the rule of the shorter term. The tribunal's construction is troublesome. It undercuts the very purpose and spirit of article 19 rather than implementing the framers' intention. A careful reading of the Rome version of article 19 suggests that this provision was devised as a remedy against discrimination between non-treaty and Berne claimants. To the extent that a country's copyright system grants equal protection to foreign authors belonging to a non-treaty country, Union claimants are unduly disadvantaged if the courts

<sup>99</sup> Copyright Statute, art. 21 §3; DESBOIS *supra* note 52 at 424-25.

<sup>100</sup> The Brussels Act was in force between France and the United Kingdom at the time of the hearing. But according to art. 18 §1 of the Berne Convention, works which entered the public domain in their country of origin before the coming into force of the Treaty are excluded from its sphere of protection. *Ebb Tide* fell into the public domain in Great Britain before the Brussels Act was signed.

<sup>101</sup> Art. 19 of the Rome Act reads as follows: "The provisions of this Convention shall not preclude the making of a claim to the benefit of any wider provisions which may be afforded by legislation in a Country of the Union *to the benefit of foreigners in general*." (Emphasis supplied.) The emphasized passage has subsequently been deleted at the 1948 Brussels revision. Art. 19 (Paris Act) is set out in the appendix.

of that country feel bound by the Berne reciprocity exception.<sup>102</sup>

### *B. Duration of Protection Under the Universal Convention*

In the U.C.C., the rule of the shorter term reads like a mere option, U.C.C. language ("[n]o Contracting State *shall be* obliged to grant protection to a work for a period longer than that fixed for the class of works to which the work in question belongs. . . .")<sup>103</sup> patently contrasts with the Berne formula "[u]nless the legislation of [the country where protection is claimed] otherwise provides, the term *shall not* exceed the term fixed in the country of origin of the work."<sup>104</sup>

<sup>102</sup> In his comment to the *Sofipro* opinion, handed down prior to the adoption of the Reciprocity Law, Professor Desbois finds support for the tribunal's approach in the semantics of art. 7(2) of the Convention (Rome Act). Use of the future tense ("[the protection] *shall not* exceed. . . .") (emphasis added), would indicate a clear prohibition on Union countries to refuse to apply the rule of the shorter term. See Case Comment, 1965 R.C.D.I.P. at 98.

It seems difficult to reconcile the rule of the shorter term with the substantive Berne minimum term of life of the author plus 50 years in instances where the rule of the shorter term is applied to works which entered the public domain in their country of origin less than 50 years after the author's death. Application of the rule of the shorter term by the courts of the country where protection is sought arguably constitutes a violation of the minimum standard term of article 7(1). It is true that for DESBOIS & FRANÇON & KEREVER, see *supra* note 10 at 38-39, art. 7(1) states a mere "wish" (*voeu pieux*) without any binding effect. But after all, the provision of article 7(1) is also expressed in the future tense ("[t]he term of protection granted by this Convention *shall be*. . . ."). (Emphasis added.) Should one not rather view the rule of the shorter term as only making sense in a forum country where copyright terms longer than the life of the author plus 50 years are in force? For instance, a German court could apply the rule of the shorter term if a plaintiff's rights derive from a work of authorship which at the expiration of a term of 50 years *post mortem auctoris* entered the public domain in the country of origin, but would still be protectible under the German statutory copyright term of life of the author plus 70 years. Cf. also MASOUEY, *supra* note 11 at 50-51.

<sup>103</sup> U.C.C., art IV(4) (a) (Paris Act) (emphasis added). Entire text reproduced in the appendix.

<sup>104</sup> Berne Convention, art. 7(8) (Paris Act) (emphasis added); see also BOGSCH, *supra* note 10 at 54. For the author, "[w]here deviation from the principle of pure national treatment is contemplated, its application is permissive and not obligatory." While the Berne Convention (Paris Act) subjects non-applicability of the rule of the shorter term to an express statutory provision, no similar condition can be read into art. IV(4) of the U.C.C. See BOGSCH, at 52-53. DESBOIS & FRANÇON & KEREVER, see note 10 *supra*, at 95, disagree. For them better treatment for foreign authors under the U.C.C. would be a paradox for "the U.C.C. has been established to bring together states

The Paris Cour d'Appel and the Cour de Cassation overlooked this fundamental distinction. The leading case, *S.A. Galba Films v. Friedman*,<sup>105</sup> implied a grant executed in 1968, by which Friedman, bankruptcy receiver for Buster Keaton Productions, transferred to Galba Films exclusive exploitation rights<sup>106</sup> in ten Buster Keaton films made in the United States. At the time of the grant, four of the ten motion pictures had already entered the public domain in the United States due to non-compliance with the American renewal formalities.<sup>107</sup> The court of appeals, confronted with the issue of whether failure to comply with the United States renewal formalities resulted in the forfeiture of Friedman's rights in France, resorted to the *Chant du Monde* test, making the point that the old right-of-private-nature requirement is not satisfied if the work for which protection is sought entered the public domain in the country of origin. The Cour d'Appel furthermore held that only an express statutory provision would entitle one to rely on the French statute to determine the duration of the copyright in the Buster Keaton films.

Recourse to the *Chant du Monde* right-of-private-nature test is inappropriate in a lawsuit governed by a copyright treaty. Moreover, this test has been misconstrued in the *Friedman* opinion. For the *Chant du Monde* Supreme Court, matters related to the regime of copyright protection are reserved to the law of the forum.<sup>108</sup> It hardly being debatable that the renewal formality pertains to the regime of copyright, it becomes apparent that the *Friedman* panel misinterpreted the French Supreme Court's former holding. With this in mind, one could have expected that when Friedman appealed to the Cour de Cassation, the court of appeal's judgment would be reversed. The Supreme Court instead dismissed the appeal in a *per curiam*-like opinion holding that no statutory provision accords protection to an intellectual work that, "having entered the public domain in the country of first publication, does not anymore enjoy

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unable or unwilling to join the Berne Union which provides for higher degrees of copyright protection." This argument seems tenuous. There is no provision in the Berne Convention eliminating the alleged paradox. Also, the U.C.C. conference never changed the phrasing of art. IV(4), whereas the Stockholm revision of the Berne Treaty added new impetus to the rule of the shorter term. Cf. also *Documents of the Geneva Conference, Report of the Rapporteur-General*, reprinted in BOGSCH, note 10 *supra*, at 188.

<sup>105</sup> Judgment of April 24, 1974, Cour d'appel, Paris, 83 R.I.D.A. 106 (1975); 1975 R.C.D.I.P. 440 note G. Bonet; 1975 R.T.D.C. 92 note H. Desbois.

<sup>106</sup> Exploitation rights include the right of reproduction and the right of performance. See Copyright Statute, art. 26.

<sup>107</sup> See generally NIMMER ON COPYRIGHT, §17.10[B] ("The Impact Abroad of Failure of a Transferee to Acquire American Renewal Rights"); see also U.C.C., art. IV(4) (b) (Paris Act) appearing in the appendix.

<sup>108</sup> See *supra* note 46.

a right of private nature in that country."<sup>109</sup> This rationale plainly endorses the court of appeals' two-fold erroneous reasoning.<sup>110</sup>

*C. Special Agreements Between Countries of the Union*

Article 20 of the Berne Convention reserves the signatories' right to maintain or conclude separate treaties among themselves provided that they improve the Union standards of protection or cover areas beyond its purview.<sup>111</sup> Such treaties are typified in bilateral agreements between France and a few other countries, according foreign authors the benefit of the French wartime extensions of copyright.<sup>112</sup> In *Dame Albeniz de Swert v. SACEM*,<sup>113</sup> the Paris Court of Appeals was confronted with the question whether these extensions apply even though the work for which continued protection is claimed has been first published in a third country where it entered the public domain. The plaintiff, heir of the Spanish composer Albeniz's rights in the suite *España*, sued the French authors' society to collect the balance payment of royalties for a period corresponding to the French wartime extensions. The musical work was first published in London in 1890 and entered the public domain in the United Kingdom in 1959, fifty years after the Spanish author's death. An exchange of diplomatic notes which took place between France and Spain in 1957 formally recognizes Spanish authors' right to take advantage of the French wartime extensions. The Court of Appeals of Paris affirmed the lower court, which had dismissed the plaintiff's suit. It considered that neither the bilateral Copyright Treaty of 1880 between France and Spain, nor the exchange of notes, put forward exceptions to the rule of the shorter term. It formally concluded that

<sup>109</sup> Judgment of Dec. 15, 1975, Cass. civ. 88 R.I.D.A., 116 at 116 (1976) note A. Françon; 1976 R.C.D.I.P. 515 note G. Bonet; 1976 R.T.D.C. 88 note H. Desbois.

<sup>110</sup> The Court's retreat from its previous position has a side effect on protection of foreign works first published in a non-treaty country. It may forebode a rigorous construction of the words "sufficient and effective protection" employed in the Reciprocity Law. See *supra* notes 57-59 and accompanying text; see also Case Comment, A. Françon, 88 R.I.D.A. 119-20 (1976).

<sup>111</sup> Art. 20 is set out in the appendix.

<sup>112</sup> See Law No. 51-1119 Concerning the Extension by Reason of the War, of the Duration of the Rights of Literary and Artistic Copyright, and Repealing the Law of July 22, 1941, Relating to Literary Copyright, *reprinted in English language in* UNESCO, 1 COPYRIGHT LAWS AND TREATIES OF THE WORLD, France, Item 3.

<sup>113</sup> Judgment of July 13, 1977, Cour d'appel, Paris, 95 R.I.D.A. 143 (1978); 1978 R.T.D.C. 575 note H. Desbois.



[A]n author who made public . . . his work in a foreign country where it entered the public domain at the expiration of a non-extended term of life of author plus fifty years may not avail himself in France of rights which expired in the country of origin. . . .<sup>114</sup>

The Cour de Cassation reversed this opinion.<sup>115</sup> The diplomatic notes were held to allow Spanish authors to claim the benefit of French wartime extensions regardless of the country of origin of the work. Yet the Cour de Cassation did not disturb the prior well-established French copyright duration doctrine applying the rule of the shorter term in the absence of express legislation or agreements. In *Albeniz de Swert* there was precisely such an agreement and the court was exclusively concerned with the interpretation of the diplomatic notes forming the agreement, the issue being whether an implied exception to the rule of the shorter term could be inferred from the content of these notes.

#### IV. MORAL RIGHTS PROTECTION

The principle of national treatment fully applies to foreign moral rights claimants.<sup>116</sup> The leading case, *The Kid*,<sup>117</sup> has been decided under the U.C.C., which as a matter of principle does not set forth substantive moral rights.<sup>118</sup> Charlie Chaplin, author of the motion picture *The Kid*, joined the proceedings initiated by Roy Export against Richebé, who was infringing the former's exploitation rights for France. The intervening party sought to recover nominal damages for unauthorized dubbing and sub-titling of his work. The court, finding for plaintiffs, held that adding a soundtrack to a silent movie was a typical *droit moral* violation, directly affecting the viewers' sensitivity, and thus being likely to severely alter their impressions or feelings.<sup>119</sup>

<sup>114</sup> 95 R.I.D.A. 143, at 145 (1978).

<sup>115</sup> Judgment of Oct. 9, 1979, Cass. civ., 103 R.I.D.A. 152 (1980); 1980 R.C.D.I.P. 744 note G. Bonet; 1980 R.T.D.C. 85 note A. Françon.

<sup>116</sup> For an in-depth discussion of moral rights in France, see generally DESBOIS, *supra* note 52 at 469-600 and 753-762.

<sup>117</sup> Judgment of April 29, 1959, Cour d'appel, Paris, 28 R.I.D.A. 133 (1960); see also *supra* note 64 and accompanying text.

<sup>118</sup> It may be argued that art. V(2) (d) of the U.C.C. (Paris Act) actually recognizes a moral right, namely the author's right to a correct translation of his work; see BOGSCH, *supra* note 10 at 65-66.

<sup>119</sup> An appeal taken against the court of appeals opinion was dismissed by the Cour de Cassation, Judgment of May 23, 1963, Cass. civ. 41 R.I.D.A. 134 (1963), leaving entirely intact the ruling in favor of moral rights recognition for U.C.C. claimants.

In *Kouznetsov v. Sté Emmanuel Vitte*,<sup>120</sup> an interlocutory decision, a Russian author's claim, prompted by an unauthorized and inaccurate translation of his novel first published in a Soviet magazine in 1957, was accepted as legally valid.<sup>121</sup> Summary judgment was even granted against the publisher of the unauthorized translation for having substituted another title for the French version of the novel and used a misleading cover.<sup>122</sup>

## V. RESTRICTIONS ON PROTECTED RIGHTS

The rule of shorter term is but one limitation on the principle of national treatment. *Golf Azur*<sup>123</sup> illustrates another Berne reciprocity exception with respect to design and model subject-matter. The Berne Convention furthermore contains a number of substantive provisions leaving the signatory countries free to curtail specific rights in several categories of works. These limitations have been fully applied in French courts.

In *Dimitri B. Ionesco v. Sté Metro Goldwyn Mayer*,<sup>124</sup> the hitherto basic judicial tenet of equality of foreign moral rights protection suffered a severe setback. This case will be discussed first, for it completes the picture of decisional law on foreign authors' moral rights.

### A. *Dimitri B. Ionesco v. Sté Metro Goldwyn Mayer*

Ionesco co-authored a poetized commentary for the movie *Permanences*, produced in Romania. Studio Alexandru Sahia, his employer,

<sup>120</sup> Judgment of Feb. 16, 1961, Trib. gr. inst., Lyon, 1962, R.C.D.I.P. 299 note H. Desbois; see also *supra* note 46.

<sup>121</sup> Plaintiff's suit rested on arts. 19 ("The author alone shall have the right to divulge his work. . .") and 40 ("Any complete or partial performance or reproduction made without the consent of the author . . . shall be unlawful. *"This shall also apply to translations, adaptations, new versions, . . . by any method or process whatever"*) (emphasis added) of the Copyright Statute.

<sup>122</sup> See also *Sté Edgar Rice Burroughs Inc. v. Sté d'Achat Moderne Samod*, Judgment of Jan. 21, 1977, Trib. gr. inst., Paris, 95 R.I.D.A. 179 (1978), *supra* note 71 and accompanying text, where the heirs of Edgar Rice Burroughs intervened in a copyright infringement action against an advertising company unlawfully using the characters of Tarzan and his companions. They were only awarded nominal damages, the court finding that the infringing advertisement photographs could not be said to debase the characters.

<sup>123</sup> See *supra* note 83 and accompanying text.

<sup>124</sup> Judgment of Feb. 14, 1977, Trib. gr. inst., Paris, 97 R.I.D.A. 179 (1978); 1978 R.T.D.C. 799 note H. Desbois.

made the film on behalf of Romania Films, the official Romanian motion picture producer. Metro Goldwyn Mayer was granted adaptation and exploitation rights for France. The contract with Romania Films expressly authorized Metro Goldwyn Mayer to change whatever would be necessary. The grantee actually substituted a prose text for the poems. Thereupon Ionesco, who also directed *Permanances*, sued Metro Goldwyn Mayer for damages, asserting that the alterations violated his right of integrity.

Two distinct questions arise out of this litigation: which treaty and which provisions thereof apply to Ionesco's action? and what is the status of Ionesco according to French law on cinematographic works?

Romania has only acceded to the Rome Act of the Berne Convention, while France ratified the Paris Act as early as October 10, 1974.<sup>125</sup> According to the provisions of article 32 of the Berne Convention (Paris Act), the Rome Act of 1928 must govern Ionesco's action for it is the latest Act in force in both countries.<sup>126</sup> No specific rules furnishing a pattern of uniform guidelines governing the regime of motion picture authorship are set forth in the Rome Act. Yet it established motion picture adaptation rights exclusively reserved for authors of literary works<sup>127</sup> and granted separate copyright protection in cinematographic works as such.<sup>128</sup> Pursuant to these provisions, the plaintiff must be entitled to copyright protection in any Berne country since he wrote the script and directed the motion picture *Permanances*. Last but not least, the Rome Act ushered in substantive *droit moral* protection by establishing the right of paternity and the right to prevent others from distorting, mutilating or otherwise altering works of authorship.<sup>129</sup>

<sup>125</sup> See NIMMER ON COPYRIGHT, App. 22.

<sup>126</sup> See MASOUYÉ, *supra* note 11 at 134.

<sup>127</sup> See Berne Convention, arts. 12 and 14(1) (Rome Act).

<sup>128</sup> See Berne Convention, art. 14(3) (Rome Act) ("[W]ithout prejudice to the rights of the author of the work adapted or reproduced, a cinematographic work shall be protected as an *original work*.") (Emphasis added.)

<sup>129</sup> See Berne Convention, art. 6 bis (1) (Rome Act). It is true that the exercise of the latter category of moral rights depends on a showing that their infringement damages the honor or the reputation of the author. In other words, a plaintiff obliged to rely on the Berne provision to the extent that the forum country's statutory laws do not harbor greater moral rights than the mandatory minimum *jure conventionis*, must prove injury or damage to his reputation. No moral rights infringement action lies for distortions or mutilations which the public would not notice or which would gratify the public taste. See DESBOIS & FRANÇON & KEREVER, *supra* note 10 at 40-41. The harm-to-reputation requirement has been kept in the subsequent revisions of the Berne Treaty. See art. 6 bis (1) (Paris Act), text in appendix; MASOUYÉ, *supra* note 11 at 41-42. One may regret that the Berne Convention establishes

Notwithstanding the rights granted *jure conventionis*, plaintiff Ionesco must by operation of the rule of national treatment<sup>130</sup> become entitled to rely on the 1957 Copyright Statute which provides a highly developed scheme of protection for authors of cinematographic works.<sup>131</sup> In French law, motion pictures are works of joint authorship, the following persons being presumed co-authors: (1) the author of the script, (2) the author of the adaptation, (3) the author of the dialogue, (4) the author of the musical compositions . . . especially composed for the work and (5) the director (*réalisateur*).<sup>132</sup> A salient feature of the system appears in article 14 §1 of the Copyright Statute. Only the physical persons who created the intellectual work are accorded the status of authors. *A contrario*, corporate entities such as motion picture production companies are incapable of authorship in cinematographic works.<sup>133</sup> The law, however, does not foreclose a motion picture producer from qualifying as author, provided that he is a physical person, and fits in one of the categories of presumed co-authors or otherwise contributed to the intellectual creation of the film.<sup>134</sup> Furthermore, the producer, whether a physical person or a corporation, is not precluded from *ownership* of

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a moral rights infringement test where the exercise of the right to prevent deforming changes to a work of authorship is made contingent upon potential injury to the reputation of the author. If the *droit moral* is to be considered a personal rather than a property right, it seems confusing to accord reputation injury the weight of a condition precedent to moral rights infringement. Compare RESTATEMENT (SECOND) OF TORTS §559 (1977). In the United States, the laws of defamation refer to reputation injury analogously defined.

<sup>130</sup> See Berne Convention, art. 4(1) (Rome Act).

<sup>131</sup> On the copyright system for cinematographic works, see generally DESBOIS, *supra* note 52 at 170-191; 781-816.

<sup>132</sup> See Copyright Statute, art. 14 §2. Pursuant to the third paragraph of the same article, the author of an underlying literary work not yet in the public domain also qualifies as co-author of the derivative cinematographic work.

<sup>133</sup> Copyright only vests in the individual creator of a work of authorship. The law in France denies associations and corporate entities the capacity to author an intellectual work. Art. 1 §3 of the Copyright Statute codifies a well established principle when stating that "[t]he existence, or the conclusion by the author of an intellectual work, of a contract to make a work, or an employment contract, shall imply no exception to the enjoyment of [his] exclusive incorporeal property right in the work, effective against all persons, by the mere fact of its creation"; see also DESBOIS, *supra* note 52 at 19. The only exception to the principle that corporate entities are debarred from copyright authorship exists in connection with authorship in collective works. See Copyright Statute, art. 13 §§1 and 2; DESBOIS, at 18-19 and 176.

<sup>134</sup> Copyright Statute, art. 17 §2. According to art. 17 §1, "[t]he producer of a cinematographic work is the physical person or legal entity who takes the initiative and responsibility in the making of the work."

exclusive cinematographic exploitation rights acquired by a grant.<sup>135</sup>

If one applies French law to the facts underlying *Ionesco*, there ought to be no doubt that the plaintiff is coauthor of the motion picture for which defendant obtained adaptation rights for France. Under the French legal system, Romania Films could lawfully be granted<sup>136</sup> exploitation rights in *Permanences*. Thus, it was capable of licensing these rights to Metro Goldwyn Mayer.<sup>137</sup> But any provision of the grant affecting the plaintiff's moral rights<sup>138</sup> should not be given effect in France, the *droit moral* being by definition inalienable.<sup>139</sup>

Contrary to what one might have expected, the Paris Tribunal de Grande Instance dismissed the plaintiff's moral rights infringement action. Its holding rested on the false premise that plaintiff failed to establish a copyright in his favor under the law of the country of first publication of the film. True, according to Romanian law, copyright in motion pictures vests in the producer rather than in the director. But that system is at antipodes with French law. The equal treatment principle, let alone substantive Berne provisions on the *droit moral*, have been blatantly ignored by the tribunal. The *Ionesco* holding cannot de-

<sup>135</sup> Art. 17 §3 of the Copyright Statute provides that "[t]he authors of a cinematographic work, except for the author of the musical compositions . . . are bound to the producer by a contract which, in the absence of a clause to the contrary, constitutes the transfer (*emporte cession*) to his benefit of the exclusive right of cinematographic exploitation, without prejudice to the rights recognized to the author by the provisions of Title II, and especially arts. 26 and 35."

Art. 35 §1 establishes the authors' right to a "*proportionate* participation in the receipts resulting from the sale or exploitation of the work." (Emphasis added.) The Statute indicates exceptions to the principle of proportionate participation in the receipts. These exceptions allow compensation by payment of a lump sum. Art. 36 §2 interesting foreign authors or foreign transferees of French authors stipulates: "[a] lump sum may also be paid for the transfer of rights by or to a person or organization established abroad."

<sup>136</sup> See *supra* note 135 and accompanying text.

<sup>137</sup> Under the Paris Act of the Berne Convention reference to the French system of copyright ownership in cinematographic works flows from the provisions of article 14 bis (2) (a) reproduced in the appendix; see also, MASOUEYÉ, *supra* note 11 at 85-86. Although the *jus conventionis* precludes authors having contributed to the making of the film from opposing the "subtitling or dubbing of texts," art. 14 bis (2) (b), plaintiff *Ionesco's* right to object to the impugned methods seems preserved under art. 14 bis §3 (Paris Act) ("[t]he provisions of paragraph (2) (b) shall not be applicable to authors of scenarios, dialogues and musical works . . . or the principal director [of the cinematographic work].") (Emphasis added.)

<sup>138</sup> Art. 16 §2 of the Copyright Statute reserves "[t]he authors' own [moral] rights [in the completed cinematographic work]. . . ."

<sup>139</sup> See Copyright Statute, art. 6 §2.

cently be considered a precedent establishing a viable limitation on foreign motion picture authors' moral rights.<sup>140</sup>

*B. Droit de Suite: Survival of a Reciprocity Principle?*

Foreign artists are not entitled to invoke the benefit of the *droit de suite* similarly to French nationals.<sup>141</sup> The *droit de suite* was established by a statute, enacted in 1920, and amended in 1922. A decree issued in 1920 on the basis of that statute subjected the *droit de suite* of foreign authors to a reciprocity rule. The country to which they belong must accord French artists the benefit of a *droit de suite*.<sup>142</sup> A subsequent 1956 decree added a two-fold subsidiary point of contact based on residence in France during at least five—not necessarily consecutive—years and “participation in the French cultural life.”<sup>143</sup>

The discrimination between French and foreign artists is all the less tenable as it affects once more a moral right. The decree of 1920 is of doubtful legality; in effect, no provision in the 1920 Statute nor in the current Copyright Statute expressly or impliedly deprives foreign artists of the enjoyment of the *droit de suite*. Moreover, the 1957 Copyright Statute repealed the 1920 Statute on the basis of which the restrictive decrees had been made.<sup>144</sup> Arguably, these decrees have been superseded by the 1957 Statute.

The Berne Convention puts forth an optional reciprocity princi-

<sup>140</sup> Interestingly enough, in *Gilliam v. American Broadcasting Co., Inc.*, 538 F. 2d 14 (2d Cir. 1976), the United States Court of Appeals for the Second Circuit held that the British writers in the comedy group “Monty Python” were entitled to injunctive relief against unauthorized deletions made in their scripts for a BBC television program. The *Gilliam* opinion which confers on “the right to prevent distortion or truncation . . . full copyright status,” see NIMMER ON COPYRIGHT, §8.21[C] [1], casts a very unfavorable light on the Paris tribunal's judgment in *Ionesco*, since contrary to the French Copyright Statute, American statutory copyright law, as a matter of principle, does not recognize moral rights.

<sup>141</sup> The right of an author of graphic and plastic works to share in the proceeds from the resale of these works is anchored in art. 42 §1 of the Copyright Statute. The *droit de suite* is inalienable as any other moral right. See generally DESBOIS, *supra* note 52 at 374-401.

<sup>142</sup> This reciprocity standard is strengthened by a rule of the shorter term placing the duty on French courts to ascertain if the foreign plaintiff's right to “follow” his work of art has not yet expired at the time an infringement suit is pending.

<sup>143</sup> Decree of September 15, 1956, art. 10(2), 1956 *Journal Officiel de la République Française* [J.O.] at 8886.

<sup>144</sup> See Copyright Statute, art. 77; see also, DESBOIS, *supra* note 52 at 381.

ple.<sup>145</sup> Berne countries are free to reserve the *droit de suite* for their own nationals. This allowance *jure conventionis*, however, cannot serve as a backing to the French reciprocity rule, whose likely illegality is a matter intrinsic to national law.

Should U.C.C. claimants be accorded a *droit de suite*? The Geneva Treaty being silent on the issue, there is nothing that would prevent the national treatment principle from being applied in relations between France and U.C.C. countries.<sup>146</sup>

### *C. News of the Day and Other Items of Press Information*

News of the day or miscellaneous facts having the character of mere items of press information are not protectible under the Berne Treaty.<sup>147</sup> The familiar dichotomy between ideas and their expression is reflected in this rule. The question came up whether photographs illustrating items of news are covered by the exception. A Cour de Cassation opinion expressed the view that the Berne exception does not embrace pictures taken for the purpose of illustrating a news report.<sup>148</sup>

### *D. Reproduction by the Press of Articles on Current Economic Topics*

The Berne Convention sets forth certain optional limitations on copyright protection, designed to maintain a modicum of freedom of circulation of ideas.<sup>149</sup> One of these restrictions leaves the Union countries free to refuse to protect articles or reports on economic, political or religious topics, unless the authors or copyright owners have expressly reserved their rights.<sup>150</sup>

<sup>145</sup> See Berne Convention, art. 14 ter (2) (Paris Act) reproduced in the appendix to this paper; see also MASOUE, *supra* note 11 at 91.

<sup>146</sup> See NIMMER ON COPYRIGHT, §17.04[B], note 6, at 17-10 ("the *droit de suite* would seem clearly to constitute rights 'equivalent' to copyright . . . and should, therefore, be regarded as subject to the requirement of national treatment.") (Citation omitted.)

<sup>147</sup> See Berne Convention, art. 2(8) (Paris Act) reproduced in the appendix.

<sup>148</sup> Judgment of May 5, 1959, Cass. civ., 1959 Bulletin des Arrêts de la Cour de Cassation, Chambres Civiles [Bull. civ.] I 192; 1960 R.C.D.I.P. 622. The Cour de Cassation could have found additional support in art. 2(1) (Brussels Act) of the Berne Convention indicating "photographic works and works produced by a process analogous to photography" among copyright subject-matter.

<sup>149</sup> See Berne Convention, arts. 10 and 10 bis (Paris Act).

<sup>150</sup> See Berne Convention, art. 10bis (1) (Paris Act) reproduced in the appendix; see also MASOUE, *supra* note 11 at 61-62. It may fairly be said that after a remarkable development which gradually embraced new restrictions on the possibility to refuse copyright protection for news reports, the current art.

*The Financial Times Ltd. v. la S.A.R.L. Ecopress*<sup>151</sup> opposed two major British newspaper publishers to a French company editing weekly press reviews of translated summaries of articles selected from their publications. The French company amply used one publisher's articles without payment of royalties. A copyright infringement action based on the French statutory provisions regarding reviews in the press (*revues de presse*)<sup>152</sup> was filed. The Paris Tribunal de Commerce, after a superfluous digression on moral rights, held that the foreign articles were translated without any comment and that the summaries accurately reflected the views expressed by the plaintiffs.

However correctly the court might have appraised these facts, the plaintiffs never sought to vindicate moral rights. Moreover, the *Ecopress* opinion conflicts with the Cour de Cassation's definition of reviews in the press. This concept presupposes the gathering of a variety of articles or comments focusing on *one* theme.<sup>153</sup> Quite to the contrary, the defendant's press reviews were a pell-mell assemblage of foreign newspaper and magazine articles. There was no consistent presentation of different points of view on one chosen feature.

## VI. CONCLUSION

The particularities and imponderableness of judge-made law always complicate commentators' attempts to distill consistent rules from a body of decisional law. This is particularly true in the context of French international copyright case law, given the variety of opinions rendered on different, often unrelated, topics.

Focusing on the trend of the judicial policy behind the legal theories and doctrines might be a suitable approach for an overall evaluation of

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10 bis (1) version of the Berne free speech provisions strikes the balance in favor of the author. The fact that the Paris Amendment extended the benefit of art. 10 bis (1) to reproductions by contemporary communication means such as broadcasting and secondary transmissions, and conversely to copying by the press from broadcasting stations and cable operators' programs, does not really alter this conclusion.

<sup>151</sup> Judgment of Jan. 28, 1980, Trib. com., Paris, 108 R.I.D.A. 164 (1981); 1981 R.T.D.C. 85 note A. Françon.

<sup>152</sup> Art. 41(3) of the Copyright Statute states that "[w]hen a work has been disclosed, the author shall not be entitled to prohibit . . . [r]eviews in the press [on condition that his name and the source are clearly indicated]."

<sup>153</sup> See DESBOIS, *supra* note 52 at 318-19. When passing the copyright statute, the French Parliament intended the reviews in the press to merely constitute a column in a newspaper or periodical. These reviews were not meant to be printed and published as such.



French copyright protection for foreign works. But then the picture of the present status of the law appears rather dark. A brief, doubtless incomplete, comparison with the evolution of judicial implementation of moral rights in the United States even enters one's mind.

*Le Chant du Monde*<sup>154</sup> was an outstanding illustration of a highly favorable reception of the Russian composer Dmitri Shostakovich's claim in a French court. By contrast, the U.S. case *Shostakovich v. Twentieth Century-Fox Film Corporation*<sup>155</sup> held that no invasion of this composer's moral right was caused by the defendant's use of his musical works—admittedly in the public domain. Sent to the limbo of legal history by the 1964 Reciprocity Law, the *Chant du Monde* doctrine is no longer valid law.

*The Kid*<sup>156</sup> stands for a clear recognition of a foreign motion picture author's inalienable moral rights in France. This landmark precedent based on the national treatment rule of the U.C.C. has been ignored if not abandoned in *Ionesco v. Metro Goldwyn Mayer*.<sup>157</sup> The poor legal construction in the *Ionesco* opinion contrasts with the United States Court of Appeals for the Second Circuit opinion in *Gilliam v. American Broadcasting Companies*,<sup>158</sup> where foreign authors' moral right to prevent the broadcasting of a truncated version of their scripts was fully acknowledged. The *Ionesco* holding is especially untenable in light of strong Berne Convention and French statutory support for the vindication of a plaintiff's right to prevent deforming changes in his work.

Criticism must also be leveled at the tendency of the French courts to subscribe to the most expansive applications of limitations *jure conventionis* on the principle of national treatment. Suffice it to mention the *Friedman*<sup>159</sup> court's reading of the rule of the shorter term.<sup>160</sup>

Last but not least, one cannot help mentioning a certain lack of clarity in some opinions. Elliptic formulas or redundancies constitute a major source of confusion. *Enrique Mayer*<sup>161</sup> is but one example of non-chalantly styled dictum which has the effect of reopening the question whether or not for the French Supreme Court, a judgment of the crim-

<sup>154</sup> See *supra* note 42 and accompanying text.

<sup>155</sup> 80 N.Y.S.2d 575 (N.Y. Sup. Ct. 1948).

<sup>156</sup> See *supra* note 64 and 117 and accompanying text.

<sup>157</sup> See *supra* note 124 and accompanying text.

<sup>158</sup> 538 F.2d 14 (2d Cir. 1976).

<sup>159</sup> See *supra* note 105 and accompanying text.

<sup>160</sup> See also *Soc. Thomasson v. Soc. Golf Azur* on article 2(5) §2 of the Berne Convention (Brussels Act), *supra* note 83 and accompanying text; *The Financial Times Ltd v. S.A.R.L. Ecopress*, on article 10bis (1) of the Berne Convention (Paris Act), *supra* note 151 and accompanying text.

<sup>161</sup> See *supra* note 96.

inal offense of producing unlawful reproductions in a foreign country depends on a showing of copyright infringement under the law of that country.

There is a widening rift between the rule of equality of protection to which France adheres through U.C.C. as well as Berne membership and the actual treatment of foreign copyright owners in French courtrooms.

This gloomy reality is unworthy of a country whose literary and artistic property legislation is regarded by many as an ideal in copyright protection.

Today, more than ever before, the political and social desirability of uninhibited "dissemination of works of the human mind and increase [in] international understanding"<sup>162</sup> calls for a revival of the traditional, broad-minded judicial policy of fair protection of foreign authors' rights under the aegis of the French Copyright Statute.

<sup>162</sup> Preamble to the U.C.C. Convention, §3.

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## APPENDIX

### *EXCERPTS OF COPYRIGHT CONVENTIONS*

Reprinted in NIMMER ON COPYRIGHT Appendices 25-28

#### A. UNIVERSAL COPYRIGHT CONVENTION

##### Article II (Paris Text)

1. Published works of nationals of any Contracting State and works first published in that State shall enjoy in each other Contracting State the same protection as that other State accords to works of its nationals first published in its own territory, as well as the protection specially granted by this Convention.

Unpublished works of nationals of each Contracting State shall enjoy in each other contracting State the same protection as that other State accords to unpublished works of its own nationals, as well as the protection specially granted by this Convention.

For the purpose of this Convention any Contracting State may, by domestic legislation, assimilate to its own nationals any person domiciled in that State.

##### Article IV (Paris Text)

1. The duration of protection of a work shall be governed, in accordance with the provisions of Article II and this Article, by the law of the Contracting State in which protection is claimed.

...

4. (a) No Contracting State shall be obliged to grant protection to a work for a period longer than that fixed for the class of works to which the work in question belongs, in the case of unpublished works by the law of the Contracting State of which the author is a national, and in the case of published works by the law of the Contracting State in which the work has been first published.

(b) For the purposes of the application of sub-paragraph (a), if the law of any Contracting State grants two or more successive terms of protection, the period of protection of that State shall be considered to be the aggregate of those terms. However, if a specified work is not protected by such State during the second or any subsequent term for any reason, the other Contracting States shall not be obliged to protect it during the second or any subsequent term.

**B. BERNE CONVENTION****Article 2(5) (Brussels Text)**

It shall be a matter for legislation in the Countries of the Union to determine the extent of the application of their laws to works of applied art and industrial designs and models, as well as the conditions under which such works, designs and models shall be protected. Works protected in the Country of origin solely as designs and models shall be entitled in other Countries of the Union only to such protection as shall be accorded to designs and models in such Countries. [Art. 2(7) of the Paris Text adds: "[H]owever, if no such special protection is granted in that country, such works shall be protected as artistic works."]

**Article 2(8) (Paris Text)**

The protection of this Convention shall not apply to news of the day or to miscellaneous facts having the character of mere items of press information.

**Article 3 (Paris Text)**

1. The protection of this Convention shall apply to:

...

(b) authors who are not nationals of one of the countries of the Union, for their works first published in one of those countries, or simultaneously in a country outside the Union and in a country of the Union.

...

A work shall be considered as having been published simultaneously in several countries if it has been published in two or more countries within thirty days of its first publication.

**Article 5(1) (Paris Text)**

Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention.

**Article 6 bis (1) (Paris Text)**

Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation, or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.

**Article 7 (Paris Text)**

(1) The term of protection granted by this Convention shall be the life of the author and fifty years after his death.

...

- (8) In any case, the term shall be governed by the legislation of the country where protection is claimed; however, unless the legislation of that country otherwise provides, the term shall not exceed the term fixed in the country of origin of the work.

Article 10 bis (1) (Paris Text)

It shall be a matter for legislation in the countries of the Union to permit the reproduction by the press, the broadcasting or the communication to the public by wire of articles published in newspapers or periodicals on current economic, political or religious topics, and of broadcast works of the same character, in cases in which the reproduction, broadcasting or such communication thereof is not expressly reserved. Nevertheless, the source must always be clearly indicated; the legal consequences of a breach of this obligation shall be determined by the legislation of the country where protection is claimed.

Article 14 bis (Paris Text)

(1) Without prejudice to the copyright in any work which may have been adapted or reproduced, a cinematographic work shall be protected as an original work. The owner of copyright in a cinematographic work shall enjoy the same rights as the author of an original work, including the rights referred to in the preceding Article.

(2) (a) Ownership of copyright in a cinematographic work shall be a matter for legislation in the country where protection is claimed.<sup>163</sup>

Article 14 ter (Paris Text)

(1) The author, or after his death the persons or institutions authorized by national legislation, shall, with respect to original works of art and original manuscripts of writers and composers, enjoy the inalienable right to an interest in any sale of the work subsequent to the first transfer by the author of the work.

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<sup>163</sup> Art. 14 of the French Copyright Act provides: "Authorship of a cinematographic work shall be deemed to belong to the *physical* person or persons who brought about the intellectual creation thereof." (Emphasis added.)

## PART II

## LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

## 1. United States of America and Territories

## 458. U.S. CONGRESS. SENATE.

S. 3117. A bill to amend title 17 of the United States Code to protect semiconductor chips and masks against unauthorized duplication, and for other purposes. Introduced by Sen. Mathias on December 18, 1982; and referred to the Committee on the Judiciary. (97th Cong., 2d Sess.).

This bill would extend the copyright law to protect semiconductor chip designs. It is intended to protect research and development investment of the engineers and the companies that produce new chip designs, by giving them copyright protection for a period of ten years. The bill includes a provision for a compulsory license allowing use of pirated chips by paying a royalty. [This bill is similar to H.R. 7207].

## 459. U.S. COPYRIGHT OFFICE.

Issuance of additional certificates of registration for copyright registrations made before January 1, 1978. Notice of new procedures. *Federal Register*, vol. 47, no. 237 (Dec. 9, 1982), p. 55439.

The Copyright Office announces that effective immediately additional certificates covering registrations made before January 1, 1978 will be photoreproduced from the original application and affixed to a page containing an official certification. This procedure is being adopted to eliminate (1) time-consuming activities by Office employees who now type the information onto printed forms and (2) the possibility of errors in transcription.

## 460. U.S. COPYRIGHT ROYALTY TRIBUNAL.

37 CFR 308. Adjustment of the royalty rates for cable systems; Federal Communications Commission's deregulation of the cable industry. Final rule. *Federal Register*, vol. 47, no. 224 (Nov. 19, 1982), pp. 52146-59.

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The Copyright Royalty Tribunal amends Part 308 of its rules governing the royalty rates for secondary transmissions by cable systems. The amendments call for new rates to be applied for the carriage of additional signals and programming resulting from the Federal Communications Commission's (FCC) repeal of its distant signal carriage and syndicated program exclusivity restrictions on cable transmissions. To accommodate the elimination of FCC distant signal limits, Part 308 provides that the rate for each new distant signal shall be 3.75% of the gross receipts of the cable systems. The charge with respect to syndicated exclusivity is as follows: for "each distant signal . . . carriage of any signal which was subject to the FCC's syndicated exclusivity rules," surcharges for cable systems located wholly or in part within a top 50 television market shall be .599% of gross receipts for the first distant signal equivalent (DSE), .377%, for the second through fourth DSE and .178 of 1%, for the fifth and subsequent DSE. The surcharges for systems wholly or partially in a second 50 television market shall be .300%, for the first DSE, .189 of 1%, for the second through fourth DSE and .089 of 1%, for the fifth and additional DSE.

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## PART IV

**JUDICIAL DEVELOPMENTS IN LITERARY AND  
ARTISTIC PROPERTY****A. DECISIONS OF U.S. COURTS****1. Federal Court Decisions****161. KAMAKAZI MUSIC CORP. v. ROBBINS MUSIC CORPORATION.**

Bender and Frankel, New York, N.Y., Sandor Frankel, of counsel, for plaintiffs; Abeles, Clark and Osterberg, New York, N.Y., Robert C. Osterberg, of counsel, for defendant Robbins Music Corporation; Evans, Severn, Bankert and Peet, Utica, New York, for defendant Vicks Lithograph, Inc.

Litigation involving a series of interesting claims, motions and issues, tried throughout the course of two years. Several of the motions dealt with by the District Court will be discussed in the order they were heard. The facts are set out briefly:

Singer and songwriter Barry Manilow is the sole shareholder of plaintiff Kamakazi Music Corporation. Kamakazi is the owner of the copyrights in songs written in whole or in part by Manilow. In November 1976, Kamakazi licensed defendant Robbins Music Corporation to publish certain Manilow compositions in "personality folios"—compilations of sheet music of works of a single artist. Under Kamakazi's interpretation, Robbins' right, under the agreement, to print the personality folios expired on December 31, 1979, and its right to sell them expired on July 31, 1980. Under Robbins' interpretation, it could print the folios until December 31, 1980 and sell them indefinitely. Kamakazi brought this action, *inter alia*, to prohibit Robbins from printing and selling the folios.

At the outset of the suit, Robbins moved to dismiss the action for lack of subject matter jurisdiction, and, alternatively, for a stay of proceedings pending arbitration pursuant to the contract. On June 5, 1980, the District Court denied Robbins' motion to dismiss and granted its motion for a stay. Arbitration proceedings were



held. The arbitrator upheld Kamakazi's interpretation of the contract, found that Robbins infringed twenty-five separate Kamakazi copyrights (comprised of twelve individual Manilow works, and thirteen so-called compilations or derivative works), awarded Kamakazi \$300,000 in statutory "in lieu" damages and attorneys fees, and ordered Robbins to refrain from any further infringement.

- 1) KAMAKAZI MUSIC CORPORATION V. ROBBINS MUSIC CORP., 522 F. Supp. 125 (S.D.N.Y. Aug. 3, 1981) [Sweet, D.J.].

Motion to confirm an arbitration award granting plaintiff injunctive relief, statutory damages and attorneys fees for defendants' infringement of certain copyrights by publishing sheet music after the expiration of a license agreement. Motion granted in part. *Held*, an arbitrator is without jurisdiction to determine the validity of a copyright; however, an arbitrator may determine whether a copyright has been infringed, and if so, award injunctive relief, damages and attorneys fees.

Plaintiff Kamakazi moved to confirm the arbitrator's award. Defendant Robbins cross-moved to vacate the award, on the ground, *inter alia*, that the arbitrator exceeded his authority by ruling on issues other than the duration of Robbins' license. The District Court determined that the arbitrator had not exceeded his authority. In so holding, the court resolved what it characterized as competing interests. The competing interests identified by the court were the federal interest in settlement of disputes by consensual arbitration, as evidenced by the Federal Arbitration Act, and the federal interest in resolution of copyright disputes by the district courts, as evidenced by those courts' exclusive jurisdiction over such actions.

The court described its earlier decision (June 5, 1980), denying Robbins' motion to dismiss the action because it arose under the Copyright Act, as one which would ordinarily preclude arbitration of the dispute. However, notwithstanding the interest in adjudication of copyright disputes in federal court, a variety of issues involving copyrights may be the subject of arbitration, except perhaps, the validity of a copyright. In this case, the arbitrator did not rule on the validity of Kamakazi's copyrights, but accepted its certificates of registration as *prima facie* evidence of their validity, refusing to admit rebuttal evidence. The arbitrator clearly had authority to interpret the contract between the parties, and the court found no reason for him not to have considered Kamakazi's claims of infringement and demand for damages. The arbitration clause was broad enough to include such matters and Robbins was fully aware of all of Kamakazi's claims when it moved for a stay of the action pending arbitration.

Therefore, the court confirmed the award subject to a determination of the validity of the twenty-five copyrights found to have been infringed by the arbitrator, and stayed enforcement of the award pending such determination.

- 2) KAMAKAZI MUSIC CORPORATION V. ROBBINS MUSIC CORP., 534 F. Supp. 57 (S.D.N.Y. Sept. 15, 1981) [Sweet D.J.].

Motion for summary judgment on the issue of the validity of infringed copyrights. Motion granted in part. *Held*, the arbitrators' award is confirmed, though the motion for summary judgment cannot be granted in full because of an improper specific assignment of infringements as to entire folios, rather than to particular copyrights.

Plaintiff Kamakazi moved to confirm the arbitrator's award. Kamakazi's motion to confirm the arbitrator's award was interpreted by the court to be a motion for summary judgment on the issue of the validity of the copyrights infringed by defendant Robbins. The court invited the parties to submit further evidence on the question of the validity of Kamakazi's copyrights, beyond the certificates of registration. The court determined that the evidence left the copyright validity question undisputed, except in relation to the "folios", described as compilations or derivative works by the arbitrator.

The court explained that an original collection, rearrangement and/or adaptation of existing works may be copyrighted as a compilative or derivative work. The court found that the Manilow "personality folios" were not so copyrighted. Therefore, the arbitrator had made an error in law to the extent that he *assigned* specific infringements and damages to entire folios. Yet, the court held that the arbitrator's awards will not be vacated in whole or in part since its findings and conclusions are "rational" or "barely colorable". The court determined that in light of the extreme difficulties in assessing a fair approximation of the wrongs committed by Robbins, the arbitrator's conclusions as to the amount of damages in aggregate is fair. Therefore, no prejudice to the defendant occurred, and the court confirmed the arbitrator's award.

- 3) KAMAKAZI MUSIC CORPORATION V. ROBBINS MUSIC CORP., 534 F. Supp. 69 (S.D.N.Y. Jan. 29, 1982) [Sweet D.J.].

Defendants move to dismiss claims by additional parties for damages for copyright infringement, on the ground that such infringement had been remedied by the arbitrator's award for statutory damages. *Held*, motion denied.

Manilow received percentage royalties from Kamikazi in consideration of his assignments to that plaintiff. Warner had been

granted exclusive print rights by Kamikazi after Robbins' print rights had expired.

Defendant Robbins seeks to dismiss additional claims for damages made by plaintiffs Barry Manilow and Warner Brothers. Robbins claims that the award of statutory damages to plaintiff Kamakazi by the arbitrator provided complete compensation. The court held that Manilow and Warner are not barred from asserting their claims in this case.

First, the court explained that copyrights are divisible, and an owner of a particular exclusive right is entitled to all of the protection and remedies accorded to the copyright owner, to the extent of that right. Next, the court determined that Manilow and Warner are both proper plaintiffs in the action for copyright infringement. The issue, therefore, is whether all three plaintiffs can have separate claims for damages or whether Manilow and Warner must look to Kamakazi which has already received an award of statutory damages as a consequence of the arbitration.

The court examined section 504 of the copyright act which limits statutory damages to a sum of not less than \$250 nor more than \$10,000, with an adjustment allowance for willful infringements up to \$50,000 per infringement. The Court also examined the section 101 definition of "copyright owner." With respect to any one of the exclusive rights comprised in a copyright, the term "copyright owner" refers to that particular right. The court finds that the statute does not by its terms define or limit who, among the individual owners of separate rights, may recover under the liability provision. Therefore, Warner and Manilow can not be barred from asserting their claims.

- 4) **KAMAKAZI MUSIC CORP. V. ROBBINS MUSIC CORPORATION**, 684 F.2d 228 (2d Cir. July 20, 1982). [J. Lumbard, C.J.].

The alleged copyright infringer appealed from an order of the United States District Court for the Southern District of New York, Robert Sweet, J., 522 F. Supp. 125, confirming an arbitration award in favor of the copyright holder on its claim for copyright infringement. *Held*, affirmed.

The District Court had jurisdiction to hear the action based on the Copyright Act, despite infringer's contention that the action was for breach of contract. Secondly, the arbitration clause was broad enough to encompass Copyright Act claims which required interpretation of the contract. Therefore, the arbitrator had jurisdiction to make an award under the Copyright Act.

462. **BUFFALO BROADCASTING CO., INC. v. ASCAP**, 546 F. Supp. 274, 215 USPQ 137 (S.D.N.Y. Aug. 19, 1982) [Gagliardi, D.J.].

Weil, Gotshal & Manges, New York, N.Y. Ira M. Millstein, James W. Quinn, R. Bruce Rich, Kenneth Steinthal, of counsel, for plaintiffs; Hughes, Hubbard & Reed, New York, N.Y. Robert J. Sisk, Norman C. Kleinberg, Michael E. Salzman, Naomi F. Sheiner, Jacqueline D. Gilbert, William H. Voth, of counsel, Skadden, Arps, Slate, Meagher & Flom, New York, N.Y. Barry H. Garfinkel and Timothy A. Nelsen, of counsel, and Paul, Weiss, Rifkind, Wharton & Garrison and Bernard Korman, New York, N.Y. Jay Topkis, Allan Blumstein, Fred D. Heather, Andrew J. Peck, Alan L. Fischl, and Richard H. Reimer, of counsel, for defendants.

Plaintiffs brought a class action seeking an injunction precluding defendants from offering blanket music performing licenses to local television stations. They claimed that in this case blanket licensing constitutes an anticompetitive restraint of trade in violation of Section 1 of the Sherman Act, 15 U.S.C. §1 and misuse of copyright in violation of the Copyright Act of 1976, 17 U.S.C. §101 *et seq.* Defendants' position was that this action is the off-network rerun of *Columbia Broadcasting System, Inc. v. American Society of Composers, Authors and Publishers*, 400 F. Supp. 737, 187 USPQ 431 (S.D.N.Y., 1975), *rev'd*, 562 F.2d 130, 195 USPQ 209 (2d Cir. 1977), *rev'd sub nom. Broadcast Music, Inc. v. Columbia Broadcasting Systems, Inc.*, 441 U.S. 1 (1979), 201 USPQ 497, *aff'd on remand*, 620 F.2d 930 (2d Cir. 1980), *cert. denied*, 450 U.S. 970 (1981). As such, defendants demanded a dismissal of the action.

The court noted that *CBS* was the controlling precedent, but held that under the Second Circuit's rule of reason standard the blanket licensing of music performance rights to local television stations was an unreasonable restraint of trade in violation of Section 1 of the Sherman Act. In a footnote the court also declared defendants' licensing practices to be misuse of copyright. The claim for treble damages had been separated from the issue of liability and was not addressed in the opinion.

The court used a two-part inquiry in applying the rule of reason.

"The first issue is whether the blanket licensing system actually restrains competition in any way . . . specifically . . . whether there now exist realistically available alternatives to the blanket licensing of music performing rights to local

television stations. The second issue, should it be found that plaintiffs have no realistically available alternative to the blanket license, is whether on balance the blanket licensing system's anticompetitive effects outweigh its pro-competitive effects."

In examining the first issue, the court defined a realistically available marketing alternative as one that is reasonably efficient and not unreasonably costly, one to which persons could change over within a reasonable time period, and one that several or many local stations would seek to use.

The court examined three alternatives to blanket licensing: the per program license, direct licensing, and source licensing. The court found that per program licensing is not a viable alternative, although available, because the cost and burden of detailed reporting requirements would continue even if the rates charged were lowered by litigation under the 1950 consent decree establishing the system.

The court also determined that direct licensing is not a realistic alternative because there was no evidence that a mechanism such as The Harry Fox Agency would develop to permit organized direct licensing. The court distinguished the instant case from *CBS* by noting that local television stations have no economic power over copyright holders or influence with program syndicators. Because the local television stations do not have the power to establish a centralized system of direct licensing and individual transactions would be impractical, the court held that direct licensing is not a realistically available alternative.

Finally the court found that local television stations can not obtain source licensing at present. Their weak economic position vis-a-vis the program syndicators precludes demanding it and the syndicators' inertia and economic interest rule out a voluntary change.

"Having concluded that local television stations have not freely chosen the blanket license among realistically available marketing alternatives," the court then weighed the blanket licensing system's advantages against its anti-competitive effects in order to determine whether it is an unreasonable restraint of trade. The court identified four benefits of the system: reduction of transaction costs, elimination of monitoring costs, reduction of producers' up-front costs, and maximum flexibility for the user. The benefits were held not to balance the anticompetitive consequences of the absence of price competition. The court concluded its analysis with a brief discussion of source licensing, which would

probably evolve as a substitute for the enjoined blanket licensing system.

463. *ENCYCLOPEDIA BRITANNICA v. CROOKS*, slip op. 77-560, 214 USPQ 697 (W.D. N.Y. July 21, 1982) [Curtin, D.J.].

Raichle, Banning, Weiss R. Halpern, Buffalo, N.Y. R. William Stephens, of counsel, and Sargoy, Stein & Hanft, New York, N.Y. Burton H. Hanft and Jeffrey A. Rosen, of counsel, for plaintiffs; Ellis, Kustell & Mullenhoff, Buffalo, N.Y. Carl B. Kustell, for defendants.

Plaintiffs brought suit alleging copyright infringement under the 1909 Act. The claim was based on the making and distribution of off-the-air videotapes of audio-visual works copyrighted by plaintiffs, as well as the performance of such works. Plaintiffs sought the minimum statutory damages and costs and attorneys' fees. Plaintiffs also sought a permanent injunction against the disputed practices. Defendant claimed "fair use."

Defendant is a non-profit educational cooperative funded by nineteen school districts and designed to economically and efficiently provide educational services. Among those services are both videotape and film services. Defendant copied plaintiffs' educational audiovisual materials by off-the-air videotaping and distributed copies of the videotapes to requesting teachers at the member schools, to non-affiliated institutions, and, in at least one instance, to a profit-making, non-educational corporation. Normally a blank videotape was provided by the person or institution requesting a program, and defendants duplicated the program onto that tape for free or a nominal charge.

Plaintiffs, for corporations-profit engaged in producing and distributing educational materials, first filed a complaint in 1977 and were granted a temporary restraining order preventing destruction of evidence relevant to the case. A preliminary injunction was granted on February 27, 1978, [*Encyclopedia Britannica v. Crooks*, 447 F. Supp. 243 (W.D. N.Y. 1978)] and defendant was ordered not to tape plaintiffs' programs off-the-air although already existing tapes could be distributed subject to certain limitations.

Defendant offered five arguments against plaintiffs' claim of infringement:

(1) In light of technological change, defendant's videotaping constituted fair use.

(2) Defendant was a "transmitting entity" under the Copy-

right Act of 1909 and is a "broadcasting entity" under the Copyright Act of 1976.

(3) Defendant's promotion of education cloaks it in the First Amendment.

(4) Estoppel.

(5) Even if liability is found, the speculative nature of damages and the interests of justice compel the awarding of only actual, not statutory damages.

The court ruled against the defendant on the first four arguments and requested the parties to submit further briefs on the damages issue. The court found violations of 17 U.S.C. §1 (a) by videotaping but reserved judgment on the other two copyright questions. The court granted a permanent injunction prohibiting the defendant from copying plaintiffs' copyrighted works, including works in defendant's library not at issue in the case. The court did not grant plaintiffs' request for a ban on all future off-the-air taping and for immediate destruction of all existing infringing tapes. The court noted that some taping might constitute fair use under the Copyright Act of 1978 and invited the defendant to propose guidelines concerning temporary limited use of plaintiffs' copyrighted material. The court finally urged plaintiffs and defendant to reach a financial settlement concerning the library of infringing copies to avoid the needless waste which would result from destruction pursuant to 17 U.S.C. §503 (b).

The court's analysis of the fair use issue followed the four-factor test codified in §106 of the Copyright Act of 1976, while noting that the factors were "illustrative, not exhaustive."

In examining the harm factor the court stated,

The cumulative effect of BOCES' massive videotaping copying indicates that there would be no market whatsoever for plaintiffs' videotape sales or licensing agreements if off-the-air videotaping of plaintiffs' works is permitted to continue in an unregulated fashion.

The court discussed potential harm in its analysis, stating, "... The concern here must be focused on a copyright work's *potential market*."

In its discussion of the purpose and character of the use, the court concluded that the massive scale and sophisticated methods of copying were not reasonable despite defendant's educational purposes. The court also found that the taping was not essential, because most of the videotapes were owned as film prints by the defendant, plaintiffs had various leasing and sale arrangements available, and the programs could be viewed by students when

first broadcast.

The court found that the nature of the copyrighted works was such that they should be available to the public, but recognized that the financial reward enjoyed by the copyright holder encouraged production and distribution. The educational nature of the programs did not mean that they could be freely copied.

The substantiality of defendant's copying also undermined defendant's claim of fair use. Defendant copied entire works and held them for periods up to ten years, amounting to "a virtual substitution for the purchase or license of the plaintiffs' works."

164. RECORDING INDUSTRY ASSOCIATION v. COPYRIGHT ROYALTY TRIBUNAL, 662 F.2d 1, 212 USPQ 69 (D.C. Cir. Aug. 27, 1981) [Mikva, C.J.].

James F. Fitzpatrick, with Cary H. Sherman on the brief, for Recording Industry Association of America, Inc.; Timothy N. Black, with Stephen A. Weiswasser and Lynn Bregman on the brief, Washington, D.C., for CBS, Inc.; Frederick F. Greenman, Jr., with Alvin Deutsch, Joseph M. Berl, and Bernard G. Scheider on the brief, New York, N.Y., for American Guild of Authors and Composers, *et al.*; Morris B. Abram, with Richard M. Zuckerman and Helen Hershkoff on the brief, New York, N.Y., for National Music Publishers' Association, Inc.; Bruce G. Forrest, with Thomas S. Martin, Charles C. Ruff and William Kanter on the brief, and also John F. Cordes, Department of Justice, Washington, D.C., for respondents; Nicholas E. Allen, Phillip F. Herrick, James Michael Bailey and Suzane V. Richards on the brief, Washington, D.C. for Amusement and Music Operators' Association, Inc.; Charles B. Ruttenberg and James A. Kidney on the brief, Washington, D.C., for National Association of Recording Merchandisers.

Appeal from Copyright Royalty Tribunal order of January 5, 1981, providing that, effective July 1, 1981, the compulsory phonorecord license royalty rate would be increased to four cents per phonorecord or  $\frac{3}{4}$  cents per minute of playing time, whichever is more, and providing for annual interim adjustments by the Tribunal before the next statutory review. *Held*, the amount and effective date of the new rate are not arbitrary, capricious or contrary to law and those portions of the order are not subject to judicial reversal. The Tribunal's reservation of authority to make interim adjustments of the rate is contrary to the Copyright Act and that part of the order is reversed.



The Copyright Act of 1909 provided that after the owner of a copyright in a non-dramatic musical work has allowed phonorecords of the work to be manufactured, he must grant a license to any person who proposes to manufacture and distribute phonorecords of the work at a royalty rate of two cents per record. Although Congress renewed the system of compulsory licensing in the Copyright Act of 1976, it recognized that the 1909 rate was too low. Congress raised the rate to  $2\frac{3}{4}$  cents per phonorecord or  $\frac{1}{2}$  a cent per minute of playing time, whichever is more, as an interim measure and created the Copyright Royalty Tribunal to further adjust the rate. The Tribunal was to begin rate proceedings on January 1, 1980, and, upon request, in 1987 and every tenth year thereafter. The Tribunal's proceedings would be subject to the Administrative Procedure Act, including the normal scope of judicial review.

Congress created the Tribunal instead of adopting another proposed method of adjusting the royalty rate: the creation of ad hoc panels by the American Arbitration Association, whose decisions would be subject to veto by either house of Congress. Judicial review of these decisions would be available only in the event of corruption, fraud or other misconduct.

By statute, the Tribunal's rate adjustments are to achieve a variety of objectives: Maximize the availability of creative works to the public; afford the copyright owner a fair return for his creative work and afford the copyright licensee a fair income; reflect the relative contributions of the copyright owner and licensee to the product; minimize disruption in industry structure and practices.

Both those who receive compulsory royalties, "copyright owners", and those who pay them, "copyright users", petitioned for judicial review of the Tribunal's January 5, 1981 order. The owners and the users challenged the new rate as too low and too high, respectively, the owners challenged the postponement of the effective date of the new rate, and the users challenged the Tribunal's provision for interim rate adjustment proceedings.

The Court of Appeals first set forth the standard of review it would apply to the Tribunal's decision. The court held that since the Copyright Act permits the Tribunal to conduct its rate proceedings as informal rulemaking under the Administrative Procedure Act, the court would reverse the Tribunal's order only if it were arbitrary, capricious, an abuse of discretion or contrary to law. The factors to be considered by the Tribunal caused the court to give the Tribunal's decision even greater deference. Some

factors require the Tribunal to forecast the effect of new royalty rates on the recording industry. Other factors require the use of discretion to achieve an equitable distribution of income between owners and users. Finally, the statutory factors are not consistent with one another and the Tribunal must reconcile their conflicting objectives. Against this background, the court found the Tribunal's rate to be rational. The court described the Tribunal's opinion in support of the new rate to be imperfect but adequate.

Copyright owners specifically challenged the Tribunal's failure to adopt the "bargaining rate theory" they advocated. They argued that Congress did not intend the statutory rate to be the prevailing rate, but a ceiling rate high enough to permit market level rate negotiations in individual cases. The Court of Appeals held that the statutory history of the act does not mandate adoption of the bargaining rate theory, and the Tribunal's rejection of the theory was reasonable.

Similarly, the court upheld the Tribunal's decision to delay the effective date of the new rate as reasonable. The Administrative Procedure Act permits an agency to delay the effective date of a decision pending judicial review, and the Copyright Act does not prohibit delay of the effective date.

However, the Court of Appeals held that the Tribunal's decision to hold interim rate proceedings before 1987 was contrary to the Copyright Act. Congress considered the benefits and detriments of frequent rate proceedings and resolved the conflict in favor of less frequent hearings. The Tribunal argued that its interim hearings would not interfere with the statutory scheme because their only purpose would be to insure that the real value of the new royalty rate would remain stable despite inflation. But the court believed that even the limited interim hearings would be complex, expensive, and provoke litigation, factors which caused Congress to provide for widely spaced rate proceedings. The court made it clear that the Tribunal could provide for automatic rate adjustments before 1987. But, the court cautioned, the adjustment mechanism must be beyond the Tribunal's control before 1987, and be subject to judicial review as part of the review of the Tribunal's rate decision.

The Court of Appeals permitted the new rate to go into effect on July 1, 1981, and remanded the matter to the Tribunal to allow it to adopt a scheme of interim rate adjustment that does not involve exercise of the Tribunal's discretion.

On remand, the Tribunal adopted a set of automatic rate increases with respect to each work embodied in phonorecords

made and distributed as follows:

- (1) Between Jan. 1, 1983 and June 30, 1984, 4.25 cents or .8 cent per minute, whichever is larger
- (b) Between July 1, 1984 and December 31, 1985, 4.5 cents or .85 cent per minute, whichever is larger
- (c) After January 1, 1986, 5 cents or .95 cent per minute, whichever is larger.

46 Fed. Reg. 55276 (Dec. 23, 1981).

465. **RODGERS v. QUESTS, INC.**, slip op. Nos. C79-243Y, C80-1899Y, 213 USPQ 212 (N.D. Ohio Oct. 30, 1981) [Thomas, D.J.].

Baker and Hostetler, Cleveland, Ohio, John F. Novatney, Jr., of Counsel, for plaintiffs; C.D. Lambros, Cleveland, Ohio, for defendants.

Action for infringement of plaintiffs' song copyrights by unauthorized radio broadcasts. Judgment for plaintiffs. *Held*, an owner of 61% of a holding company that owns 44% of a copyright infringer who does not control defendant's day-to-day activities but who has supervisory authority is liable as a contributory infringer.

Plaintiffs are the owners of the copyrights for a number of songs. The parties stipulated that on June 9 and 10, 1978 and May 11, 1979, defendant Quests, Inc., the owner of radio station WAQI, broadcast these songs without a license from plaintiffs or the American Association of Composers, Artists and Publishers (ASCAP), authorized by plaintiffs to license non-dramatic public performances of their songs. Upon these stipulated facts, the District Court found that Quests had infringed plaintiffs' copyrights, and permanently enjoined Quests from committing any future infringements.

Plaintiffs sought to have defendant Phillip Cantagallo held personally liable as a contributory infringer. The court ruled that Cantagallo *was* so liable because he had a "direct financial interest" in Quests, and the right and ability to supervise the infringing activity.

The District Court held that Cantagallo had a direct financial interest in Quests even though he owned no Quests shares. The court relied on Cantagallo's ownership of 61%, and his right to acquire an additional 10%, of WAQI, Inc., a holding company that owned 44% of Quests.

Cantagallo's main occupation was the practice of law, and WAQI's day-to-day activities were directed by its station manager.

The court nevertheless found that he had sufficient authority to be held liable: Cantagallo had the title of vice president of Quests, had the authority to sign checks, signed Federal Communications Commission reports, participated in the decision to hire WAQI's station manager, and was the person who handled Quests' dealings with ASCAP.

Plaintiff sought statutory damages of \$5,000 per infringement or \$185,000, far in excess of the minimum statutory damages of \$9,250, or the \$4,833 in ASCAP fees Quests should have paid. The District Court refused to award the damages sought by plaintiffs on the ground that such an award would be confiscatory in light of Quests' financial difficulties. The court observed that Quests' payment of an amount equal to \$158 per infringement in settlement of a prior copyright infringement action lacked deterrent effect, and awarded plaintiffs an amount equal to \$750 per infringement, or \$27,750.

Plaintiffs also sought attorneys' fees. The court held that insofar as the Copyright Act provides that a court may award attorneys' fees in the exercise of its discretion, it could award plaintiffs a portion of their attorneys' fees, as well as all or none of them. The court awarded plaintiffs 50% of their attorneys' fees because, on the one hand, Quests' infringement was willful; but, on the other hand, Cantagallo litigated the issue of his personal liability in good faith and there was no showing that he enjoyed any financial benefit from Quests' acts of infringement.

## B. DECISIONS OF FOREIGN COURTS

### 1. Netherlands

466. COLUMBIA PICTURES INDUSTRIES, INC. v. STITCHING TOT EXPLOITATIE CENTRALE ANTENNE-INTRICHTING AMSTELVEEN (Supreme Court of the Netherlands, Oct. 30, 1981).

Appeal from judgment for defendant in action against cable television system for copyright infringement. Judgment reversed. *Held*, re-transmission by Dutch cable television system of copyrighted films broadcast by Dutch, Belgian and West German television stations violated the Dutch Copyright Law of 1912 and

the Berne Convention because the re-transmission permitted viewers who would not have received the broadcasts clearly, or at all, to see the films on television.

Plaintiffs own the copyrights in various films broadcast by Dutch, Belgian and West German television stations which were re-transmitted by the defendant, a cable television system in Amstelveen, the Netherlands, to its subscribers. One of the films was protected by the Dutch Copyright Law of 1912 and the Berne Convention; the other films were protected by the copyright law pursuant to the Universal Copyright Convention. Plaintiffs brought suit in the District Court of Amsterdam, claiming that the re-transmission constituted copyright infringement. The District Court held that since defendant's subscribers could have received the broadcasts if they had erected their own antennas, the defendant had not infringed plaintiffs' copyrights under the Dutch copyright law, by making a "publication", or under the Berne Conventions, by making a "communication to the public."

On appeal, the Supreme Court reversed the judgment below. The Supreme Court found it irrelevant that it was technologically possible for defendant's subscribers to receive the broadcasts directly. Amstelveen is not in the direct broadcast area of the Belgian and West German television stations and their signals could only be received in Amstelveen with a 30-meter antenna, rather than a normal residential 10-meter antenna. Amstelveen is in the direct broadcast area of the Dutch television stations, but 56% of Amstelveen's residents do not get clear reception because of interference caused by high rise buildings. Therefore, defendant enabled its subscribers to receive the films, or receive them clearly. This, the Supreme Court held, was a publication under Dutch copyright law, and a communication to the public under the Berne Convention, and, therefore, an act of infringement.

The Supreme Court specifically distinguished the facts of this case from the erection of a common antenna by the owner of an apartment building or apartment building complex to permit its occupants to receive television programs.

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## PART V

## BIBLIOGRAPHY

## A. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

## 1. United States

467. Bar examination protected. *Copyright Management*, vol. V, no. 11 (Nov. 1982), pp. 7-8.

A review of the decision in the National Conference of Bar Examiners' copyright infringement action against Multi-State Legal Studies, Inc. At issue was the constitutionality of copyright provisions authorizing the Register of Copyrights to establish regulations which permit, in certain cases, the deposit of identifying material instead of copies. The court held "that the purpose of the deposit statute was only for identification." There is, it indicated, "no quid pro quo for disclosure implicit in the copyright statute and underlying constitutional provision. . .

468. Copyright of statutes. *Copyright Management*, vol. V, no. 11 (Nov. 1982), p. 7.

A discussion of a copyright infringement suit brought by the state of Georgia against a publisher that used the "Official Code of Georgia Annotated" to update its own "Code of Georgia Annotated". The court denied enforcement of the state's copyright on the grounds that the public is entitled to have free access to state laws.

469. Criminal penalties—publication not interstate transport. *Copyright Management*, vol. V, no. 11 (Nov. 1982), pp. 1-2.

A comparative look at contrasting decisions in two criminal cases involving bootleg copies. In one case, *U.S. v. Sam Goody*, the court ruled that "a record store's involvement in transport of bootleg copies was a sufficient ground for criminal liability under

federal law making it a felony to transport stolen property in interstate commerce." In the other action, *U.S. v. Smith*, the court reversed "a conviction under the statute because the publication activity taking place in interstate commerce did not involve the unauthorized transport of" property in which the copyright owners had a vested interest—videocassettes.

470. MERRYMAN, I. H. AND A. E. ELSSEN. Hot art: A reexamination of the illegal international trade in cultural objects. *The Journal of Arts*, vol. 12, no. 3 (Fall 1982), pp. 5-32.

A discussion of international art crime cases including sculpture of the Cameroons, Roman bronzes, French and Italian paintings, many of which appear illegally in the markets of New York and Switzerland. The authors investigate the legal status of the objects, the availability of such objects in the legal market and "good faith" purchases and also look at the Matsunaga Bill, federal legislation and treaties dealing with art.

471. Pre-emption in Wisconsin. *Copyright Management*, vol. V, no. 10 (Oct. 1982), pp. 2-6.

The Wisconsin Supreme Court recently ruled that "state trade secret protection has not been pre-empted by the federal copyright law." The decision upholds a jury verdict favoring the plaintiff in a trade secret suit (*M. Bryce & Associates v. William Gladstone, et al.*) involving a management information system. Plaintiff, after obtaining an executed non-disclosure agreement from defendant, demonstrated the system in detail. Thereafter, instead of adopting plaintiff's system, defendant developed an identical program; and plaintiff brought suit. This article examines the issues in the case and analyzes the copyright and trade secret laws and the grounds on which the Wisconsin Supreme Court based its ruling.

472. Software copyright—object code protection. *Copyright Management*, vol. V, no. 10 (Oct. 1982), p. 7.

A copyrighted unpublished source code and corresponding object code of computer "programs for designating integrated circuits" were the subject of a copyright infringement suit filed by GCA Corporation. Defendant admitted copying the object code but argued that it was published without a copyright notice and, therefore, in the public domain. The court rejected defendant's

argument (in that the source code on which copyright protection was based was unpublished) and ruled that GCA's distribution of the object code "did not amount to publication in the usual sense."

473. The Swedish copyright experience. *Copyright Management*, vol. V, no. 10 (Oct. 1982), pp. 6-7.

In connection with possible copyright reform in Scandinavia, Sweden's Bureau of Statistics conducted an economic impact study. The survey, a summary of which was published in the April 1982 issue of the WIPO COPYRIGHT JOURNAL, includes data on income from copyright activities and the estimated value of copyright materials. This article concludes that the results of the study indicate that "the production of material covered by copyright law seems to have a somewhat greater importance for the national economy in Sweden" than is the case in Canada and the United States.

474. TIGERMAN, STEPHEN M. The growing problem of involuntary superstations. *The Journal of Arts Management and Law*, vol. 12, no. 3 (Fall 1982), pp. 51-66.

A discussion of superstation development, copyright law and FCC regulations, satellite reseller liability and Section 605 of the Communications Act and what the author believes is FCC inaction in regulating "involuntary" superstations.

## 2. Foreign

### 1. In German

475. FLECHSIG, NORBERT P. Die Bedeutung der urheberrechtsgesetzlichen Uebergangsbestimmungen fuer den Urheberschutz auslaendischer Werke (The meaning of the transition provisions of the Copyright Act as to the protection of foreign works). *GRUR International* 1981 (Dec. 1981), pp. 760-764.

Foreign nationals are protected by Article 121 of the Copyright Act, which reads in part: Foreign nationals enjoy copyright protection for their works published in the Federal Republic of Germany unless, earlier than thirty days before the publication,



the work or a translation thereof has been published outside the jurisdictional territory of this law. The protection can be restricted by decree of the Federal Minister of Justice with regard to foreign nationals who do not belong to any member country of the Berne Convention if: (a) at the time of publication such national has no domicile in the Federal Republic of Germany or in a Berne Convention and (b) if the national's country does not accord sufficient protection to German nationals. Another basic provision examined by this article is Article 129 Par. 1 of the Copyright Act, which is to be found among the transitional provisions. This Article prescribes that the new law generally applies to works created before 1966 but that the duration of the copyright protection of a work which has been published after the expiration of fifty years *post mortem auctoris*, but before the effective date of the law (January 1, 1966), is determined by the previous provisions.

These basic articles of the Copyright Act are explained and analyzed by the author in light of the history and the structure of the law.

476. HAYHURST, WILLIAM L. Gewerblicher Rechtsschutz und Urheberrecht in Kanada—Eine Darstellung der neueren Entwicklung 3.Teil: Urheberrecht und Musterrecht (Industrial Property Protection and Copyright Law in Canada—an Exposition of Recent Developments Part III: Copyright and Industrial Design Law). *GRUR International* 1981 (Dec. 1981), pp. 745-760.

As far as copyright law is concerned, the author, a lecturer at the University of Toronto, examines in light of judicial decisions protected works, ideas and information, titles, copyright ownership and interpretation of licenses under the Copyright Act of 1971. Violations of rights by radio, videotapes, records and importation of reproductions are thoroughly discussed. The criminal and civil sanctions of the law are also included in a well-documented analysis.

477. REIMER, DIETRICH. Schiedsstellen im Urheberrecht—Rechtsverleichende Betrachtungen anlaesslich der Plaene zur Reform des deutschen Rechts (Arbitration panels in copyright law). *GRUR International* 1982 (April 1982), pp. 215-226.

The subtitle "Comparative law reflections in view of the projects of reform of the German law" characterizes the nature and aim of this essay. The author examines *de lege ferenda* the legal

status, jurisdiction, procedure and composition of arbitration panels in existence or to be created. He outlines the tasks and the workings of the English Performing Rights Tribunal, the United States Copyright Royalty Tribunal, the Austrian arbitration commissions under the laws of 1936 and 1980 as well as the Swiss Federal Arbitration Commission.

478. STAUDER, DIETER. Umfang und Grenzen der Auskunftspflicht im gewerblichen Rechtsschutz und Urheberrecht (Extent and limits of the obligation to give information in the law for the protection of industrial property and in copyright law). *GRUR International* (April, 1982) pp. 226-231.

This is an article on recent developments in English and German law.

In Great Britain, the Anton Piller Order—so called after *Anton Piller KG v. Manufacturing Processes Ltd.* (1976) R.P.C. 719—which has been codified by Rule 2 of the Supreme Court Rules, is one of the most important new steps in the fight against piracy. Pursuant to this Rule, the court can for the preservation of evidence issue an ex parte Order allowing the aggrieved party to inspect the premises of the defendant. Previously such party could only have had the defendant enjoined from repeating certain acts in violation of complainant's rights. When such injunctive relief was sought, the defendant could file objections and at the same time destroy or hide the incriminating material and papers. Lord Denning, by a decision of October 6, 1976, went further and granted the complainant the right to receive information regarding the name of the manufacturer of allegedly infringing cassettes.

These decisions were criticized on the ground that they violate the fundamental protection against self-incrimination. However, the House of Lords, in *Rank Film Distributors Ltd. v. Video Information Centre* (1981, F.S.R. 363) upheld the principle of the Anton Piller Order though conceding to the defendant the right not to reveal certain names.

In an unusually swift reaction to this judgment, Parliament inserted in the Supreme Court Act 1981 a section 72 which is to be applied in civil proceedings concerning violations of copyrights and of other non-material rights as well as in passing-off actions: The defendant cannot henceforth refuse the disclosure of information and the compliance with court injunctions on the ground that he or his spouse would be subjected to the risk of criminal persecution, but the information thus obtained is inadmissible

evidence in criminal proceedings against him or his spouse, except in perjury or contempt of court proceedings.

In German law, there are various instances in which the complainant can compel the revelation of facts and the accounting for sales and proceeds. The Federal Constitutional Court had to resolve the same conflict as the House of Lords. In a decision of January 13, 1981, the Court affirmed the constitutional prohibition against self-incrimination, but granted to the debtor in a bankruptcy proceeding the protection against criminal prosecution by prohibiting the utilization of his testimony by the law enforcement authorities. It remains the task of the courts or the legislator to find a just solution in other cases, such as copyright violations.

## B. ARTICLES PERTAINING TO COPYRIGHT FROM MAGAZINES

### 1. United States

479. AAP urges changes in copyright law. *Information Hotline*, vol. 14, no. 10 (Nov. 1982), pp. 1, 8-10.

The Association of American Publishers (AAP) submitted to the Register of Copyrights a report claiming that the guidelines and regulations that were intended "to balance the rights of copyright owners and needs of users of certain . . . works" are not working. The submission asserts that the reasons for the failure include excessive unauthorized copying of copyrighted material by librarians on library controlled machines, by copying machines within walking distance of libraries and by government agencies. To remedy the situation, the report recommends that Section 108(a) (3) of the Copyright Act be amended to make clear the legislative intent "that the statutory notice of copyright appear on any copies made or distributed." It suggests that Section 504(c) (1) be amended "to reflect congressional intent by adjusting for unanticipated double-digit inflation; to serve as a deterrent to would-be infringers; and to make the effort of enforcement worth the time and money required by the copyright holder." Finally, the report recommends that a new Section 511 be added for the purpose of balancing "the rights of copyright owners and the needs of users of certain specified works—contributions to scientific, technical, medical, and business periodicals and proceedings—in particular circumstances, namely, reproduction for

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purposes of research or study where there is an immediate need for copies."

480. Acquitted in piracy case, London dealer blasts BPI. *Billboard*, vol. 94, no. 46 (Nov. 20, 1982), p. 58.

The High Court in London dismissed the British Phonographic Industry's (BPI) copyright infringement suit against Edward Grimwood, a local video club owner. The case was dismissed after the BPI was unable to substantiate its allegation that defendant sold two pirated cassette tapes. Throughout the proceeding, Grimwood maintained that he was innocent; and the court in deciding for defendant said that it could not "on balance of probability say the illicit cassettes had come from" his shop.

481. ARL fires new blast at King Research copyright report. *LJ/SLJ Hotline*, vol. XI, no. 39 (Nov. 29, 1982), p. 1.

In its comments on library photocopying, the Association of Research Libraries supported the position that the current copyright law is striking a balance between the rights of creators and the needs of users. With respect to the King Research report on library photocopying, the Association questioned some of the findings and commentary as being slanted "to fit the criticisms of publishers rather than even handedly relating the report to the contentions of" libraries and publishers.

482. ASCAP, BMI sign PBS licensing pact; NPR included, too. *Variety*, vol. 309, no. 1 (Nov. 3, 1982), pp. 65, 71.

ASCAP and BMI negotiated five-year license agreements with the Public Broadcasting Service (PBS) and National Public Radio (NPR). The ASCAP agreement runs from January 1, 1983 through the end of 1987, calls for the payment of \$11,500,00 over the duration of the contract, and covers all non-dramatic music performances by PBS and NPR stations. Non-NPR radio stations that receive support from the Corporation for Public Broadcasting are also covered under the agreement. The details of the BMI license were not disclosed.

483. At industry meet: piracy is Kenyan concern. *Billboard*, vol. 94, no. 42 (Oct. 23, 1982), p. 74.

East African Records, Kenya's only record manufacturer, sponsored a meeting of music industry officials to discuss the

country's piracy problem. Reportedly, the major reason piracy is rampant in Kenya is because "hardware manufacturers . . . have reduced production of disk players in favor of . . . radio/cassette configuration." The absence of antipiracy legislation also contributes to the illicit trade. Those attending the meeting agreed, therefore, to lobby the government for action in these areas.

484. Aussie court drops boom on vid pirate, Warner's gets 'search & seize' ok. *Variety*, vol. 308, no. 12 (Oct. 20, 1982), p. 268.

An Australian court ordered the proprietor of Leedin Records, a video and record store in Melbourne, "to cease reproducing and selling pirate copies" of copyrighted films. Defendant undertook to refrain from the pirating activities and agreed to pay Warner Bros., Inc., the plaintiff in the case, \$A3,500 costs and damages.

485. BAKER, GLENN A. Aussie labels in row with 'pay-for-play.' *Billboard*, vol. 94, no. 47 (Nov. 27, 1982), pp. 1, 64.

Broadcast royalties are the subject of a suit brought by the Phonographic Performance Co. of Australia (PPCA) against station 2MMM-FM in Sydney. PPCA contends that the Australian Copyright Act requires broadcasters to pay a "performance royalty on protected repertoire," while the defendant argues that radio's "role in disseminating and promoting records negates" the payment of royalties. Australia's record industry unsuccessfully pursued this issue against AM stations in the past, but this is the first time that enforcement of the Copyright Act has been sought against an FM station.

486. Banker to be Tribunal nominee. *Billboard*, vol. 94, no. 46 (Nov. 20, 1982), p. 3.

President Reagan is, reportedly, considering Katherine D. Ortega for the vacancy on the Copyright Royalty Tribunal. Ortega is a banking consultant and former bank president.

487. Belgian crackdown may break backs of cassette pirates. *Variety*, vol. 308, no. 12 (Oct. 20, 1982), pp. 1, 334.

The Motion Picture Assn. of America announced that local authorities conducted simultaneous raids on 180 video clubs and shops in Belgium. It is believed that these seizures along with ones that were carried out earlier this year have significantly reduced

the country's illicit cassette business.

488. Bootlegger is sentenced. *Variety*, vol. 309, no. 1 (Nov. 3, 1982), p. 67.

A federal court in Philadelphia gave Irving Kauffman a twelve-year suspended sentence and fifteen years probation after he pleaded guilty to nineteen counts of wire and mail fraud and copyright infringement. The charges resulted from Kauffman's involvement in an interstate bootleg record operation.

489. Britain pushes for 2-year jail terms for video pirates. *Variety*, vol. 309, no. 5 (Dec. 1, 1982), p. 33.

A proposal to amend Britain's copyright law is expected to be introduced in the House of Lords. The proposal would replace the \$79.50 fine for video piracy with a two-year jail sentence. The British Videogram Association had been hoping for a measure imposing an unlimited fine for major offences and a fine of \$1590 plus a six-month jail term for lesser violations.

490. British tape pirate fined. *Billboard*, vol. 94, no. 47 (Nov. 27, 1982), p. 29.

Derek Harris, a London video dealer, was prosecuted on ten charges of falsely labelling tapes as genuine. The action, which was a test case brought under Britain's Trade Description Act, resulted in Harris being fined \$820 and ordered to pay approximately \$125 in court costs. Until now, video pirates were prosecuted under the Copyright Act, which carries a significantly lower fine.

491. Broadcasters-cablecasters come together over copyright. *Broadcasting*, vol. 103, no. 23 (Dec. 6, 1982), pp. 37, 38, 39.

The Senate has debated H.R. 5949, the cable copyright bill. The cable and broadcasting associations have asked not only that the Senate approve the bill, but that it add an amendment to the bill to prohibit the CRT's proposed rate increase scheduled to go into effect on January 1.

492. Cable royalties rider advances. *The Washington Post*, vol. 106, no. 16 (Dec. 21, 1982), p. D11.

The Senate has approved an amendment that would delay

an order of the Copyright Royalty Tribunal raising copyright royalty rates paid by cable operators for distant signals. The new rates were scheduled to take effect on January 1; however, the Senate amendment stays the effective date until March 15. The amendment is attached to a resolution continuing funding for government agencies which has been sent to the President for signature.

493. Canada dish owners say they'll take rule to court. *Variety*, vol. 309, no. 4 (Nov. 24, 1982), pp. 55, 64.

The issue surrounding the operation of satellite-receiving dishes in Canada is growing into what may become a court battle. Hotel and motel owners in Saskatchewan have indicated that they will fight the federal Communications Minister's move to stop their use of the dishes to offer U.S. pay-TV services and sports programming.

494. Canada will halt satellite pirates of U.S. signals. *Variety*, vol. 308, no. 13 (Oct. 27, 1982), pp. 1, 82.

The Canadian government is taking action against the owners of bars, apartment buildings, etc. who "use satellite-receiving dishes to pirate U.S." pay-TV and sports programming. Such receptions are illegal under Canada's Broadcasting Act, and violators will be ordered to dismantle the dishes or face penalties.

495. CBS wins injunction against two pirates in software piracy case. *Cash Box*, vol. XLIV, no. 28 (Dec. 4, 1982), p. 10.

A district court in New York granted CBS an injunction in its suit against two individuals who were illegally manufacturing and selling floppy disc copies of the "K-razy Shootout" game. A CBS official indicated that the action was in keeping with the company's policy protecting its computer software from copyright infringement.

496. Clark sued for \$1-mil on old Gary Bonds tune. *Variety*, vol. 309, no. 1 (Nov. 3, 1982), p. 71.

A copyright infringement suit was filed against Dick Clark Television Productions over its unauthorized use of a tune entitled "A Quarter to Three" on the American Bandstand 30th Anniversary Special. Rockmasters Inc., the plaintiff in the action, is seeking more than \$1,000,000 in damages.

497. CLARK, TED. Court decides in favor of traditional European picture distrib'n methods. *Daily Variety*, vol. 197, no. 31 (Oct. 19, 1982), pp. 1, 10.

The European Tribunal in Luxembourg rendered a landmark decision in a suit brought by a Belgian film distributor against a Belgian cable operator. The Tribunal held "that the traditional system of trading motion picture rights on a territorial distribution basis within the 10 Common Market countries was compatible with the Treaty of Rome and its insistence on the unimpeded circulation of goods and services between EEC countries." Cine Vog, plaintiff in the action, owns the rights to a film that was legally televised in Germany. Coditel, the defendant, picked up and retransmitted the film to its subscribers. Both the lower and appellate courts found for plaintiff; but, when the case reached the Supreme Court, the European Tribunal was asked to decide the compatibility question.

498. Cost-benefit study of U.S. copyright formalities. *Information Hotline*, vol. 14, no. 11 (Dec. 1982), p. 3.

A discussion of the study that King Research Inc. is conducting on copyright formalities. The report, which is due January 1984, will focus on the cost-benefit of the registration procedure and the deposit, notice and notification of transfer of ownership requirements. Using the motion picture and fabric design industries, King Research will compare how and if the functions supported by the U.S. copyright formalities are managed in France, Sweden and England.

499. Court reverses Eastern Microwave. *Broadcasting*, vol. 103, no. 16 (Oct. 18, 1982), pp. 26, 27.

The U.S. Court of Appeals for the Second Circuit has reversed a lower court decision that held that Eastern Microwave, which distributes WOR-TV New York's signal to more than 600 cable systems by satellite and microwave networks, was liable for copyright payments to the producers of the programming that it retransmits. The Appeals Court ruled that under the terms of the copyright law, Eastern Microwave is a passive carrier and, therefore, exempt from payment of copyright fees.

500. Court supports Tribunal: PRS loses TV dispute appeal. *Billboard*, vol. 94, no. 49 (Dec. 11, 1982), p. 59.



The Performing Right Society (PRS) failed to convince the High Court in London that the Performing Right Tribunal lacks authority to entertain a reference from independent television program contractors concerning a dispute over license fees. The PRS maintained that the appropriate body to arbitrate such matters is the Independent Broadcasting Authority, the actual broadcaster of PRS works. Nevertheless, the court ruled that the term 'broadcasting' encompasses the program contractors as well as the Broadcasting Authority.

501. C'right panel finds a glitch in paperwork. *Daily Variety*, vol. 197, no. 45 (Nov. 5, 1982), pp. 1, 20.

The Copyright Royalty Tribunal notified the National Cable Television Assn. (NCTA) that the filings it submitted in connection with the cable rate adjustment proceeding were mislaid. The Tribunal indicated "that although the exhibits were apparently submitted properly, they were not included in the record of the proceeding." The NCTA, therefore, petitioned the Tribunal to void the rate decision made in October and to end the proceeding without a ruling.

502. Daniels wins suit over copyright of 'Long Haired Boy'. *Variety*, vol. 309, no. 5 (Dec. 1, 1982), p. 77.

Entertainer Charlie Daniels was found not guilty of copyright infringement in a suit filed by John Loudermilk. Plaintiff alleged that Daniels' "Long-Haired Country Boy" violated the copyright in a tune entitled "Bad News". The court held that defendant's song differed sufficiently from that of the plaintiff to prevent a finding of infringement.

503. DOBULER, SHARON LEE. Taylor files suit to block telefeature. *The Hollywood Reporter*, vol. CCLXXIV, no. 5 (Oct. 22, 1982), pp. 1, 8.

Elizabeth Taylor is seeking injunctive relief in a suit she filed against ABC, Inc. over an unauthorized television docudrama based on her life. The complaint alleges that the feature would cause irreparable damage to plaintiff "by exploiting her name, likeness and public and professional reputation and image."

504. Film studios battle video bootleggers. *The New York Times*, vol. CXXXII, no. 45,475 (Oct. 23, 1982), pp. 41, 43.

This article discusses the future of the movie industry in the wake of emerging technologies of video transmission, as well as the problem of video piracy. The movie industry estimates that pirated movie tapes cost the industry up to \$1 billion this year. Many believe that without video recorders there would be no video piracy problem, although some motion picture analysts say that it may have been the industry's delay in embracing the new technology that led to piracy. By the end of 1982, an estimated five million video recorders will have been sold; with the advancing new technologies, no solution to the problem is in sight.

505. FUJITA, SHIG. JASRAC steps up legal action: Japanese c'right body goes after nightclub royalties. *Billboard*, vol. 94, no. 45 (Nov. 13, 1982), p. 63.

As a result of repeated non-payment of performance royalties, the Japan Society For Rights of Authors, Composers and Publishers (JASRAC) filed suits against four cabarets. JASRAC is seeking \$165,000 in damages and an injunction against defendants' use of copyrighted music.

506. GAO faults Copyright Office for 'inefficient workflow'. *Publishers Weekly*, vol. 222, no. 21 (Nov. 19, 1982), pp. 23, 24.

On October 22, 1982, the General Accounting Office issued a report citing the Copyright Office for "inefficient work-flow" which slows the processing of copyright applications. The report says the delays are due to "excessive physical movement and handling of incoming material before registration is completed and general reluctance to change inefficient practices." The report recommends that the Office streamline the workflow procedures, reduce the handling of correspondence, measure productivity and performance, improve records management and study possible impact of low morale. GAO added that the Office climate is conducive to further improvement, because of a "growing awareness of productivity concepts and issues, due largely to management attention to productivity issues, budgetary pressures and a growing registration workload, and the recent appointment of an executive officer whose duties include identifying needed management improvements."

507. GILBERT, TOM. Nat'l Cable TV Assn. triumphs in appeal of c'right decision. *The Hollywood Reporter*, vol. CCLXXIII, no. 50 (Oct. 15, 1982), pp. 1, 4.

A Court of Appeals overturned a lower court holding that found a common carrier to be non-exempt from copyright liability. The National Cable Television Association appealed in a copyright infringement suit against Eastern Microwave Inc., a resale carrier. The appellate body held that because technical restrictions forced Eastern "to take a signal with no control over the content," the company avoided possible copyright infringement. It also ruled that Eastern had not exercised control over the particular recipients of its transmission, and merely provided wires, cables or other communications channels for the use of others.

508. GOLD, RICHARD. Theft-resistant packaging, advance sales put forth as home-taping answer. *Daily Variety*, vol. 197, no. 25 (Oct. 11, 1982), pp. 1, 7.

At a recent meeting, the National Association of Recording Merchandisers discussed measures to combat home taping. Among the steps considered were the "advance release of cassettes, uniform theft-resistant cassette packaging and . . . a special cassette-pricing" scheme.

509. HARRINGTON, RICHARD. Getting 'nervous' about copyrights. *The Washington Post*, vol. 105, no. 322 (Oct. 23, 1982), pp. C1, C4.

A Washington radio station, DC-101, has refused to play an album by Pat Benatar entitled "Get Nervous". At issue is the so-called "tracking" of albums—playing them without commercial interruption. Chrysalis Records warned DC-101 that if it "tracked" the album the station would be subject to legal action. Chrysalis said that the practice of tracking encourages home taping, which is a violation of federal law. Chrysalis sent letters to more than 1,000 radio stations asking them to refrain from tracking, and DC-101 was the only one to refuse. A spokesman for DC-101 said that the position of the station is that once the album is released and mechanical royalties are paid by the station, they can play anything they want. As a result of the threatened law suit by Chrysalis Records, DC-101 stopped playing the album.

510. HENNESSEY, MIKE. BPI and MRS sign royalty agreement. *Billboard*, vol. 94, no. 49 (Dec. 11, 1982), pp. 9, 38.

After five years of negotiations, the British Phonographic Industry and the Mechanical Rights Society have signed a three-

year mechanical royalty agreement. The new contract is based on a price criterion involving a "notional" retail price concept and includes rates for promotional records, exports to EEC countries and product advertised on television. It also establishes a scheme for when mechanical royalties become due.

511. HENNESSEY, MIKE. 1st sale doctrine abolition urged. *Billboard*, vol. 94, no. 42 (Oct. 30, 1982), pp. 1, 32.

At this year's Vidcom, an IFPI official urged an international campaign to abolish the first sale doctrine. Under the doctrine, the rights in a particular work "are exhausted once it has been sold." The purpose of the move would be to combat audio and video rentals. It was indicated that another benefit of the campaign would be to curtail any home taping and piracy that might result from rental schemes.

512. HENNESSEY, MIKE. IFPI considering international register of programs. *Billboard*, vol. 94, no. 42 (Oct. 30, 1982), p. 32.

At one of the Vidcom meetings, the International Federation of Producers of Phonograms and Videograms (IFPI) disclosed that it was considering an international register of film and video programs. The register would aid in checking copyright ownership and clearance, improve conditions for video rights owners and be a valuable antipiracy tool. The IFPI also announced its intention to lobby around the world for legislation dealing with the problem created by rentals, private copying and satellite and cable television.

513. HOLLAND, BILL. Fraternal groups exempted from music royalties. *Billboard*, vol. 94, no. 44 (Nov. 6, 1982), pp. 1, 58.

President Reagan signed H.R. 4441, the bill amending the copyright law to exempt "non-profit veteran's and fraternal organizations from paying music performance royalties." The exemption is limited to performances in connection with social functions, the proceeds of which are used for charitable purposes.

514. Hong Kong keeps up piracy battle with o.k. record. *Variety*, vol. 308, no. 11 (Oct. 13, 1982), p. 50.

Piracy is less a problem in Hong Kong than it is in most Southeast Asia territories. This is attributable to the fact that the country's video companies have organized under the auspices of

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the International Federation of Producers of Phonograms and Videograms to combat illegal duplicating operations. The group's accomplishments in this area include numerous raids, seizures and convictions.

515. Iceland VCRs double; piracy, parallel imports keep distributors watchful. *Variety*, vol. 308, no. 11 (Oct. 13, 1982), p. 136.

Video piracy and parallel imports are hurting Iceland's film business. Local distributors are beginning to bring suits against suspected pirates, but because the country's copyright law is weak and its civil penalties minor, the actions have little or no effect against the illegal operators.

516. IFLA study cites copyright law as unable to govern international exchange of machine-readable bibliographic data. *Information Hotline*, vol. 14, no. 11 (Dec. 1982), pp. 1, 20-21.

A study funded by the International Federation of Library Associations and Institutions (IFLA) concluded that bilateral agreements provide the most feasible method for governing exchanges; that economic, financial and political differences may lead to restrictions on international exchange of machine-readable bibliographic data; and that such organizations as IFLA must develop and promote mechanisms to discuss and analyze these differences. In the area of copyright, the study recommended that IFLA "assist its members in informing their national governments concerning data exchange" and "establish a working group . . . to explore the future relationships between copyright of bibliographic data and copyright of the documents which such data describes."

517. IFPI-BIEM talks to resume: standard agreement sought. *Billboard*, vol. 94, no. 48 (Dec. 4, 1982), p. 9.

At a recent meeting, IFPI European group directors were told of the resumption of negotiations for a standard agreement between IFPI and BIEM. They were also apprised of legislation imposing a private copying royalty on tape and hardware being considered by a number of countries and the possibility of Greece's piracy problem threatening other countries of the European Economic Community. Among the actions taken by the directors was a recommendation "for free negotiations between cable operators and representative societies" for rights to distrib-

ute sound recordings and video materials.

518. Joan Collins files suit against 'Star'. *Daily Variety*, vol. 197, no. 49 (Nov. 11, 1982), p. 6.

In her copyright infringement suit against the *Star*, Joan Collins alleged that defendants unlawfully reproduced substantial portions of her book "Past Imperfect". The defendants are the News Group Publications Inc., Sunset News Inc., ARA Services Inc. and ARA Periodicals, Inc.

519. JONES, PETER. IFPI hails UNESCO resolution: world meet defined recordings as cultural materials. *Billboard*, vol. 94, no. 46 (Nov. 20, 1982), pp. 58, 60.

The World Conference on Cultural Policies held in Mexico City this past summer adopted a resolution calling for the recognition of phonograms and videograms as "cultural materials deserving legal protection at the national and international levels." The resolution was proposed by "Bolivia, Brazil, Colombia, Ecuador, Trinidad and Tobago, Venezuela, Spain and Argentina, along with representatives of IFPI."

520. JONES, PETER. U.K. antipiracy bills introduced: industry, parliament taking aim at illicit activity. *Billboard*, vol. 94, no. 49 (Dec. 11, 1982), pp. 30, 59.

Two pieces of antipiracy legislation are expected to be introduced in the British Parliament. One, a measure calling for increased penalties for copyright violations, will be presented to the House of Commons. The other, to be offered to the House of Lords, proposes a broadened "definition of illegal copying, as well as unlimited fines and up to two year's imprisonment for second and subsequent offenses."

521. KAHN, HENRY. Court shutter seven French discos. *Billboard*, vol. 94, no. 42 (Oct. 30, 1982), p. 51.

The French liquor license law worries discotheque and hotel owners which own more than one establishment. The law "prohibits the sale of drinks in two separate places" with only one liquor license. Owners having more than one establishment are concerned about the extra expense of getting a second license. They also fear that France's copyright society might be entitled to twice the copyright payments where two licenses are in question.

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522. Kenny Rogers, Dottie West sue VCR for taping of show. *Daily Variety*, vol. 197, no. 56 (Nov. 22, 1982), p. 14.

In a suit against VCR Inc., singers Kenny Rogers and Dottie West are seeking more than \$10 million in punitive and actual damages. The complaint alleges that defendant illegally duplicated a videotape recording of performances plaintiffs made in 1978. Besides the damages, plaintiffs are asking for injunctive relief and a money judgment.

523. KIRK, CYNTHIA. Film composer worried about court edict vs. blanket licensing. *Variety*, vol. 309, no. 5 (Dec. 1, 1982), p. 79.

Emmy-award winning composer Dominic Frontiere, in commenting on the entertainment media, was enthusiastic about the future of his segment of the music business. He was less than optimistic, however, concerning other areas of the industry. He indicated that shrinking record sales, the decision in the blanket licensing suit brought by local television stations in Buffalo and the continuing evolution of new entertainment media made the future direction and scope of the music business uncertain. Frontiere said that the uncertainty was causing him and others to look beyond TV, film and records for their livelihoods.

524. KLEIN, RICHARD. Policing the world of blurbs to discourage and also expose copyright abuses of deceased w.k. personalities. *Daily Variety*, Forty-Ninth Anniversary Issue, pp. 117, 118.

Roger Richman is an attorney who specializes in cases involving the unauthorized use of deceased celebrities' names, voices, images or likenesses. He says that the courts generally have held that if the celebrities merchandised themselves during their lifetime, then their heirs or estates inherit the right to continue such merchandising. In this article, Richman talks about some of the estates he has represented and the tactics he has used to prove self-exploitation by celebrities. He also talks about how he tracks down and stops infringers.

525. KOZAK, ROMAN. Symposium negotiates the law: one-day meet looks at the legal side of music. *Billboard*, vol. 94, no. 44 (Nov. 6, 1982), pp. 6, 58.

The New York Law School and the Media Law Project sponsored a symposium on "Law and the Musician." Among the topics discussed at the session were "management contracts, recording

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contracts, studio/union, copyright/performing rights, performing contracts and music publishing contracts.”

526. LICHTMAN, IRV. Bar group files Betamax brief: asks Supreme Court to rule home videotaping illegal. *Billboard*, vol. 94, no. 42 (Oct. 30, 1982), pp. 6, 72.

The Committee on Copyright and Literary Property of the Association of the Bar of the City of New York filed an amicus curiae brief urging the Supreme Court “to hold that home video recording is an infringement of copyright.” Broadly stated, a “summary of the committee’s argument is that ‘off-the-air recording of a copyrighted program without authorization of the copyright proprietor constitutes an act of infringement, which is neither permitted by statutory exemption nor justified by the defense of fair use or First Amendment principles.’ ”

527. LICHTMAN, IRV. CBS-TV seen attempting direct licensing of music. *Billboard*, vol. 94, no. 47 (Nov. 27, 1982), p. 3.

Reportedly CBS-TV is attempting to negotiate direct music licenses with copyright owners. The network is not commenting on the reports, but sources declare that CBS is seeking to negotiate with originators of future programming to be televised. With respect to the fees for direct licenses, the sources suggest that the rights might be “part of a total package without specific fees . . . for music.”

528. LICHTMAN, IRV. Letter raises questions on pre-termination rights. *Billboard*, vol. 94, no. 49 (Dec. 11, 1982), pp. 5, 38.

A dispute has arisen between the Welk Music Group and the Songwriters Guild over an interpretation of the decision in *Harry Fox Agency v. Mills Music*. That decision “declared a publisher was entitled to fees on songs performed on recordings licensed by the original publisher before their termination.” According to its interpretation of the judgment, Welk says that it is entitled to performance income from pre-termination licensing rights to copyrights. The Guild, which is joining in the appeal of the Fox decision, contends that the ruling applies only to mechanical royalties from sound recordings and not to “all derivative works or other uses or performances.”

529. LIPPMAN, THOMAS. 8 publishers sue NYU for alleged illegal copy-



ing. *The Washington Post*, vol. 106, no. 10 (Dec. 15, 1982), pp. 1, 18.

Eight book publishers have brought suit against New York University, nine of its faculty members and Unique Copy Center, charging that the teachers instructed the photocopy store to duplicate portions of copyrighted books and articles and sell the material to the students in violation of the Copyright Act. Among books allegedly copied were "Outsiders: Studies in the Sociology of Deviants", Truman Capote's "In Cold Blood" and "The Final Days" by Bob Woodward and Carl Bernstein. The complaint filed in the U.S. District Court for the Southern District of New York seeks an injunction against the alleged illegal photocopying and unspecified money damages.

530. 'Little Shop' scenarist files copyright suit vs. legit production. *Variety*, vol. 308, no. 12 (Oct. 20, 1982), p. 329.

Charles Griffith, author of the 1961 screenplay "The Little Shop of Horrors," filed a copyright infringement suit against the Shubert Organization and others. At issue is an agreement by which plaintiff sold the rights to make the screenplay. The complaint maintains that the agreement does not extend to stage rights and that defendant's stage musical adaptation of "Little Shop . . ." is unauthorized and a violation of plaintiff's copyright.

531. LOFTUS, JACK. CBS-TV affiliates back web: support network's efforts to win repeal of financial interest, syndication regs. *Daily Variety*, vol. 197, no. 53 (Nov. 17, 1982), pp. 1, 19.

Efforts for and against repeal of the Federal Communications Commission's financial interest and syndication rules are gaining momentum. The affiliate boards of CBS-TV voted to support the network's efforts to repeal the rules, and the boards of the other major networks are expected to follow suit. The National Association of Television Program Executives, on the other hand, approved plans to educate independent television stations concerning the threat that repeal of the rules would pose to localism and to urge them to support the fight for retention of the regulations.

532. 'Lost In Love' focus of suit. *Billboard*, vol. 94, no. 46 (Nov. 20, 1982), p. 72.

The tune "Lost in Love" is the subject of a copyright infringement suit filed against Graham Russell, a member of the

Air Supply rock group. Publisher Big Secret Music, the plaintiff in the action, alleges that the song infringes one written by Guy Fletcher and Doug Flett entitled "Save Me". Plaintiff seeks \$1 million in punitive damages and an accounting of profits.

533. MCMASTERS, THERESA. CRT decision could cost cable industry \$40 million per year. *The Hollywood Reporter*, vol. CCLXXIV, no. 4 (Oct. 21, 1982), pp. 1, 5.

The Copyright Royalty Tribunal approved a new cable fee schedule requiring systems "to pay 3.75% of their gross receipts twice a year for each distant signal they pick up starting next year. Fractional distant signals would be computed at a fractional rate." Cable "systems located fully or in part in the top 50 TV markets would have to pay .599% of gross receipts for the first signal; .377% for the second, third and fourth signals and .178% for the fifth" and each additional signal. "For systems located in second 50 TV markets, the rates would be .300% for the first signal; .189% for each of the second, third and fourth signals and .089% for the fifth and subsequent signals."

534. Most off-air taping is "fair use", ALA tells Congress and Supreme Court. *American Libraries*, vol. 13, no. 4 (Oct. 1982), p. 563.

A discussion of royalty tax on both video and audio recording equipment proposed in HR 5705 and ALA's *amicus curiae* brief in the Sony case (*Sony Corp. of America, et al. v. Universal City Studios, Inc. and Walt Disney Productions*).

535. NAB puts in bid for more royalty fees from cable. *Broadcasting*, vol. 103, no. 16 (Oct. 18, 1982), p. 50.

In testimony before the Copyright Royalty Tribunal, the National Association of Broadcasters (NAB) urged that the broadcasters' portion of the 1980 cable royalties should be increased. The NAB argued that broadcasters should be awarded a larger share of the fees because of the valuable contributions distant TV and radio signals provide to cable systems.

536. NBC asks affils for their support in drive against financial, syndie rules. *Daily Variety*, vol. 197, no. 23 (Oct. 7, 1982), pp. 1, 4.

NBC-TV affiliates were asked to support efforts to repeal the Federal Communications Commission's financial interest and syndication rules. NBC argues that the rules' limitation on broadcast

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rights prohibit the "continuing success of free over-the-air tv." The network also maintains that the rules give pay-TV services, which have no such restrictions, an unfair advantage, increase "concentration among the leading suppliers of primetime series, and inhibit competition in program production."

537. NELSON, DALE. Dateline-Washington. *Wilson Library Bulletin*, vol. 57, no. 2, p. 142.

A report on the manufacturing clause and some of the U.S. Senators who had particular interest in it. Senator Strom Thurmond of South Carolina and Senator Patrick Leahy of Vermont wanted to extend the provision indefinitely. President Reagan vetoed this bill, but a compromise calling for a four-year extension was passed unanimously in the Senate and overwhelmingly in the House.

538. ORSTED, KNUD. Danish rock group wins ballet infringement action. *Billboard*, vol. 94, no. 45 (Nov. 13, 1982), p. 61.

In its copyright infringement suit against PolyGram Records and others Danish rock group Savage Rose was awarded \$35,000. The complain alleged that defendants illegally used plaintiff's music in a ballet that was performed at the Copenhagen Benneweis Circus. Thomas Koppel, a member of Savage Rose and composer of the infringed music, termed the decision "a milestone in copyright history in Denmark."

539. 'Paradise' case settled; winner still in doubt. *Daily Variety*, vol. 197, no. 62 (Dec. 1, 1982), p. 4.

Columbia and Embassy Pictures reached an out-of-court settlement of their differences concerning the similarities between the former's "The Blue Lagoon" and the latter's "Paradise". Under the settlement, Columbia agreed to withdraw its copyright and trademark infringement claims in exchange for Embassy's agreement to stop its use of all offending advertisements connected with "Paradise".

540. Pirates copying 'Polaproof' tag. *Billboard*, vol. 94, no. 45 (Nov. 13, 1982), pp. 1, 64.

Counterfeit copies of Thorn EMI's (London) anticounterfeit label that was introduced on October 1 were discovered on pirated film and music videocassettes. Company officials hope that the

early discovery will enable them to put an immediate halt to the illicit tapes.

541. POLLACK, ANDREW. Technology: taping shows off the air. *The New York Times*, vol. CXXXII, no. 45,480 (Oct. 28, 1982), p. D2.

This article discusses some of the ways companies think off-air taping can be turned into a business in which producers would get their fair share. The American Broadcasting Company (ABC) plans to introduce next year its Home View Network, which will broadcast movies and other television programming in scrambled form from ABC affiliates. National Public Radio plans to begin a similar service in San Francisco next month specifically for music. The electronic distribution of programming called "telesoftware" could be cheaper than the traditional forms of retailing, such as record stores and video outlets. Companies entering the electronic distribution business will pay royalties to producers.

542. QUINN, JOHN. New twist in pirate battle: mds outfit sues 34 persons in Mo. for using antenna kit. *Variety*, vol. 309, no. 1 (Nov. 3, 1982), pp. 2, 63.

Metro Communications filed suit against thirty-four individuals who allegedly used "antenna kits" to pick up the company's pay-TV signals for free. The case is different from previous signal piracy actions in that the defendants are the users of the kits instead of the suppliers. Plaintiff, which offers the Movie Channel in the Springfield, Missouri area, is bringing the action under Section 605 of the Federal Communications Act.

543. Register of Copyrights cautions against "economic harm" as a copyright concept. *Information Hotline*, vol. 14, no. 11 (Dec. 1982), pp. 1, 22-23.

At the annual convention of the American Bar Association, David Ladd, Register of Copyrights, expressed concern about "false doctrine and specious policy" which promote "the notion that economic harm should serve as a basis for copyright protection." He warned that the emergence of such concepts "could destroy the role of copyright as a principal mechanism for fostering intellectual activity."

544. RISHER, CAROL. How publishers and librarians can agree on co-

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pyright. *Wilson Library Bulletin*, vol. 57, no. 3 (Nov. 1982), pp. 232-233.

A discussion of workings of the Copyright Clearance Center (CCC), a multi-copyright owner system that permits copying without advance permission and the service provided those members of the library community who have registered with the CCC. The author also discusses the proposed "umbrella statute" (an amendment to the copyright law) which would provide for "reasonable copying," and the findings of the AAP Copyright Committee's Task Force. This task force was particularly concerned with scientific, technical, medical and business periodicals for which "immediate reproduction was necessary for purposes of research or study."

545. RIVAL, PIERRE. No French homevid consensus; 'boom' seen fading very quickly; pirates slice big piece of quiche. *Variety*, vol. 308, no. 11 (Oct. 13, 1982), pp. 42, 104.

Piracy is contributing to the instability of France's retail video market. The country's law is adequate with respect to piracy; but, reportedly, the police and the courts hesitate to firmly apply it. The Motion Picture Assn. of America, therefore, circulated a list of alleged pirates among retailers and "legal proceedings have been taken when possible."

546. ROBB, DAVID. Interest, syndie rules' end draws ATA's opposition. *Daily Variety*, vol. 197, no. 54 (Nov. 18, 1982), pp. 1, 23.

The Association of Talent Agents has gone on record as opposing the repeal of the Federal Communications Commission's financial interest and syndication rules for the networks. The Association contends that the removal of the regulations would give the networks a monopoly over production and distribution of television product because they would be allowed to own part of the shows that they broadcast and to resume program syndication.

547. ROBINSON, RUTH A. Appeals ct. ruling partially upholds Cher vs. Star. *The Hollywood Reporter*, vol. CCLXXIV, no. 24 (Nov. 19, 1982), p. 25.

The Ninth Circuit partially reversed the District Court's decision in Cher's suit against the *Star* newspaper and *Forum* magazine. The lower court had awarded Cher approximately \$665,000

in damages for the unauthorized publication of an interview done for *Us Magazine*, but the appellate body upheld only that portion of the award that was assessed against *Forum* for using the singer's name and likeness in an extensive promotion campaign for the interview. Additionally, *Forum* must pay more than \$2 million in special, general and exemplary damages. The Court of Appeals, in dismissing the damages assessed against the *Star* and the reporter that did the interview, stated that the purchase and publication of an interview with a public figure is protected by the Constitution.

548. ROBINSON, RUTH. Millions due music composers called scandal in Brazil. *The Hollywood Reporter*, vol. CCLXXIV, no. 20 (Nov. 15, 1982), pp. 1, 25.

Though 80% of the music played in Brazil is purported to be American, ASCAP has been unable to collect performing rights royalties from the Brazilian rights societies. This article discusses the problem and some of the efforts undertaken to improve the collection procedures.

549. SACKS, LEO. Sam Stolon given one-year sentence in Goody case. *Billboard*, vol. 94, no. 45 (Nov. 13, 1982), p. 82.

The government's two and a half year old counterfeit tape case against Sam Goody, Inc. ended with the company being fined \$10,000 and Samuel Stolon, a former company executive, being sentenced to a year in jail. The penalties were imposed after the defendants entered pleas of no contest to charges of interstate transportation of stolen merchandise and criminal copyright infringement.

550. School's out for alleged bootlegger. *Billboard*, vol. 94, no. 45 (Nov. 13, 1982), p. 69.

In a raid on the Rock 'n' Roll University, FBI agents in North Carolina seized more than 5,000 albums, cassettes, tapes and videocassettes. Wayne Rogers, the owner of the operation, allegedly had been running a mail order business through which he offered bootleg records and tapes.

551. SIPPEL, JOHN. At panel session: lower royalties urged for TV, direct mail lps. *Billboard*, vol. 94, no. 44 (Nov. 6, 1982), pp. 6, 68.

Cut-rate mechanical royalties was the main subject of a panel

discussion at a recent Association of Independent Music Publishers' luncheon. The panel told the gathering that "music publishers miss additional business when they fail to grant lower mechanical royalties for songs included in TV and direct mail marketing." The cut rate royalty enables potentially more profitable albums to be packaged.

552. Sky pirates 'threatening' life of CFL. *Variety*, vol. 309, no. 4 (Nov. 24, 1982), pp. 55, 63.

The Canadian Football League is seeking ways to stop illegal satellite dishes from intercepting the telecast of its games. Ticket sales, the primary source of League income, are threatened when dish owners offer local games that are blacked out on television. The League fears that, if left unchecked, the unauthorized signal pickups will cut into its profitability and decrease the value of radio rights for home games.

553. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXIII, no. 50 (Oct. 15, 1982), p. 49.

After Elvis Presley's death, suits concerning the rights to his name, likeness, performances and life story arose. One of these cases, *Larry Sellers v. ABC*, involved claims of breach of contract, misappropriation and copyright infringement of plaintiff's "exclusive story" to the "true" cause of Presley's death. This article examines the details leading up to the suit and the district and appellate court decisions in the case.

554. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXIV, no. 19 (Nov. 12, 1982), p. 16.

Mr. Sobel discusses the dispute resulting from ABC's exclusive right to televise the 1984 Summer Olympics and its planned restriction of television coverage by other broadcasters. ABC intends to limit the coverage by prohibiting the stations from bringing TV cameras into Olympic stadia and from televising daily highlights until after final network (2 a.m.) coverage of each day's events. CBS is protesting the planned restrictions and raising questions concerning possible violation of First Amendment rights.

555. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXIV, no. 33 (Dec. 3, 1982), p. 14.

Does a celebrity's right of publicity survive his or her death?

This question is the subject of suits involving the estates of Elvis Presley, bluegrass artist Lester Platt and the Marx Brothers. After examining the contrasting decisions in these cases, Mr. Sobel concluded that a federal right of publicity statute should be adopted preempting the various state laws because having "50 different rules in 50 different states . . . [generates] uncertainty, inconsistent results and expense."

556. SPAHR, WOLFGANG. Illegality upheld: German court hits disk rental. *Billboard*, vol. 94, no. 46 (Nov. 20, 1982), pp. 3, 60.

In a suit filed by Polygram (Hamburg) against a firm called Videoland, a German Higher Regional Court ruled that it is illegal for retailers to rent records without the permission of the manufacturers. The court based its decision on Section 85 of the German Copyright Act, which gives record manufacturers "authority to restrict the rights and use of their product." A German Supreme Court case involving territorial protection for record companies was also cited as controlling.

557. Special feature. Model policy concerning college and university photocopying for classroom, research and library reserve use. *Information Hotline*, vol. 14, no. 10 (Nov. 1982), pp. 27-30.

In connection with photocopying under Section 107 of the Copyright Act, the American Library Association prepared a model policy "for the guidance and use of academic librarians, faculty, administrators, and legal counsel." While the document does not address all library photocopying which may be permitted under the law, it does provide a detailed outline of such copying as is allowed under the fair use provisions "for classroom teaching, research activities and library services."

558. Study of libraries, publishers, and photocopying. *Information Hotline*, vol. 14, no. 10 (Nov. 1982), pp. 1, 5-8.

The Copyright Office commissioned King Research, Inc. to conduct a study of library photocopying. The data used in compiling the report were gathered from public, academic, federal and special libraries in the U.S. The topics covered by the study include "library materials budget, photocopying operations, photocopying permission requests, incoming and outgoing interlibrary loan requests, and reserve operations." This article provides background information concerning a reprint of the summary of



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findings contained in the report.

559. Sued by Acuff-Rose: ruling near in Daniels case. *Billboard*, vol. 94, no. 44 (Nov. 6, 1982), p. 61.

Acuff-Rose Publications, Inc. filed a copyright infringement suit against Charlie Daniels. The complaint claims that defendant's "Long-Haired Country Boy" song was copied from a tune written by John Loudermilk entitled "Bad News". Plaintiff seeks all royalties and mechanicals from the Daniels hit.

560. SUTHERLAND, SAM. FBI nabs 10 in tape sweep. *Billboard*, vol. 94, no. 42 (Oct. 23, 1982), pp. 1, 78.

In raids on eight Los Angeles locations, FBI agents arrested ten people and confiscated more than \$1 million worth of tapes, raw materials, and duplicating equipment. The raids were the culmination of an eighteen-month investigation of alleged Latin tape counterfeiters. The Recording Industry Association of America and the Association of Latin American Record Manufacturers assisted the government in its investigation.

561. T-L sues Moon pix over 'Laughed' coin. *Variety*, vol. 309, no. 1 (Nov. 3, 1982), p. 6.

Time-Life Productions filed suit against Moon Pictures and others over the distribution rights to the film "They All Laughed". The complaint claims that defendant failed to turn over certain income owing to plaintiff under the licensing agreement for the rights in question. Plaintiff seeks \$150,000 in damages and injunctive relief.

562. Turner wants CRT increases overturned. *Broadcasting*, vol. 103, no. 23 (Dec. 6, 1982), p. 73.

Turner Broadcasting System has joined the National cable Television Association in asking the U.S. Court of Appeals to stay a recent Copyright Royalty Tribunal ruling increasing the rates cable systems must pay to carry distant signals. The proposed rates are scheduled to go into effect on January 1, 1983. Cable operators argue that the increased rates will cause double payment to producers and that either the costs will be passed on to the customer or services will have to be dropped.

563. U.K. producer files suit against IHE over distrib flap involving

TV specs. *Variety*, vol. 309, no. 1 (Nov. 3, 1982), p. 69.

Jeffrey Kruger, a British entertainment producer-promoter, filed a breach of contract suit against International Home Entertainment (IHE) and its officers. The complaint alleges that defendant failed to make accountings and royalty payments for its distribution of certain non-theatrical television programs. Additionally, the suit charges that IHE made unlicensed distributions of the programs in Europe. Plaintiff seeks \$1,100,000 in damages, an accounting and injunctive relief.

564. UNDERWOOD, NICK. CBA demonstrates anti-tape 'spoiler' for U.K. industry. *Cashbox*, vol. XLIV, no. 23 (Oct. 30, 1982), pp. 6, 32.

CBS demonstrated its new anti-home taping device for the British Phonographic Industry in London and planned to do likewise for the French IFPI in Paris. The device is a microchip, "which, when built into record playing hardware, spoils any signals being recorded onto tape." The BPI's reaction to the device was favorable; now it will explore practical strategies for using the 'spoiler' and study the legal ramifications involved in legislatively requiring hardware manufacturers to install it into equipment.

565. Wometco files suit vs. signal pirates. *The Hollywood Reporter*, vol. CCLXXIII, no. 49 (Oct. 14, 1982), p. 4.

A U.S. District Court in New York granted a temporary restraining order against nineteen defendants that allegedly intercepted Wometco Home Theatre's Subscription TV transmissions without permission. Wometco, which claims that the interceptions were in violation of the Communications Act of 1934, seeks \$30 million in compensatory and punitive damages as well as injunctive relief.

## 2. Foreign

### 1. Great Britain

566. Australian copyright collection agency. *The Bookseller*, vol. 4004 (Sept. 1982), p. 1092.

An announcement of a new collection agency to be established

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entitled the *Australian Author and Publishers Agency Ltd* (AAPL). The agency will be financed by the publishers and it will also collect fees on behalf of authors.

567. Copyright licensing meet. *The Bookseller*, no. 4016 (Dec. 11, 1982), p. 2135.

An announcement of a meeting on December 15 of the Publisher's Association to discuss a proposed copyright licensing scheme.

568. Grueling post natal examination for PLR. *The Bookseller*, no. 4006 (Oct. 2, 1982), p. 1272-1273.

A discussion of the PLR, the opening of the Registrar's Office and the debate that has sprung up because of it. Part of the debate centers around what many believe is a proposition that authors deserve financial kick-backs in respect to literary borrowings in addition to what they already receive from their publishers.

569. Minister expresses concern about UK piracy. *The Bookseller*, no. 4012 (Nov. 13, 1982), p. 1773.

A review of the statements made by John Butcher, MP, at a copyright seminar in Great Britain. He discussed the Public Lending Right and the state of the video cassette market and stressed the need for "legislation to cope with new technology."

570. PLR blemishes. *The Bookseller*, no. 4002 (Sept. 1982), p. 891.

A statement made by Geoffrey Sampson concerning the Public Lending Right (PLR) Act. Sampson believes that the PLR, which gives payment to authors whose books are borrowed from public libraries, will benefit the bureaucracy but not translators, editors, compilers or revisers of books.

571. PLR: the official launch. *The Bookseller*, no. 4003 (Sept. 1982), p. 992.

An announcement of the official opening of the offices of the Registrar for Public Lending Right. The Minister for the Arts stated that one of the problems that needs to be solved concerns reciprocity with Germany. Registering authors and their books has begun, with phase two scheduled to begin in January 1983 and phase three in June 1983.

572. Publishers: Help for PLR patchy but growing. *Bookseller*, no. 4016 (Dec. 11, 1982), p. 2134.

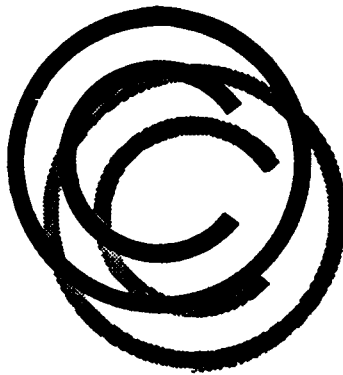
A statement by the Registrar of the Public Lending Right reporting that his staff has detected an apparent correlation between registrations from authors and publishing houses from which their books appear. The Registrar encourages publishing houses to send PLR forms out to their authors.

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DAVID LADD  
United States Register of Copyrights

## PART I

## ARTICLES

573. THE HARM OF THE CONCEPT OF HARM IN COPYRIGHT:  
*The Thirteenth Donald C. Brace Memorial Lecture\**

By DAVID LADD\*\*

Copyright is today under stress. It is also under attack.

The stress arises primarily from the rapid succession of marvelous new machines, miraculous enough to delight Jules Verne, for copying and, in new ways, enjoying protected works. They are for that reason a boon.

By the same token, unauthorized copying of print, sound, and cinematographic works has become epidemic; copyright owners' control has weakened; and the domestic and international traffic in piratical copies of films and records has risen to floodtide.<sup>1</sup>

As new technologies of use appear, they create their own commercial interests, constituencies, and pressure groups whose fortunes are furthered by maximum public use of copyrighted works, whether compensated or not. There are likewise non-commercial groups who see copyright as hobbling their mission by placing unacceptable strains on their budgets, or complicating their work. These groups have often resisted the historic trend of extending and expanding copyright to new technologies, under pleas of special needs. Such resistance is never claimed to be justified in terms of self-interest, but of consumer interests in maximum distribution of goods and services at the lowest cost.

If the source of the stress lies in rapidly changing technology and if the political force of the attack draws from commercial or non-commercial self-interest, then the assault weapon is the notion that some proof of "harm" is a necessary condition for protecting a class of creative

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\*This lecture was delivered on April 13, 1983 at the Tishman Auditorium of the New York University Law Center, New York, New York.

\*\*Mr. Ladd is the United States Register of Copyrights.

<sup>1</sup> Aside from controlling unauthorized copying of traditional works, another major problem, of course, is the crucial task of accommodating copyright to computer-related works. In this case, the problem is to adapt copyright to altogether new kinds of works of authorship rather than perfecting or completing protection for new uses of traditional works.

works or a particular creative work, or a class of copyright owners, or a particular owner. This notion, an unhistoric interloper,<sup>2</sup> presents the primary doctrinal strain in copyright today.

What I call "the harm argument" is shorthand for a number of related justifications for exemption from copyright controls: that copyright proprietors are well-off enough that enhanced protection will only mean windfall profits; that only certain uses—large scale competitive ones—should be subject to control; that investments ought to be recouped only in these areas; and that the potential impediments which copyright clearances would impose on education and research would produce a harm outweighing any economic benefits copyright controls would produce. Explicitly or implicitly, however, the advocates of economic necessity as the test of copyright protection ultimately rest their case on an interpretation that the copyright clause of the Constitution is more a limitation than an empowerment, and, further, is itself hemmed in by the First Amendment.

The Constitution authorizes copyright "To promote the Progress of Science." From that phrase, the exponents of harm declare that where the imperatives of maximum distribution clash with property rights, the latter must yield; and that copyright should extend no further than to what is financially indispensable to motivate creation and publication. In more extended form, copyright is argued to be in opposition to other constitutional rights, including the right to the free flow of information and the public's right to know, both rooted in the First Amendment.

Copyright is *not* inimical to the First Amendment and the hallowed values it harbors. It is indeed of a piece, *in pari materia*, with the First Amendment and indispensable to it. That is the central idea of this lecture. The notion of economic "harm" as a prerequisite for copyright protection is mischievous because it disserves the basic constitutional design which embraces both copyright and the First Amendment. Proponents of the "harm" argument demand that we view publishers, motion picture and record companies, the information industries, and broadcasters as business interests undifferentiated from other businesses instead of what they are—instruments of free speech.

The harm argument should be rejected because it is amorphous and practically impossible to define or to apply consistently and fairly. That should be a full and sufficient reason for its rejection. More, it threatens

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<sup>2</sup> The substantial legislation and jurisprudence concerning the availability of a preliminary injunction in copyright cases even without "a detailed showing of irreparable harm," (NIMMER ON COPYRIGHT §14.06[A]) and the availability of statutory damages, in lieu of actual damages, show that harm is an untraditional component of copyright infringement analysis.

to warp the universe of both authors and publishers<sup>3</sup>—a universe characterized by freedom, pluralism, dispersal of power and useful disorder; responsive to public taste, yet uncontrolled by any part of it. “Harm” as a basis for policy, substitutes, to borrow a phrase from welfare legislation, a means test for the historic and honorable principle of just compensation measured solely by what the public chooses to pay. It subserves indirect government control—an influence as chilling and corrosive to creative spirit and public discourse as the mechanisms of censorship outlawed by the First Amendment.

The general copyright revision of 1976 represented a towering achievement: the first total recodification and modernization of copyright in sixty-seven years, which culminated more than twenty years of study, debate, and drafting. The 1976 Act tamed, without quite domesticating, “killer” issues such as cable and photocopying. Beyond the hard compromises, the Act’s basic purpose was to brace the development of copyright law to withstand and breast the predictable shocks of new machines, new uses, and new politics.

The Act’s bracing is structural: its architecture is a framework of sweeping, broad, exclusive rights, limited only by express limitations, and a fair use doctrine declared to be no enlargement of that theretofore shaped in decisional precedent. The statute was fashioned with the purpose of guarding against “confining the scope of an author’s rights on the basis of present technology so that, as the years go by, [the] copyright loses much of its value because of unforeseen technical advances.”<sup>4</sup>

But the general revision has not given respite. The future has come too swiftly. Every session of Congress since 1976 has been vexed with copyright issues of great moment, often with political strife of unprecedented scope and intensity.

Of course, in one sense these issues are but latter-day versions of the perennial problem of extending and conforming copyright to new uses of works of authorship—an endeavor which has always characterized copyright, especially in the twentieth century in dealing with motion pictures, radio, and television. But those media did not develop at a

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<sup>3</sup> The term *publisher*, along with words derived therefrom, is used as a term of art in a broad sense in this lecture to refer to any entrepreneur whose efforts lead to the public dissemination, performance, or display of works of authorship. In this extended definition, recording enterprises and motion picture producers, for example, are also “publishers.”

<sup>4</sup> The quotation is from the 1965 SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS, at 14. The argument of the architecture of the Act, and its purpose, is elaborated in Ladd, “*Home Recording and Reproduction of Protected Works*,” 68 A.B.A.J. 42 (January, 1982).

tempo as quick as that for tape recorders, photocopiers, videorecorders, computers, and satellites. Nor did they scatter widely among the public the instruments of copying, displaying, and performing.

There is yet a deeper difference today: works of authorship—copyrighted works—have moved to a more central place in our lives. We are now entering a post-industrial or information age. Increased wealth, higher education levels, more leisure, the growth of high technology (*i.e.*, information-fueled) industries, and rising tastes have vastly expanded the public need and appetite for “information.” And “information” includes copyrighted works—books, motion pictures, sound recordings, and computer programs—for work, education, and entertainment.

Paradoxically, the growing importance of copyrighted works in professional and personal life has not led to a deeper appreciation and respect for authorship and copyright law. The steady resolve to extend and expand the incentives for authorship which has characterized copyright during much of this century now falters. Curiously, the argument now appears, and swells in volume, that precisely because works of authorship are so fundamentally important—not because they are trivial—barriers to their dissemination, including copyright payments to authors and publishers, must be overridden in the interest of maximum distribution and enjoyment.

The argument goes that copyright necessarily constrains the free flow of information, and to the extent that it does so, it contravenes its constitutional purpose and must be curtailed.<sup>5</sup> This contention—that proprietary control and the flow of money to creators and copyright owners are constraints on “information” dissemination—is aimed at the very principle of copyright. It throws into question the long accepted truth, declared by Justice Reed:

The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors. . . .<sup>6</sup>

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<sup>5</sup> On the question of possible use of copyright to suppress information, *see* Professor Nimmer's thoughtful analysis. NIMMER ON COPYRIGHT (1980) §1.10 [D], *et seq.* That commercial exploitation of copyrighted works is subject to antitrust regulation is long established. *See, e.g.*, *Straus v. American Publishers Assoc.*, 231 U.S. 222 (1913); *U.S. v. Paramount Pictures Corp.*, 334 U.S. 131 (1948).

<sup>6</sup> *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

The twenty-seven words in Art. I, §8, which give Congress the power to legislate copyrights and patents are plain and straightforward (and, incidentally, contain the only use of the word *right* in the entire main body of the Constitution):

To promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

*How* is the “exclusive right” intended “to promote the progress of science”? Is this a general declaration of purpose, and an authority for a general design? Or is it some sort of limitation of the class of “rights” thereby provided for, and upon each individual “right” authorized for each particular work? Is the constitutional goal of promoting “science” (resounding with its Latin origin and eighteenth-century meaning of *knowledge*) to be served by the creation of a private-property-based milieu in which authors’ rewards are determined by the public in the marketplace? Or does it envision the evaluation of every class of work, every individual work, or every use, to ascertain whether the progress of science is promoted, before determining whether copyright protection should be accorded in any given case, and if so, how much and what kind?

Proponents of the harm argument insist that a showing of harm is virtually required as a constitutional limitation: if there is no harm to the copyright owner, there is no demonstrated need for rewards under copyright to motivate the creation and dissemination of the work, and thus “to promote the progress of science.”<sup>7</sup> The argument is not only unhistoric, but specious. It paves the way for government interference with information, speech, and discourse which, however indirect, is quite as unlovely as prior restraint.

In truth, the fundamental claim of copyright is one of justice. In many countries, copyright is deemed a natural right, part of the natural law, a true extension of personality, consisting of economic and moral rights, *i.e.*, the right to forbid uses of a work which would discredit the author directly or through his work. The United States, inheriting English law, has not generally accepted this philosophical ground. American copyright legislation may not fit into the formal philosophical edifice of “natural law.” It does, nevertheless, express a felt sense of what is right and just.

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<sup>7</sup> Whatever arguments might be made in this respect on the standards of patentability (*Graham v. John Deere Co.*, 383 U.S. 1 (1966)), patents are not freighted with the First Amendment values here discussed.

The framers of the Constitution were men to whom the right to hold property was enormously important. They were not far removed from Locke. His ideas pervaded their debates and decision. Property was seen not as opposed to liberty, but indispensable to it; for men with property would be independent of the power of the State, in that rough-and-tumble roiling of opinion and power which marks freedom.

Not surprisingly, the Bill of Rights provides, in one breath, that "No person shall be deprived . . . of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation." Like Locke, Thomas Paine, our most passionate democrat, insisted on property as a bedrock of freedom, particularly in the area of literary property:

It may, with propriety, be remarked, that in all countries where literature is protected, (and it never can flourish where it is not), the works of an author are his legal property; and to treat letters in any other light than this, is to banish them from the country, or strangle them in the birth.<sup>8</sup>

That rights of the author are thus of a special kind, rooted both in utility and felt justice, has long been recognized in our country. This has rarely been recalled with greater eloquence than in a statement by Professor Nathaniel Shaler of Harvard, presented to Congress in 1936 by Thorvald Solberg, one of my predecessors in this office:

When we come to weigh the rights of the several sorts of property which can be held by man, and in this judgment take into consideration only the absolute question of justice, leaving out the limitations of expediency and prejudice, it will be clearly seen that intellectual property is, after all, the only absolute possession in the world. . . . The man who brings out of the nothingness some child of his thought has rights therein which cannot belong to any other sort of property. . . . The inventor of a book or other contrivance of thought holds his property, as a god holds it, by right of creation. . . . Whatever tends to lower the protection given to intellectual property is so much taken from the forces which have been active in securing the advances of society during the last centuries.<sup>9</sup>

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<sup>8</sup> Letter to the Abbé Reynal (1782), in 1 *POLITICAL WORKS OF THOMAS PAINE* 4-5 (1817), quoted in B. BUGBEE, *EARLY AMERICAN LAW OF INTELLECTUAL PROPERTY* (1960) at 251.

<sup>9</sup> Hearings before H. R. Comm. on Patents, 74th Cong., 2d Sess. (1936), at 735.



And that concluding phrase, "securing the advances of society" clearly echoes the Constitution's "To promote the Progress of Science."

Before Solberg, Ainsworth Spofford, one of the great Librarians of Congress, bottomed his defense of copyright in 1886 on felt justice:

[T]here can be no higher aim to statesmanship than the endeavor to establish justice, for justice is the highest interest of all men. . . . Either we must hold that authorship is the only form of human labor that shall go unpaid, or we must grant a copyright that shall be paid *pro rata* by all who use the authors' work. . . . Beyond question, the just thing will be found in the long run to be the expedient thing, and the fact that we cannot do perfect justice should not deter us from doing as much justice as we may.<sup>10</sup>

In 1974 my immediate predecessor, Barbara Ringer, after a careful assessment of the purposes of copyright, its public psychology, and its "demonology," sounded again the theme of justice and linked copyright to freedom. She said:

If the copyright law is to continue to function on the side of light against darkness, good against evil, truth against newspeak, it must broaden its base and its goals. Freedom of speech and freedom of the press are meaningless unless authors are able to create independently from control by anyone, and to find a way to put their works before the public.<sup>11</sup>

The purpose of copyright is to reward authors as a matter of justice; yes; but only as a beginning. Copyright also is intended to support a system, a macrocosm, in which authors and publishers compete for the attention and favor of the public, independent of the political will of the majority, the powerful, and above all the government, no matter how unorthodox, disturbing, or revolutionary their experience, views, or visions.

The argument for copyright here, to be sure, is an argument of utility—but not mere economic utility. Utility is found in the fostering of a pluralism of opinion, experience, vision, and utterance within the world of authors. Authors are our seers, prophets, and visionaries. Our

<sup>10</sup> Statement of Ainsworth Spofford, before the Comm. on Patents of the U.S. Senate, on S. 191, 49th Cong. 1st Sess (1886) at 128.

<sup>11</sup> B. Ringer, "The Demonology of Copyright" R. R. Bowker Memorial Lecture, Oct. 24, 1974 (Bowker: 1974), at 19.

freedom depends on theirs. More importantly, as we have learned from Milton and Mill, our freedom depends not only on freedom for a few, but also on variety, regardless of the ultimate commingling of truth and error. Copyright fosters that variety.

The marketplace of ideas which the First Amendment nurtures is, then, and must be more widely understood to be, essentially a *copyright* marketplace. Although Ms. Ringer spoke of the danger of control "by anyone," now, as in the eighteenth century, the greatest danger to authors' independence comes from the government and organizations fundamentally dependent on government. That, in this country, the state tries less often—or less notoriously—to engage in prior restraint should not mask the fact that other government intrusions, which can be styled here "subsequent restraints," are insidious and, in their own way, ultimately as threatening to independent authorship.

Finally, authorship, although often profoundly, even painfully, solitary, is fruitful and socially useful only when its works are disclosed.

The glory of copyright is that it sustains not only independent, idiosyncratic, and iconoclastic authors, but also fosters daring, innovative, and risk-taking publishers.<sup>12</sup> Without such publishers, authors are as mute as if they did not speak at all. Without them, authors do not, in fact, speak. Just as we are best served by many visions and visionaries speaking from and to the breadth of human experience, so also do we require a vibrant, heterogeneous, and dissonant community of publishers. The greater their number and variety, the more likely is any author to find a publisher. And while this is of special importance in the areas of thought and political opinion, it is likewise crucial in the fine arts. Joyce and Proust, Beethoven and Stravinsky were all at one time scorned for works for which they later became immortal, but each found the publisher he needed. Those who pioneer, and thereby often disturb, cannot be silenced by anyone if publishers are numerous and the mail delivers the royalty checks.

Copyright fosters variety and freedom among both authors and publishers. Upton Sinclair, Ayn Rand, I. F. Stone, Costa-Gavras, John Steinbeck, Sigmund Freud, Bob Dylan, Wilhelm Reich, Malcolm X, Ken Kesey, and Eldridge Cleaver likewise needed to find only one publisher,

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<sup>12</sup> Donald C. Brace's life as a publisher was characterized by this willingness, as a nonetheless practical businessman, to take intellectual and economic risks with unfixed, unknown talents. It was Harcourt, Brace that picked up and published Vernon Parrington's first volume of *Main Currents of American Thought*, on the chance that the uncompleted second volume might have some value as a university text. Thanks to such courage, fifty years of debate over Parrington's controversial thesis enriched the teaching of American history and civilization.

and acquire only a few to listen in order to hold their ideas and visions before the public.

Copyright sustains both authors and publishers. More relevantly here, copyright supports a system, a milieu, a cultural marketplace which is important in and of itself. If the system's variety is injured, then so too is freedom.

Copyright, after all, merely allows justice. It does not "give" the author or the publisher anything. It cloaks in legal raiment the undoubted right. It does not guarantee success, or audience, or power, or riches. It is not a warranty, but an invitation to risk. When the rewards are large, we should not resent or envy, but rejoice, and we should likewise cherish every miserable failure. For in the midst of that striving, success, and failure, where even remaindered titles expand choice and possibility, there occurs the winnowing from which emerges the excellent and the enduring. The public decides by how it responds and pays. No government is so wise nor should be allowed to try to be.

Quality does emerge from quantity. Virgil Thomson's recently quoted statement on opera in America illustrates the point. Mr. Thomson said:

The chief hope [of American opera] is that with every composer in the country writing operas and every house, for pay or not, producing them, the mere volume of this effort will give rise to a "school." If this happens, quality will develop automatically; it always does.<sup>13</sup>

From this, the New York *Times* critic generalized:

In other words, boost the operatic GNP high enough and the modern equivalent of Don Giovanni or at least La Boheme will inevitably appear.<sup>14</sup>

Copyright should boost the GNP of mind and feeling. That GNP will be large and abundant to the extent that authors are free and their publishers numerous. We in copyright are concerned not only with producing authors and myriad publishers to give them voice, but also publishers who themselves create, and are, subcultures of technique, tradition, and wisdom who midwife the author's creation. *E.T.* is not merely the creation of Spielberg's isolated genius: it is his inspiration

<sup>13</sup> D. Henahan, An American Opera to the Top of the List, New York Times, April 3, 1983, Section 2, p. 1.

<sup>14</sup> *Ibid.*

and conviction informed and realized through the possibilities available to him out of the cumulative lore and know-how of decades of scenarists, camera men, special-effects people, filmstock technologists, editors, producers, cinema schools, and financiers. Thomas Wolfe is in the literature through Maxwell Perkins; and American literature is richer because of the judgment, taste, and courage of men like Alfred Knopf and Donald Brace, and women such as Elizabeth Wolff.

Authors and publishers are sometimes adversaries. Ask the Authors League or any literary agent. But they and we are one in our stake in a numerous, diverse and—yes, let us say it: profitable—population of publishers.

This world of both creators and publishers should not be forced to exist at the margin, under the cloud of harm. And does not harm mean that we shall, or at least may, continue to invade income and profit until someone is hurt? This world must be a sacred preserve. It is a world in which the system is as important as its population or its content at any one time. Our freedom lives there. Because of that, government control within it, either direct or indirect, should be prohibited, or at least stubbornly resisted.

The First Amendment bans prior restraint nearly absolutely; and it has been sorely tested.<sup>15</sup> But any control, even indirect, over what is said, or profitable to say, and the persons and agencies through which it is said, are also not to be countenanced. Thus, within the last month, the Supreme Court struck down a tax on ink and newsprint, not because it constrained any particular utterance but because, in burdening a vehicle of authorship, the tax trespassed, however slightly, on First Amendment terrain.<sup>16</sup> When the government seeks to promote its own ends at authors' and publishers' expense or to limit the rewards which the marketplace (read: people) will grant, whether by compulsory licenses or special-interest exemptions, the government at least influences and conditions, if not controls, speech and expression, no less proximately than in the *Minneapolis Star* case.

I do not assert that copyright cannot be subject to any reasonable limitation; nor do I believe that it is technically within the penumbra of the First Amendment. I do declare that, ultimately, the same values are at stake in each.

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<sup>15</sup> See, *e.g.*, *New York Times Co. v. United States*, 403 U.S. 713 (1971). That copyright was not involved in the Pentagon Papers is not as important as the fact that one copyright-supported publisher—and only one was needed—took the risk to make them public. Copyright thus serves its constitutional sister, the First Amendment.

<sup>16</sup> *Minneapolis Star & Tribune Co. v. Minnesota Comm'r of Revenue*, 51 U.S.L.W. 4315 (U.S. March 29, 1983).

Whatever one thinks of the comparative merits of national economic planning and free markets, or of government as an instrument of wealth distribution, our government should abstain as much as possible from intervention in the copyright world, and willingly forebear from setting or affecting the value or price of works of authorship. Otherwise, the government skews the copyright world, and thus what the people will hear. Better to trust the sum of consumers' choices in what they will pay to see and hear. If the government does intervene, we are harmed in a more grievous way than in being denied a free copy or a cheap copy, and the instant gratification of maximum distribution.<sup>17</sup>

When government regards copyright as a mere license, not a solemn acknowledgment of right, decisions on copyright tend to be made in the bruising welter of entitlement politics. Libertarians should note that in the recent struggle over the compulsory license for cable, a leading cable spokesman advanced his reason why this preferment should continue: the motion picture industry makes "unwholesome" films. Nor should it escape notice that the license favors cable systems over all other media—cable origination networks, theaters, and broadcast television—by exempting cable from acquiring programs competitively in the marketplace. And it is ominous that in two landmark cases involving mass copying by new technological means, *Williams & Wilkins* and *BOCES*,<sup>18</sup> government-supported entities have been the defendants.

By limiting potential rewards in the copyright market—whether by capping them with a compulsory license, or barring them with a complete exemption, or refusing to extend copyright to new uses, or curtailing them in any way under arguments of "harm"—the entrepreneurial calculus which precedes risk-taking in authorship and publishing is shifted in the direction of not taking a chance, *i.e.*, not writing or publishing a "risky" work, whether ideologically or economically risky. Every limitation on copyright is a kind of rate-setting. And however high-minded, every person who thus sets rates applies a value-judgment: how much the author or publisher should receive. Whoever makes this judgment regulates—*i.e.*, controls—how successful a class of authors, works, or publishers shall be. This control of idea-laden copyrighted works is more wisely left with the people than vested in a government tribunal, a sta-

<sup>17</sup> As Barbara Ringer put it: "[I]n the long pull, it is more important for a particular generation to produce a handful of great creative works than to shower its schoolchildren with unauthorized photocopies. . . ." Ringer, *op. cit. supra*, n. 11 at 7.

<sup>18</sup> *Williams & Wilkins Co. v. United States*, 487 F. 2d 1345 (Ct.Cl. 1973), *aff'd by an equally divided court*, 420 U.S. 376 (1975); *Encyclopaedia Britannica Educational Corp. v. Crooks*, 542 F. Supp. 1156 (W.D.N.Y. 1982).

tutory license fee, or even a sincere judge searching a record for undefined harm.

In the current debate, harm is undefined. No one knows what it is, or is willing to say.<sup>19</sup> However stridently the argument of "harm" is put, it is always presented as a conclusion, never as a canon. No one has enumerated the elements of proof which would show harm, or an absence of harm. It is presented on a basis of, "I know it when I see it," or "I can't tell you what it is, but I'll tell you when you get there." Sound policy, justice, and jurisprudence are not formed of such ephemera.

The idea of harm as the basis of copyright is novel. It represents a principle not of just compensation for use, but political apportionment of the value of what authors create and publishers realize. It misconceives the end and purpose of copyright: to do justice by compensating justly—that is, as the people decide; but more broadly to protect, nourish, and celebrate our freedom and the world of wisdom, prophecy, and revelation which keeps us free, and to do so by rewarding authors as generously as the people will. In that we may acquit our debt to those who see and teach. Above all, we in that way honor both their right and our interest, and enjoy the blessings of liberty flowing from both copyright and the First Amendment.

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<sup>19</sup> The infirmity of the notion of harm in its lack of definition is considered in Ladd, "Economic Harm: A Trojan Horse in Copyright," A.B.A. Summary of Proceedings, Section of Patent, Trademark and Copyright Law at 158 (1982).

574. A REEXAMINATION OF CABLE TELEVISION'S COMPULSORY LICENSING ROYALTY RATES: *The Copyright Royalty Tribunal and the Marketplace*

By DALE N. HATFIELD\* and ROBERT ALAN GARRETT\*

I. BACKGROUND AND SUMMARY

The royalties paid to copyright owners for the use of their works typically are established in the marketplace. The producers of information and entertainment maintain exclusive control of their product and attempt to negotiate the best possible price for it in the competitive marketplace. In the particular case of cable's retransmission of copyrighted television programs, Congress departed from this tradition. The Copyright Revision Act of 1976 (Act) affords cable systems a compulsory license to retransmit whatever television programming is permitted under the rules of the Federal Communications Commission (FCC); that is, cable operators may carry such programming without having to negotiate with copyright owners.<sup>1</sup> The Act also prescribes the royalty payments that cable operators must make for the use of this programming.<sup>2</sup>

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<sup>1</sup> 17 U.S.C. § 111(c).

<sup>2</sup> 17 U.S.C. § 111(d) (2). Although the compulsory license extends to all television programming that the FCC permits cable systems to carry, the Act imposes royalties only for the carriage of the nonnetwork programming on television stations which are carried beyond their local service areas. The royalties are collected by the Copyright Office and then distributed to the copyright owners of the retransmitted television programming by the Copyright Royalty Tribunal. *See generally* National Ass'n of Broadcasters v. Copyright Royalty Tribunal, 675 F.2d 367 (D.C. Cir. 1982); National Cable Television Ass'n. v. Copyright Royalty Tribunal, 689 F.2d 1077 (D.C. Cir. 1982).

The statutory fee schedule is essentially immutable insofar as it concerns the payment for programming carried pursuant to the FCC rules in effect on April 15, 1976.<sup>3</sup> However, the Copyright Royalty Tribunal (Tribunal), an independent agency within the legislative branch,<sup>4</sup> is empowered to adjust the rates for programming carried as a result of changes in certain of these rules.<sup>5</sup>

In 1980 the FCC voted to repeal two sets of cable rules. The first had restricted the number of television signals which certain cable systems could import from distant markets (distant signals); the other had required the blacking out of certain syndicated programming on distant signals.<sup>6</sup> After conducting an extensive evidentiary proceeding, the Tribunal in the fall of 1982 increased the statutory rates by as much as 1500 percent for programming which cable systems carry as a result of FCC deregulation.<sup>7</sup>

The Tribunal concluded: "We do not find in the compulsory license, as it exists today, any public policy justification for establishing royalty rates below reasonable marketplace expectations of the copyright owners."<sup>8</sup> Accordingly, the Tribunal set rates which, on the basis of the record before it, reflect the marketplace value of distant signal television programming. In making this determination, the Tribunal focused upon evidence of the prices actually charged for programming in marketplaces

<sup>3</sup> The only exception is that the Copyright Royalty Tribunal may make certain limited adjustments to account for inflation. See 17 U.S.C. § 801(b) (2) (A); *National Cable Television Ass'n. v. Copyright Royalty Tribunal*, 689 F.2d 1077 (D.C. Cir. 1982).

<sup>4</sup> 17 U.S.C. § 801(a). For a more comprehensive description of the Tribunal and its various responsibilities under the Act, see Korman & Koenigsberg, *The First Proceeding Before the Copyright Royalty Tribunal: ASCAP and the Public Broadcasters*, 1 COMM. & THE LAW 15 (1979).

<sup>5</sup> See 17 U.S.C. § 801(b) (2) (B) and (C).

<sup>6</sup> See *Malrite TV of New York v. FCC*, 652 F.2d 1140 (2d Cir. 1981), *cert. denied*, 454 U.S. 1143 (1982).

<sup>7</sup> The Tribunal's decision is published at 47 Fed. Reg. 52146 (1982).

The Tribunal determined that a cable system must pay 3.75 percent of its gross receipts from basic services for each "distant signal equivalent" that it was not permitted to carry under the former FCC rules. (See 17 U.S.C. § 111(f) for the definition of "distant signal equivalent".) The Tribunal also imposed a surcharge of between 0.089 and 0.599 percent on each distant signal equivalent that had been subject to the FCC's former syndicated exclusivity rules. By way of comparison, the statutory rates range from 0.2 percent to 0.675 percent for each distant signal equivalent.

The new rates do not apply to any cable system which has less than \$214,000 in semi-annual gross receipts from basic services. There are also a number of other factors which might exempt any particular system from having to pay the new rates.

<sup>8</sup> 47 Fed. Reg. at 52153.



analogous to the hypothetical distant signal marketplace. This evidence, in the Tribunal's judgment, made it clear that the statutory rates "could not be considered those that would result from full marketplace conditions if the compulsory license did not exist."<sup>9</sup>

The Tribunal's decision is one of the most significant and controversial ever affecting the Congressionally mandated marriage of copyright owners and cable operators. Its significance extends well beyond the fact that it will require the cable industry to pay an estimated \$20 million in additional royalties each year.<sup>10</sup> Copyright owners have hailed the decision as recognizing that: (1) they should receive marketplace compensation from the cable industry and should not be forced to subsidize cable by providing their copyrighted programming at below-market rates; and (2) the statutory rates fall well short of adequate marketplace compensation. The cable industry, on the other hand, has attacked the new rates as excessive, claiming that most cable operators will drop distant signals rather than pay the increased royalties; therefore, they argue, the effect of the Tribunal's decision will be to reimpose the very restrictions which the FCC had eliminated.<sup>11</sup>

The National Cable Television Association (NCTA) has appealed the Tribunal's rate increases to the United States Court of Appeals for the District of Columbia Circuit.<sup>12</sup> It also has mounted a lobbying campaign to secure Congressional reversal of the Tribunal's decision. Cable's efforts failed in the 97th Congress, although it did secure a short postponement of the effective date of the rates for distant signals added as a result of FCC deregulation.<sup>13</sup> The cable forces have returned to the

<sup>9</sup> *Id.* at 52154.

<sup>10</sup> *The Washington Post*, March 6, 1983, at K13.

<sup>11</sup> The number of trade journal and newspaper articles that have been written concerning the Tribunal's decision is legion. For one relatively comprehensive account of industry reaction, see "Cable Operators Scramble in Distant Signal Crisis," *CableAge*, Jan. 31, 1983.

<sup>12</sup> *National Cable Television Ass'n. v. Copyright Royalty Tribunal*, No. 82-2389 (D.C. Cir., filed November 19, 1982). The parties involved in this appeal include several individual cable system operators; the States of New York and Connecticut; the Motion Picture Association of America; the National Association of Broadcasters; individual broadcasters; the music performing rights societies; various "common carriers" which retransmit distant signals to cable operators; the National Basketball Association; the National Hockey League; the North American Soccer League; the National Collegiate Athletic Association; and Major League Baseball.

<sup>13</sup> The effective date of the 3.75 percent rate was extended from January 1, 1983 to March 15, 1983. No change was made in the effective date of the Tribunal's syndicated exclusivity rate adjustment. See generally Fitzpatrick & Sherman, "97th Congress Reconciles Few Copyright Debates," *Legal Times*, Feb. 7, 1983, at 21.

Earlier during the 97th Congress, the NCTA, the Motion Picture As-

98th Congress in the hopes of obtaining legislation which will nullify or severely restrict the Tribunal's actions.<sup>14</sup>

The cable industry has raised several questions concerning the Tribunal's increase in rates for additional distant signals. The central issues, however, are (1) whether the Tribunal has exceeded its statutory authority by establishing rates which seek to replicate a free marketplace and which are well above those originally set forth in the Copyright Revision Act; and (2) whether, as a matter of policy, the Tribunal should have established such rates. The purpose of this article is to provide a framework within which the foregoing issues can be evaluated. The article does so by focusing upon the genesis of the statutory rate schedule and the Tribunal's rate adjustment authority, and upon the technological, market, regulatory and other changes that have occurred since passage of the Act. The conclusions to be drawn are that the Tribunal acted within the broad discretion granted to it by Congress, and that the Tribunal's adoption of a marketplace standard is fully justified as a matter of policy. Indeed, Congress itself should reexamine the rates applicable to all programming carried by cable systems in the same manner as the Tribunal has done.

## II. THE GENESIS OF THE STATUTORY FEE SCHEDULE AND THE TRIBUNAL'S RATE REVIEW AUTHORITY

When Congress adopted the cable television provisions of the Copyright Revision Act of 1976, it tilted in favor of the cable industry. To be sure, Congress required cable operators, for the first time in their 25-year history, to pay for copyrighted television programming. But

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sociation of America, and the National Association of Broadcasters had negotiated a compromise on issues affecting the cable compulsory license. The bill which reflected this compromise, H.R. 5949, retained the compulsory license but imposed certain restrictions on cable similar to the FCC's former syndicated exclusivity rules and its current rules which require the carriage of local television stations. *See generally* COPYRIGHT/CABLE TELEVISION: HEARINGS BEFORE THE SUBCOMM. ON COURTS, CIVIL LIBERTIES, AND THE ADMINISTRATION OF JUSTICE OF THE HOUSE COMM. ON THE JUDICIARY, 97th Cong., 1st and 2d Sess. (1982). The bill passed the House but died in the Senate during the final days of the 97th Congress, when, among other things, the NCTA attempted to amend the bill to overturn the Tribunal's rate increase. *See generally* Cable Copyright and Signal Carriage Act of 1982: Joint Hearings on H.R. 5949 Before the Senate Comm. on Commerce, Science and Transportation and the Senate Comm. on the Judiciary, 97th Cong., 2d Sess. (1983) [hereinafter cited as "1982 Joint Hearings"].

<sup>14</sup> See, e.g., H.R. 2902, 98th Cong., 1st Sess. (exempting the first three distant independent television signals from the new rates); S. 1270, 98th Cong., 1st Sess. (exempting satellite-delivered "superstation" WTBS-TV from the new rates).

Congress took the rather extraordinary step of affording cable a compulsory license.<sup>15</sup> And it established statutorily a fee schedule which, in its estimation, would produce only "modest" royalty payments to copyright owners. Congress' estimate has proven to be accurate. During the years 1978-1982, cable's compulsory licensing payments have amounted to less than one percent of the industry's total operating revenues,<sup>16</sup>—or, as one party has noted, less than what the industry pays for postage to bill its subscribers.<sup>17</sup>

The legislative history, as discussed below, explains the derivation and bases of the statutory rates. The specific rates were chosen arbitrarily, as part of a political compromise, and without regard to the marketplace value of the programming affected. Generally, however, they were geared to what the cable industry of the early to mid-1970's said it was willing and able to afford in light of: (1) the industry's depressed financial condition; (2) the uncertain ability of the industry to expand (particularly in large urban markets); and (3) the heavy costs imposed by substantial FCC regulation, much of which was designed to protect copyright owners. Congress required copyright owners to subsidize an embryonic cable industry, largely because cable was the only technology on the horizon that appeared capable of providing the American public with added program diversity. The expectation was that the Tribunal would be free to set new rates (albeit for a limited category of distant signal programming) in light of changes in these industry conditions.

#### A. *The Initial Fee Schedule—S. 543 (1969)*

Efforts to revise the 1909 Copyright Act formally began in 1955, some five years after the first cable system began retransmitting television signals. But it was not until the mid-1960's that any attempt was made to deal legislatively with cable's copyright liability for the use of copy-

<sup>15</sup> As David Ladd, Register of Copyrights, has observed: "A compulsory license mechanism is in derogation of the rights of authors and copyright owners. It should be utilized only if compelling reasons support its existence." *Oversight of the Copyright Act of 1976 (Cable Television): Hearings Before the Senate Comm. on the Judiciary*, 97th Cong., 1st Sess. 151 (1981) [hereinafter cited as "1981 Senate Hearings"].

<sup>16</sup> The cable industry's revenues during this period were approximately \$14.1 billion. See authorities cited in note 93 *infra*. The compulsory licensing payments during the same period were approximately \$91.5 million. Statement of Register of Copyrights Before Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Comm. on the Judiciary 13 (March 3, 1983). The figures reported by the Register do not include payments for the second half of 1982.

<sup>17</sup> 1981 Senate Hearings, *supra* note 15 at 200 (testimony of Jack Valenti).

righted television programming.<sup>18</sup> Bills introduced between 1964 and 1969 generally imposed full or at least partial copyright liability upon cable.<sup>19</sup> None made provision for compulsory licensing of television programming by cable.

On January 22, 1969, Senator John McClellan, Chairman of the Senate Subcommittee on Patents, Trademarks and Copyrights, introduced S. 543, which constituted a comprehensive revision of the copyright laws. This bill was referred to Senator McClellan's Subcommittee, and subsequently was reported to the full Senate Judiciary Committee. As reported, S. 543 contained three provisions concerning cable which significantly departed from earlier bills.

*First*, cable systems were afforded a compulsory license to retransmit all local television signals and any additional signals necessary to ensure that their communities receive "adequate television service." The term "adequate television service" was defined in such a way as to permit cable systems to import only a limited number of distant signals.<sup>20</sup> In addition, certain programming was excluded from the scope of the compulsory

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<sup>18</sup> See House Comm. on the Judiciary, 89th Cong., 1st Sess., COPYRIGHT LAW REVISION, PART 6, SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW: 1965 REVISION BILL, 40 (Comm. Print 1965). The Register recommended to the House Judiciary Committee in 1965 that cable systems be subject to full copyright liability. *Id.* at 42.

<sup>19</sup> During this same period, both the FCC and the courts considered the issues surrounding cable retransmission of television signals. In 1966, the FCC adopted a rule which essentially froze the importation of distant signals into the top 100 markets. See Second Report and Order in Docket Nos. 14895, 15233 and 15971, 2 F.C.C.2d 725 (1966), *aff'd*, 399 F.2d 65 (8th Cir. 1968). In 1968, the United States Supreme Court determined that, under the Copyright Act of 1909, cable operators do not incur copyright liability for their retransmission of local television signals. *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968). The FCC then proposed to lift its freeze upon the condition that the cable operator obtain "retransmission consent" from the originating broadcaster. See Notice of Proposed Rule-making in Docket No. 18397, 15 F.C.C.2d 417 (1968); Memorandum Opinion and Order in Docket No. 18397, 22 F.C.C.2d 589 (1969).

<sup>20</sup> Under the concept of "adequate television service," cable systems in the nation's fifty largest television markets were given a compulsory license to import only those distant signals needed to supply cable subscribers with three network, one educational and three independent stations; local signals were counted against these quotas. There were even greater restrictions on distant signal importation in markets below the top fifty.

In providing "adequate television service" to communities within television markets, cable systems generally were required to carry the signals of those stations closest to the cable system. S. 543 extended the compulsory license to carriage of all radio signals. Cable systems serving areas outside of any U.S. television market were afforded a compulsory license to carry any signals.

license—specifically, all distant signal professional sports programming and distant signal syndicated programming which was licensed to a broadcaster within the cable community.

*Second*, the bill established a graduated schedule of compulsory licensing royalty fees, which required payments of between 1 and 5 percent of the cable systems' "gross receipts."<sup>21</sup> The bill permitted the FCC to increase the number of signals comprising "adequate television service," but imposed a 1 percent surcharge for each additional signal.<sup>22</sup> No explanation was given as to how the precise fee schedule in S. 543 was derived, although the Subcommittee strongly suggested that its fee schedule was favorable to cable.<sup>23</sup>

<sup>21</sup> The schedule was:

- (i) 1 percent of any gross receipts up to \$40,000;
- (ii) 2 percent of any gross receipts totalling more than \$40,000, but not more than \$80,000;
- (iii) 3 percent of any gross receipts totalling more than \$80,000, but not more than \$120,000;
- (iv) 4 percent of any gross receipts totalling more than \$120,000, but not more than \$160,000; and
- (v) 5 percent of any gross receipts totalling more than \$160,000.

"Gross receipts" were defined as payments from subscribers for the basic service of providing secondary transmissions. Income received from the installation of equipment or advertising accompanying cable-originated programming was excluded from the computation of gross receipts. Senate Judiciary Comm., DRAFT REPORT TO ACCOMPANY S. 543, 91st Cong., 1st Sess. 29 (1969) [hereinafter cited as "S. Dr. Rep."].

<sup>22</sup> S. Dr. Rep., *supra* note 21, at 30. Shortly after the Subcommittee reported S. 543, the FCC proposed an alternative fee schedule in a Notice of Proposed Rulemaking. The copyright fee was to be calculated according to the reduction in value of programming to program suppliers, resulting from audience fractionalization and loss of program exclusivity. Also, in order to permit copyright owners to share in cable profits, cable systems would have been required to pay the same amount for programming per cable home as did the average broadcast station per television home. The fee would have been assessed as a percentage of subscriber revenue per distant signal. The fee, approximately \$2.11 per subscriber, would have been substantially higher than that proposed in S. 543. Second Further Notice of Proposed Rulemaking in Docket 18397-A, 24 F.C.C.2d 580, 589 (1970).

<sup>23</sup> The Subcommittee noted that it had sought to "recognize the proper interests of copyright proprietors and primary broadcasting transmitters"; however, "the overriding consideration must be the public interest in securing access to a larger number of television channels and a greater variety of programming." S. Dr. Rep., *supra* note 21, at 24. The Subcommittee also noted that it had wanted to be certain that the public would obtain "the benefits of advances in technology and communications," (*id.*) and that it had to take account of the fact that cable systems would "be paying copyright royalties for the first time." *Id.* at 87. Finally, the Subcommittee emphasized its concern with adopting a fee schedule that "recognizes . . . the special concerns of small systems. . . ." *Id.* at 29.

*Third*, S. 543 created the Copyright Royalty Tribunal. Among other things, the Tribunal was authorized to conduct rate adjustment proceedings (commencing in 1974 and every five years thereafter) "to assure that [the cable royalty] rates continue to be reasonable."<sup>24</sup> The bill provided the Tribunal with no guidance on how a reasonable rate should be calculated. The Subcommittee acknowledged that it had very limited economic data on the cable industry and that: "Although all indications signify a substantial growth of the cable industry, reliable projections of the extent of such growth are difficult to make."<sup>25</sup> The Subcommittee therefore stated that the fee schedule could be adjusted in "light of [these] subsequent developments."<sup>26</sup> The Subcommittee also noted that its choice of rates had been influenced by a variety of considerations<sup>27</sup> and concluded:

While these considerations influenced the committee's determination as to what constitutes reasonable rates at the present time, [they] in no way restrict the independence of the Tribunal to recommend adjustment of these rates to assure that the rates are "reasonable" according to whatever criteria the Tribunal deems appropriate.<sup>28</sup>

S. 543 died in the 91st Congress. Another copyright revision bill (S. 644) essentially identical to S. 543 was introduced by Senator McClellan on February 8, 1971. This bill died in the 92d Congress.

#### B. *The 1973 Senate Hearings*

On March 26, 1973, Senator McClellan introduced S. 1361, which had the same fee schedule and Tribunal rate review provisions as those in S. 543 and S. 644. The hearings that Senator McClellan's Subcommittee held on S. 1361<sup>29</sup> were most instrumental in shaping the ultimate

<sup>24</sup> *Id.* at 87. As originally conceived, the Tribunal was not a continuing federal agency. Rather, the Register of Copyrights was authorized to appoint, from time to time, three-member panels nominated by the American Arbitration Association to serve as the Tribunal. The Tribunal's decisions were subject to Congressional, but not judicial, review.

<sup>25</sup> *Id.* at 29.

<sup>26</sup> *Id.*

<sup>27</sup> These considerations are outlined in note 23 *supra*.

<sup>28</sup> S. Dr. Rep., *supra* note 21, at 87.

<sup>29</sup> *Copyright Law Revision: Hearings on S. 1361 Before the Subcomm. on Patents, Trademarks and Copyrights of the Senate Comm. on the Judiciary*, 93d Cong., 1st Sess. (1973) [hereinafter cited as "1973 Senate Hearings"].

fee schedule.<sup>30</sup>

During the hearings, the copyright owners urged that the Tribunal, and not Congress, establish the initial fee schedule. In doing so, they emphasized the arbitrary nature of the fees in S. 1361. For example, Jack Valenti, President of the MPAA, testified that:

[W]e are not aware of any economic evidence of any kind that corroborates the fee schedule which is in S. 1361. To our knowledge, there has been no factfinding efforts of any [k]ind which preceded the insertion of that fee schedule in S. 1361. There is no kinship in these fees . . . to the reasonable value of the copyrighted programs that we produce. . . .<sup>31</sup>

The copyright owners were concerned that the inclusion of an arbitrarily chosen fee schedule in the statute would prejudice any adjustment of

<sup>30</sup> The Subcommittee approached its consideration of the S. 1361 fee schedule from the background of an earlier agreement reached by cable and copyright interests. In November of 1971 the NCTA, National Association of Broadcasters (NAB), and the Committee of Copyright Owners (consisting in large part of the members of the Motion Picture Association of America (MPAA) ) entered into the so-called "Consensus Agreement." Among other things, the Consensus Agreement provided that the parties would attempt to negotiate a schedule of compulsory licensing fees for inclusion in the new copyright statute; if the negotiations were unsuccessful, the legislation was supposed to provide for mandatory arbitration.

The agreement provided for the lifting of many distant signal carriage restrictions, and for support of subsequent cable copyright legislation granting a compulsory license for all local signals and for all distant signals (as defined at that time by the FCC). However, any distant signals to be authorized by the FCC in the future were not to be subject to compulsory licensing.

In 1972 the FCC adopted much of the Consensus Agreement, and liberalized its rules governing cable television. The rules lifted the freeze that had been imposed on distant signal importation, although they still limited the number of distant signals that could be carried. The 1972 changes also included syndicated program exclusivity rules, which permitted a local television station which had contracted for exhibition rights to a syndicated program to demand that a cable system delete that program from its offerings into the local station's market. *See* Cable Television Report and Order in Docket Nos. 18397; 18397-A; 18373; 18416; 18892; 18894, 36 F.C.C.2d 143 (1972).

<sup>31</sup> 1973 Senate Hearings, *supra* note 29, at 280. The NAB and the Association of Maximum Service Telecasters similarly stated: "As the NCTA representatives who testified before this Subcommittee on August 1 expressly recognized, this fee schedule is necessarily arbitrary, since no Congressional hearings or studies have been conducted on the appropriate fee levels for cable systems and since the questions involved are both novel and complex." *Id.* at 625.

the rates by the Tribunal.<sup>32</sup> They also noted that the establishment of an appropriate fee schedule involves a number of complex considerations, and that Congress simply does not have the time or resources to engage in the necessary inquiry.<sup>33</sup>

Various members of the Senate expressed similar concerns.<sup>34</sup> The cable industry likewise acknowledged the arbitrary nature of the fees in S. 1361. According to David Foster, President of the NCTA, it was necessary "to accept some degree of arbitrariness with this initial fee schedule."<sup>35</sup> The NCTA claimed that it was impossible to adduce any facts at the time which would justify a particular rate structure, and that Congress' judgment as to the appropriate rates would be preferable to that of an administrative body.<sup>36</sup> The NCTA explained that the necessary facts would not exist until the cable industry had some experience with making copyright payments—and, particularly, until it could be determined how successful the cable industry would be.<sup>37</sup>

<sup>32</sup> See *id.* at 288, 300 (testimony and statement of Jack Valenti).

<sup>33</sup> *Id.* at 280-81 (testimony of Jack Valenti).

<sup>34</sup> Senator McClellan, for example, observed: "[I]f both sides take the position that they do not want to submit anything for our consideration, for us to evaluate, it seems to me that we are going to be left here, if we do undertake to fix fees, [to] just take something out of the air that appeals to us." *Id.* at 284. Senator John Tunney, in a letter addressed to Senator McClellan, likened the Tribunal to various rate-setting bodies, arguing that:

What all of these rate-setting procedures have in common is that they involve complex facts and economic impact considerations which would make it too burdensome for the Congress to devote the time and staff efforts necessary to do justice to the parties concerned. . . . *Id.* at 668.

Senator Alan Cranston, also in a letter, said: "I do question whethersufficient study has been made of appropriate fee levels to be certain that those contained in the bill are the fairest and most equitable for all parties." *Id.* at 584.

<sup>35</sup> *Id.* at 410.

<sup>36</sup> "[S]ufficient empirical data simply does not presently exist to permit arbitrators to fairly establish an initial fee schedule." *Id.* at 420 (statement of NCTA). "[W]e came to the conclusion that there was no factual basis [for any particular fee schedule] and, therefore, it was appropriate to turn this matter over to the wisdom of this committee and the Senate to come up with a fee schedule." *Id.* at 399 (testimony of David Foster).

<sup>37</sup> The NCTA submitted the following statement:

In other words, the CATV industry still has little evidence on how well it will do in the bigger cities, or whether, in fact, it will do well at all. Such data will not be available in any meaningful quantity for a few years.

What does exist, in great quantity, are projections of CATV's growth in the cities. These projections vary widely from rosy optimism to gloomy pessimism. These are educated guesses at best. Since there are a few facts, and much speculation, arbitration at this time would be mere conjecture. The only logical way to proceed is for the Congress to set an



The cable interests supported S. 1361 insofar as it established the initial schedule of royalties. However, they complained that the schedule was too high and that, at the least, it should be cut in half.<sup>38</sup> According to the NCTA, "we feel that these fees should be *minimal at the outset*, and that the economics of the marketplace [should] show what they might be in the future."<sup>39</sup> The NCTA emphasized that:

[C]able television is still in its infancy. It is a very, very small industry. It is primarily operating in rural areas, in smalltown areas, and the major big-city markets . . . have not yet been wired.<sup>40</sup>

The NCTA explained that the real future of cable lay in the major urban markets, and that the S. 1361 fee schedule, along with other factors,

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initial, moderate set of fees with arbitration after facts have been developed.

*Id.* at 420-21; *see also id.* at 399 (testimony of David Foster):

By setting down an initial fee schedule in the bill, the concept of arbitration could then come into effect at a time when we would hopefully, have some hard factual data based upon the experiences derived over the next 3 years.

During that period of time, we will be paying copyright fees and we will have experienced the copyright payment concept. The allocation of those fees can be worked out. The economic impact of those fees on our industry will become apparent. And we think that it is then the appropriate time for the statutory tribunal to do its work.

If that tribunal were to be convened today, it would have the same difficulties that the parties had during the past 2 years trying to conduct negotiations—they would simply be speculating as to the future of this industry, but they wouldn't be dealing with anything except one economist theorizing from one direction and another economist theorizing from the opposite direction. What would come up would be certainly no more valid, and I suspect a lot less valid, than the wisdom of the Senate.

<sup>38</sup> *Id.* at 397, 423 (testimony and statement of Foster). Copyright owners, however, thought that the fee schedule was too low. In a written statement filed with the Subcommittee, Jack Valenti asserted: "In fact, these fees are grossly inadequate and represent only a small fraction of what the copyright owners feel would be fair and compensatory fees." *Id.* at 298 (statement of Jack Valenti). A study conducted on behalf of the Committee of Copyright Owners concluded that the cable industry could afford copyright payments of more than 13 percent. *Id.* at 316 (summary of study of Crandall/Fray).

<sup>39</sup> *Id.* at 400 (testimony of David Foster) (emphasis added). *See also id.* at 488 (statement of George Barco, Pennsylvania Cable Television Association) "[N]o copyright payment should be imposed which cannot be absorbed by the industry without passing the copyright charges to the subscriber." (Emphasis in the original.)

<sup>40</sup> *Id.* at 398-99 (testimony of David Foster).

would inhibit growth particularly in these areas.<sup>41</sup>

The NCTA submitted a study which had been prepared by Dr. Bridger Mitchell of the Rand Corporation. This study, commissioned by the NCTA, sought to assess the "profitability of cable television in the major markets under the final 1972 FCC rules and determine[d] the impact of alternative copyright fee schedules which have been proposed."<sup>42</sup> Mitchell concluded that the fee schedule in S. 1361 would lower the rates of return of cable systems in major markets to a point where investment in such systems would be unlikely:

[T]he prospective returns to cable investors are only marginally attractive when compared with other industries, and then only on the suburban fringes of most cities. In this situation, copyright fees of the magnitude proposed in S. 1361 can be a significant deterrent to construction of many new systems.

. . . The impact of even the copyright fee schedule proposed in the bill before this committee may well be sufficient to delay or cancel construction of an important proportion of systems that would otherwise be built in the next several years.<sup>43</sup>

Mitchell further concluded that a fee schedule set at 50 percent of that contained in S. 1361 would not have as substantial an impact upon cable.

The NCTA also presented statistics on the effect that the S. 1361 fee schedule would have upon the nation's largest multiple cable system operators (MSOs), whose success was critical to the development of cable in the major markets.<sup>44</sup> According to the NCTA, the S. 1361 fee schedule

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<sup>41</sup> *Id.* at 420-21 (statement of NCTA). *See also id.* at 488 (statement of Pennsylvania Cable Television Association): "[A] proper concern for the future growth and development of cable television and the services that it provides to the public, demands that any copyright payments should be such that payment does not restrain, impede or burden the industry's growth and development." (Emphasis in the original.)

<sup>42</sup> *Id.* at 429 (testimony of Dr. Bridger Mitchell). David Foster of the NCTA summarized the Mitchell study as demonstrating that the S. 1361 fee schedule "will provide marginal profitability for cable television systems. And even a schedule of half that much would encourage some profitability, but not a great deal." *Id.* at 409. The Mitchell study concluded that a copyright fee of one to five percent of gross revenues, as provided in S. 1361, would reduce the rate of return for the largest systems from 11 percent to about 10 percent. The study further concluded that a fee of 16.5 percent of gross revenues, as proposed by the copyright owners, would reduce the rate of return to the point of unprofitability for every type of cable system studied. *Id.* at 403 (testimony of Dr. Bridger Mitchell).

<sup>43</sup> *Id.* at 403.

<sup>44</sup> *Id.* at 422.

would reduce the pre-tax income of the eight MSO's which it surveyed by nearly 20 percent. This, the NCTA claimed, would have a "serious adverse effect on the already limited ability of these companies to borrow funds from investment sources."<sup>45</sup> The consequence, in NCTA's view, would be that the "pace of new system development is bound to suffer and further contribute to the already delayed development of cable television in our major cities."<sup>46</sup>

*C. Revision of the Fee Schedule and Tribunal Authority—S. 1361 (July 1974)*

The success of cable's lobbying was apparent when the full Judiciary Committee reported S. 1361 in July of 1974.<sup>47</sup> As urged by the cable industry, the Judiciary Committee reduced the rates originally set in S. 543 and S. 1361 by one-half.<sup>48</sup> The Committee also eliminated the surcharge of one percent assessed against distant signals that might be added as a result of changes in the definition of "adequate television service."<sup>49</sup>

Not only were the rates reduced, but the scope of the programming subject to compulsory licensing was broadened substantially. Distant signal professional sports programming and syndicated programming no longer were excluded from compulsory licensing. In addition, cable systems no longer were limited to carrying local signals and those few distant signals necessary to constitute "adequate television service." Under the revised bill, cable systems received a compulsory license to carry any

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*; see also *id.* at 667 (letter from Teleprompter Corporation).

<sup>47</sup> Shortly after the Subcommittee completed its hearings, the United States Supreme Court ruled again on the cable copyright issue, holding that cable systems were not liable for copyright infringement in importing and retransmitting distant television signals. *Teleprompter Corp. v. CBS, Inc.*, 415 U.S. 394 (1974). The Court previously had determined in its 1968 *Fortnightly* decision that cable systems were not liable for copyright infringement in carrying local signals (see note 19 *supra*).

<sup>48</sup> Section 111(d) (2) (B) of the revised S. 1361 required the following quarterly payments:

- (i) ½ percent of any gross receipts up to \$40,000;
- (ii) 1 percent of any gross receipts totalling more than \$40,000, but not more than \$80,000;
- (iii) 1-½ percent of any gross receipts totalling more than \$80,000, but not more than \$120,000;
- (iv) 2 percent of any gross receipts totalling more than \$120,000, but not more than \$160,000; and
- (v) 2-½ percent of any gross receipts totalling more than \$160,000.

<sup>49</sup> See note 20 *supra* and accompanying text.

signals authorized by the FCC's more liberal rules.<sup>50</sup> In short, the bill as reported would result in cable's paying significantly less for significantly more programming than under the bill as introduced. In the report accompanying S. 1361, the Judiciary Committee explained:

Because the cable television industry has not been paying copyright royalties for its secondary transmissions, very little relevant economic data was available to the Subcommittee on Patents, Trademarks and Copyrights when it established the schedule of royalty payments in S. 543. The Subcommittee in 1973 had a hearing on the royalty schedule previously approved by the Subcommittee and contained in S. 1361. At this hearing the program producers, broadcasters and music performing rights societies expressed opposition to the inclusion of a royalty schedule in the statute. The cable television industry supported the Congress initially determining the royalty payments to be made by cable television systems but expressed concern that the rates in the bill might be too high and thus handicap the development of the cable television industry. The Committee believes that the economic data available at the present time is inconclusive but supports the Congress initially establishing royalty rates. . . .<sup>51</sup>

Certain changes also were made with respect to the Tribunal's authority to review the royalty rates.<sup>52</sup> Under S. 1361 as introduced, the

<sup>50</sup> See note 30 *supra*. The FCC rules, although considered restrictive by the cable industry, permitted carriage of distant signals to a greater extent than under the concept of "adequate television service."

<sup>51</sup> S. Rep. No. 983, 93d Cong., 2d Sess. 132-33 (1974) [hereinafter cited as "S. Rep. 93-983"].

<sup>52</sup> Section 801(b) (1) of the bill provided that the purpose of the Tribunal shall be

to make determinations concerning the adjustment of the copyright royalty rates specified by sections 111, 114, 115, and 116 so as to assure that such rates are reasonable and in the event that the Tribunal shall determine that the statutory royalty rate, or a rate previously established by the Tribunal, or the revenue basis in respect to section 111, does not provide a reasonable royalty fee for the basic service of providing secondary transmissions of the primary broadcast transmitter or is otherwise unreasonable, the Tribunal may change the royalty rate or the revenue bases on which the royalty fee shall be assessed or both so as to assure a reasonable royalty fee. . . .

The provision that the Tribunal be permitted to adjust the revenue bases was recommended by the copyright owners, who were concerned that cable might reduce their royalty payments simply by reducing their basic service charge and increasing non-basic charges. See 1973 Senate Hearings, *supra* note 29, at 302 (statement of Jack Valenti).

Tribunal's mandate was to adjust the rates so that they would "*continue* to be reasonable." As revised, Section 801(b) of S. 1361 directed the Tribunal to assure that the rates "*are* reasonable." Presumably, the Committee wanted to make clear that it had expressed no judgment as to whether the statutory rates are "reasonable" within the meaning of the rate review provisions.<sup>53</sup> In fact, in the accompanying report, the Committee specifically stated that it "does not intend that the rates in this legislation shall be regarded as precedents in future proceedings of the Tribunal."<sup>54</sup>

The Senate passed S. 1361 and referred it to the House Judiciary Committee. The bill, however, died in the 93d Congress.

#### D. 1975 House Hearings

Two bills were introduced into the 94th Congress with rate schedules and review provisions essentially identical to S. 1361<sup>55</sup>—S. 22, which was sponsored by Senator McClellan; and H.R. 2223, which was sponsored by Representative Kastenmeier, Chairman of the Subcommittee on Courts, Civil Liberties and the Administration of Justice of the House Judiciary Committee. Representative Kastenmeier held hearings on H.R.

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<sup>53</sup> This revision had been requested by the MPAA at the 1973 Hearings: "Well, if we're going to have S. 1361 as it is, then this must be that the fees must be adjusted reasonably, not to continue, because at this point we do not believe that they are reasonable." 1973 Senate Hearings, *supra* note 29, at 283 (testimony of Jack Valenti). In his written submission, Jack Valenti emphasized the relationship between the proposed revision and the ultimate role of the Tribunal in reviewing the fees:

I urge that this language be changed. . . . Only thus will the Tribunal at the periodic review of the rates be able to proceed to an open and fair determination without any implication such as that contained in Section 801 as presently worded that the royalty rates initially set in the statute were deemed "reasonable" when they were initially adopted.

*Id.* at 302.

<sup>54</sup> S. Rep. 93-983, *supra* note 51, at 203. Under the revised bill, the Tribunal also was permitted to adjust the rates at an earlier date than under prior bills. Section 802(a) provided for the commencement of a rate adjustment proceeding on July 1, 1975, or one year after the date on which the Judiciary Committee reported S.1361. The early review date represented something of a trade-off for the pro-cable revisions which had been made to S. 1361.

<sup>55</sup> Like S. 1361, the new bills included a graduated fee schedule of one-half that originally proposed. Additionally, cable systems had a compulsory license to carry all signals authorized by the FCC, including sports and syndicated programming, and the Tribunal had the power to adjust both the rate and basis of the copyright fee schedule.

2223 between May and December of 1975.<sup>56</sup> These hearings also were quite instrumental in shaping the ultimate legislation.

During the hearings the cable industry renewed its support for the inclusion of a fee schedule in the copyright legislation. Rex Bradley, Chairman of the NCTA, noted that the schedule in the pending bills did not have a "scientific foundation" and that it represented a "political, arbitrary decision."<sup>57</sup> According to Mr. Bradley, the fee schedule was "arrived at from the basis of representations by various persons that the industry could presumably pay this amount";<sup>58</sup> "in paying on this schedule we are paying as much as we can be reasonably expected to pay. . . ."<sup>59</sup>

The NCTA acknowledged that the proposed fees were not "excessive."<sup>60</sup> However, it sought further inroads.<sup>61</sup> Specifically, the NCTA opposed the provisions in the bill which would authorize the Tribunal to review the royalty rates established in the legislation.<sup>62</sup> Mr. Bradley explained that the "Tribunal carries with it the potential for substantial escalation of copyright fees. . . ."<sup>63</sup> This, Mr. Bradley stated, created

<sup>56</sup> COPYRIGHT LAW REVISION: HEARINGS ON H.R. 2223 BEFORE THE SUBCOMM. ON COURTS, CIVIL LIBERTIES AND THE ADMINISTRATION OF JUSTICE OF THE HOUSE COMM. ON THE JUDICIARY, 94th Cong., 1st Sess. (1976) [hereinafter cited as "1975 House Hearings"].

<sup>57</sup> *Id.* at 492.

<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

<sup>60</sup> *Id.* at 512.

<sup>61</sup> In order to protect smaller systems, NCTA proposed that the first \$25,000 in gross quarterly subscriber receipts be exempt from royalty calculations. *Id.* at 487. This would have exempted 50 percent of the industry from all payments. *Id.* at 491.

<sup>62</sup> NCTA also objected to the language in H.R. 2223 giving the Tribunal power to adjust the revenue basis for copyright fees (*see* note 52 *supra*), and submitted "suggested clarifying language" to eliminate that provision. 1975 House Hearings, *supra* note 56, at 489, 508. NCTA was supported in this position by Barbara Ringer, Register of Copyrights. *Id.* at 1824. The cable industry also was concerned with the extent of the power H.R. 2223 granted to the Tribunal to adjust copyright fees. NCTA's Mr. Bradley argued: "Chapter 8 contains no criteria to guide Tribunal review of rates; it contains no provision for judicial review of the Tribunal's decision other than for fraud; and in our opinion it provides for no effective Congressional review." *Id.* at 504. In addition, the Teleprompter Corporation submitted a study by Professor Ernest Gellhorn of the University of Virginia Law School arguing that H.R. 2223 was constitutionally defective because the Tribunal was given no "meaningful guidelines" for resetting the statutory rates, and judicial review of Tribunal decisions was "sharply and unwisely" curtailed. *Id.* at 1921.

<sup>63</sup> 1975 House Hearings, *supra* note 56, at 485. In response to this concern, the Register of Copyrights had recommended that Congress place "a specific percentage limit on the amount the fees could be increased by the Tribunal on a particular occasion." *Id.* at 1825. The Register's recommendation was never adopted.

"uncertainty" which posed a "very serious threat to the future viability of the cable television industry."<sup>64</sup> The industry was concerned about the effect that such uncertainty might have on the willingness of the financial community to invest in cable.<sup>65</sup>

The NCTA presented the testimony of David Wicks of Warburg Paribas Becker, Inc., one of the "principal sources of CATV financing."<sup>66</sup> Wicks reiterated the contention of cable representatives that the industry was far from profitable, noting that the nine leading cable companies had lost a total of over \$16 million during the past year alone.<sup>67</sup> He emphasized that a major impediment to cable profitability was the more than \$400 million in capital required to bring systems into compliance with the FCC's 1972 technical requirements.<sup>68</sup> In Wicks' opinion, the cable fees proposed in H.R. 2223 would have a "substantial and adverse" effect on the net income of cable operators. He concluded: "The combined effect of the liability imposed by the bill for copyright royalty payments, together with uncertainty as to the future level of these payments, will operate to substantially reduce the availability of both debt and equity financing."<sup>69</sup>

In October of 1975, the Teleprompter Corporation, one of the nation's largest MSO's, proffered a proposal which ultimately would affect the nature of the statutory fee schedule. The essence of the proposal was that cable operators should be required to pay only for the nonnetwork programming on distant signals.<sup>70</sup> The proposal attempted to assign a value to individual distant signals based on the popularity of the programming. It then correlated the rate to be paid to the percentage of revenues paid by broadcasters for programming. The Teleprompter proposal originally was objected to not only by the broadcasters and

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<sup>64</sup> *Id.* at 485, 486.

<sup>65</sup> *Id.* at 492-93.

<sup>66</sup> *Id.* at 607.

<sup>67</sup> *Id.* at 607-08.

<sup>68</sup> *Id.* at 599.

<sup>69</sup> *Id.* at 598.

<sup>70</sup> *Id.* at 1918 (memorandum of Teleprompter Corp.). The Office of Telecommunications Policy, the Justice Department, and the Register of Copyrights supported the distinction between local and distant signals. *Id.* at 453, 143, 146, 153, and 1822-23 (statements of Thomas J. Keller, Irwin Goldbloom and Barbara Ringer). NCTA also supported the distinction, but declared it was unable to devise a schedule which could adequately take it into account. *Id.* at 2048 (statement of Rex Bradley).

The rationale underlying the nonnetwork distinction was that the copyright owners of *network* programming are compensated by the networks on the basis of their works reaching the entire nation; cable systems should not be required to provide double compensation to copyright owners under these circumstances. See H.R. Rep. No. 1476, 94th Cong., 2d Sess. 90 (1976).

copyright owners, but also by most of the cable industry.<sup>71</sup> As discussed below, the nonnetwork distinction was incorporated into the legislation as enacted; the suggestion that copyright fees be related to some indicia of marketplace value (here, programming popularity) was not.

*E. Senate Passage of S. 22 (February 1976)*

In February 1976, the Senate passed S. 22 and referred it to the House Judiciary Committee. No significant changes were made in the bill that had been introduced by Senator McClellan—except that the royalty fees for systems with less than \$160,000 in annual receipts were reduced.<sup>72</sup>

The Senate Judiciary Committee Report on S. 22 noted the uncertain basis for the percent fee schedule in language similar to that found in earlier reports:

“Because the cable television industry has not been paying copyright royalties for its secondary transmissions, very little relevant economic data was available to the Subcommittee. . . . The committee believes that the economic data available at the present time is inconclusive. . . .”<sup>73</sup>

The Report further noted: “The royalty rates currently in the bill, following an across the board cut in half, were adopted in the expectation that they would be subject to review at an early date.”<sup>74</sup> The Report also repeated earlier admonitions that the statutory rates were not to be

<sup>71</sup> 1975 House Hearings, *supra* note 56, at 1935, 1937, 1952 (statements of Pennsylvania Cable Television Association, CATA and Jack Valenti).

<sup>72</sup> The purpose of this amendment, introduced by Senator Hathaway on the floor of the Senate, was to protect smaller cable systems. The amendment provided for computation of a fee for smaller systems to be based on only part of the system's actual gross receipts. The minimum payments was to be at least \$30 annually. 122 Cong. Rec. 3833 (1976). During the floor debates Senator McClellan stated that he would agree to the small system amendment proposed by Senator Hathaway, but with reservation. He stated:

*I was not going to vote for any amendment that would further reduce the fees, because we have them quite low now. We have been reducing these all along from the time we started. But since this amendment now is so modified that it will only apply to those very small stations or cable systems where there is gross receipts of only \$160,000 a year, or less, I am not going to further oppose the amendment.*

*Id.* (emphasis added).

<sup>73</sup> S. Rep. No. 473, 94th Cong., 1st Sess. 80-1 (1975) [hereinafter cited as “S. Rep. 94-473”].

<sup>74</sup> *Id.* at 82.



“regarded as precedents in the future proceedings or the Tribunal,” and that the considerations which prompted the statutory rates “in no way restrict the independence of the Tribunal to recommend adjustment of these rates to assure that the rates are ‘reasonable’ according to whatever criteria the Tribunal deems appropriate.”<sup>75</sup>

F. *NCTA/MPAA Compromise (April 1976)*

The MPAA's participation was motivated by a concern that copyright legislation once again would die in Congress, and that the cable industry would make further inroads in the legislation.<sup>76</sup> In April of 1976, the MPAA (without the participation of other affected parties) entered into a compromise agreement with the NCTA which was to provide the basis for copyright legislation.

Under the agreement, cable systems would incur copyright liability only for carriage of distant nonnetwork programming.<sup>77</sup> The compromise represented the first time that cable and copyright interests had agreed to distinct copyright treatment for carriage of distant, nonnetwork programs, as had originally been proposed by the Teleprompter Corporation.<sup>78</sup> This concept was incorporated into the compulsory licensing rate schedule to which the parties agreed. The rate was expressed as a percentage of basic subscriber revenues, assessed against each “imported signal equivalent.”<sup>79</sup> While representing a novel approach, the

<sup>75</sup> *Id.* at 155.

<sup>76</sup> 1981 Senate Hearings, *supra* note 15. at 216-17 (statement of Jack Valenti). The agreement is published in the 1975 House Hearings, *supra* note 56, at 2188-90.

<sup>77</sup> The agreement defined a “distant signal” as “one which is not required to be carried under present FCC rules.” Generally speaking, the FCC required cable systems to carry only local signals.

<sup>78</sup> See text accompanying notes 70-71 *supra*.

<sup>79</sup> Each independent and specialty station was counted as a full signal; network and educational stations were counted as one-quarter of a signal to reflect the reduced amount of nonnetwork programming broadcast by them. The rate schedule was:

.6 percent of basic subscriber revenues for the first imported equivalent signal;

.425 percent of basic subscriber revenues for each of the second, third and fourth imported equivalent signals; and

.2 percent of basic subscriber revenues for each imported equivalent signal in excess of four.

All systems would pay .6 percent of subscriber revenues for the privilege of importing distant signals, even if none were in fact carried by the system. Small cable systems (those with less than \$160,000 in annual receipts) were subject to decreased copyright payments, as under S. 22 as passed by the Senate.

fee schedule was devised to result in a total industry payment which would have equalled for the year 1976 the payment which would have been required by S. 22—that is, \$8.7 million.<sup>80</sup>

The agreement also reflected a new approach to the role of the Copyright Royalty Tribunal. The Tribunal was empowered to review the compulsory licensing rates only under limited circumstances; it could adjust the rates only to account for inflation or future changes in the FCC's distant signal and syndicated programming exclusivity rules.<sup>81</sup> The inflation rate adjustment was to take place in 1980 and every five years thereafter. However, the Tribunal could undertake, upon petition, immediate review of royalty rates in the event of an applicable FCC rule change.

Rates established in such a proceeding were to be applied only to the distant signal programming carried as a result of the FCC rule changes.<sup>82</sup> The agreement did not set forth any criteria to guide the

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The agreement further provided that each distant signal would be subject to the rate schedule "regardless of the amount of that signal's programming which is actually carried by the subject cable systems." The only exceptions to this rule were: (1) programming which was substituted for that blacked out pursuant to the FCC's syndicated exclusivity rules; (2) programming carried only during late night hours pursuant to FCC rules; and (3) signals carried on a part-time basis for full-time carriage. No additional payments were required for the first category; the remaining two categories generated royalties based upon the number of hours of programming actually carried.

<sup>80</sup> A vice president of NCTA active in the compromise negotiations testified before the Tribunal: "The \$8.7 million was the amount [in] the Senate bill S. 22, which was based on a straight percentage of revenue fee[s]. . . . The objective throughout all of the research and [the] attempt to structure a fee schedule was . . . to reach this \$8.7 million." Testimony of Kathryn Creech at 117, 119 in CRT Docket No. 80-3 (Nov. 13, 1980).

<sup>81</sup> The Tribunal's authority was limited to adjusting the rates alone, and not the revenue base on which these rates are calculated. See note 52 *supra*. The parties also agreed that Tribunal determinations would be subject to judicial review only. There no longer was any provision for Congressional review.

<sup>82</sup> Paragraph 5 of the agreement provided that: "Any change in the FCC exclusivity rules will enable the Tribunal to adjust the statutory royalty rates insofar as they relate to cable systems and signals affected by the change."

Paragraph 6 provided:

Any change in the FCC's rules which permit additional distant signals to be carried will enable the Tribunal to reconsider royalty rates applicable to (but only to) such additional signals. However, the original statutory rates are "grandfathered" in each of the following instances:

- (i) in the case of any signal presently carried;
- (ii) in the case of any signal substituted for a signal presently carried, provided that the substituted signal is the same 'class' \*\*\* as the signal for which it is substituted;

Tribunal's rate adjustment. Nor was there anything in the agreement to suggest that the Tribunal's discretion would be different than that envisioned in the earlier bills considered by Congress. In return for preserving the minimal royalty payments of S. 22 and severely restricting the reach of the Tribunal's rate review authority, the NCTA agreed to giving the Tribunal *carte blanche* to establish rates for the deregulated distant signal programming.

*G. Enactment of Legislation (October 1976)*

In September 1976, the House Judiciary Committee substantially amended S. 22. The Committee adopted a new fee schedule, essentially as proposed in the MPAA/NCTA agreement.<sup>83</sup> The Committee noted

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- (iii) in the case of any signal (whether or not now carried) which would be permitted to be carried by the FCC rules as now in force; and
  - (iv) in the case of any signal subsequently permitted to be carried because of an individual waiver of the FCC's existing rules.

\*\*\* All television signals are divided into four classes: (i) network signals, (ii) non-commercial educational signals; (iii) independent signals and (iv) specialty stations.

When the parties subsequently drafted amendments to S. 22, they added a new Section 801(b) (2) (B) which was intended to reflect Paragraph 6 of the compromise. With one exception (*see* text accompanying notes 87-88 *infra*) the language of the amendment was word-for-word the same as that which currently appears in Section 801(b) (2) (B) of the Act—but different from that which appeared in Paragraph 6 of the compromise. For example, the draft amendment omitted all reference to specialty stations—perhaps because the amendment referred specifically to FCC rules in effect on April 15, 1976 and the FCC's specialty station rules did not go into effect until four days later, April 19, 1976. *See* Report and Order in Docket 20553, 58 F.C.C.2d 422, 460 (1976). The draft amendment also contained language describing the categories of grandfathered signals different from that in the compromise agreement. There is nothing in the legislative history to indicate that the parties intended to change the meaning of the compromise when they drafted the amendment to S. 22.

<sup>83</sup> The Committee explained:

In setting an initial fee schedule, the Senate bill . . . rejected a statutory scheme that would distinguish between 'local' and 'distant' signals . . . [However], the Committee has concluded that the copyright liability of cable television systems under the compulsory license should be limited to the retransmission of distant nonnetwork programming. In implementing this conclusion, the Committee generally followed a proposal submitted by the cable and motion picture industries. . . .

H.R. Rep. No. 1476, 94th Cong., 2d Sess. 90 (1976) [hereinafter cited as "H.R. Rep. 94-1476"].

The House Committee bill included some minor changes from the fee schedule proposed by the NCTA and MPAA in the compromise agreement.

that the resulting royalty award would amount to approximately \$8.7 million in 1976 and that such "payments are modest and will not retard the orderly development of the cable television industry. . . ." <sup>84</sup>

In addition, the Committee adopted the Tribunal review provisions as set forth in the MPAA/NCTA compromise.<sup>85</sup> The Tribunal was authorized to adjust the rates only to account for inflation and FCC deregulation. With respect to the Tribunal's authority to alter the rates if the FCC changed its rules restricting the carriage of distant signals, the House Report states:

The purpose of this provision is to give the commission *broad discretion to reconsider* the royalty rates applicable to (but only to) the carriage of any additional distant signals permitted under the rules and regulations of the FCC after April 15, 1976. The present FCC rules limiting the number of distant signals that may be carried by cable systems have the effect of protecting copyright owners by restricting the amount of television broadcast programming retransmitted into distant markets. If these rules are changes [*sic*] in the future to allow additional cable carriage of television programs it is the Committee's judgment that the royalty

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The percent of gross receipts to be paid for the first distant signal equivalent and for the minimum basic distant signal payment was raised from .006 to .00675. The small system exemption also was changed. Under the committee version of the bill, systems with under \$160,000 of gross receipts paid a flat percentage regardless of the number of distant signals carried. Finally, at the request of the sports interests, the Committee required a separate royalty payment if cable operators substituted live distant programming for programming which they, at their option, deleted pursuant to the FCC rules. See 17 U.S.C. § 111(f).

<sup>84</sup> H.R. Rep. 94-1476, *supra* note 83, at 91.

<sup>85</sup> The House Committee made certain changes in the structure of the Tribunal. Under S. 22 as originally introduced, as in prior bills, the Tribunal was to consist of a three-member panel of arbitrators appointed from time to time, as necessary, by the Register of Copyrights. See S. Rep. 94-473, *supra* note 73, at 157; note 24 *supra*. The House Committee made the Tribunal into a permanent agency and changed its name to the Copyright Royalty Commission. Expressing "constitutional concern" about having Tribunal members appointed by the Register of Copyrights, an employee of the Legislative Branch, the House provided for Presidential appointment and five-year terms. H.R. Rep. 94-1476, *supra* note 83, at 174. The House Committee also eliminated Congressional review of the Tribunal's decisions, and permitted judicial review as under the Administrative Procedure Act. *Id.* at 179. See generally Recording Industry Ass'n of America v. Copyright Royalty Tribunal, 662 F.2d 1, 5 (D.C. Cir. 1981).

rates paid by cable systems should be adjusted to reflect such changes.<sup>86</sup>

The House Committee made only one change in the deregulation rate review provision proposed by the MPAA and NCTA—it provided the Tribunal with some limited guidance on the factors that should be taken into account. Specifically, the Committee directed the Tribunal to consider “among other factors, the economic impact on copyright owners and users.”<sup>87</sup> The House Report amplifies upon this guidance:

In determining the reasonableness of rates under this provision, the Commission should consider, among other factors, the economic impact that such adjustment may have on copyright owners and users, including broadcast stations, and the effect of such additional distant signal equivalents, if any, on local broadcasters’ ability to serve the public.<sup>88</sup>

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<sup>86</sup> H.R. Rep. 94-1476, *supra* note 83, at 176 (emphasis added). As agreed in the compromise, the bill permitted rate adjustment in the event of change in the FCC rules on syndicated program exclusivity. The House Committee expanded this provision to authorize Tribunal review in the event of a change in the FCC rules restricting cable carriage of sports programming. The Committee noted:

The syndicated and sports program exclusivity rules of the FCC have the effect of protecting copyright owners by restricting the cable carriage of certain distant television programming. If these rules are changed in the future to relax or increase the exclusivity restrictions, it is the Committee’s judgment that the royalty rates paid by cable systems should be adjusted to reflect such changes.

*Id.* at 177.

<sup>87</sup> Section 801(b)-(2)’s failure to specify all of the appropriate factors that govern the cable rate adjustment stands in stark contrast to other provisions of the Act which vest the Tribunal with rate-setting authority. For example, in Section 801(b) (1), 17 U.S.C. § 801 (b) (1), the Tribunal is empowered to adjust the phonorecord and juke-box royalty rates as set forth in Sections 115 and 116 of the Act. Congress, however, directed that these rates must be “calculated to achieve” the four objectives specifically enumerated in Section 801(b) (1). These objectives include “maximiz[ing] the availability of creative works to the public” and “minimiz[ing] any disruptive impact on the structure of the industries involved and on generally prevailing industry practices.” These criteria are *not* set forth in Section 801(b) (2) (B).

<sup>88</sup> H.R. Rep. 94-1476, *supra* note 83, at 176. Representative Railsback originally had suggested the following more detailed guidance:

In determining the reasonableness of rates proposed following an amendment of Federal Communications Commission rules and regulations, the Tribunal shall consider the criteria set forth in section 801(b) (2) (A) and the following additional criteria, among others: the promotion of the progress of science and the useful arts; a fair return to copyright

On September 22, 1976, the House passed S. 22 essentially as it had been amended by the Judiciary Committee. Immediately thereafter a Conference Committee was appointed to reconcile the differences between the House and Senate versions of S. 22. The Conference Committee adopted the House amendments to the fee schedule and Tribunal rate adjustment authority.<sup>89</sup> The bill as amended was passed by both Houses of Congress on September 30, 1976, and signed into law by President Ford on October 19, 1976.

### III. THE POLICY IMPLICATIONS SURROUNDING THE COMPULSORY LICENSING RATES

As the legislative history of the Copyright Revision Act makes clear, the "modest" royalties required by the statutory fee schedule were

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owners without unfairly burdening users; the economic impact on patterns of communications and the general public interest in assuring the continuity and quality of broadcast service without placing undue burden on the users of that service.

Both the MPAA and NCTA objected to Representative Railsback's guidance. See Letter from Robert Schmidt to Representative Kastenmeier, dated May 28, 1976; Letter from Jack Valenti to Representative Kastenmeier, dated June 1, 1976. The House Committee ultimately compromised by scaling the guidance down.

Originally, the House Report contained the following language: "It is the intent of the Committee, however, that the Copyright Royalty Commission not be viewed or used by the parties of interest as a forum to accomplish what they were unable to accomplish before the FCC." This warning does not appear in any other House or Senate report on the copyright legislation. And, in fact, it ultimately was deleted from the House Report. During the floor debate on the legislation, Representative Railsback stated:

On page 176 of the House Report No. 94-1476, we intended to delete the last sentence on that page, but due to a mix-up at the printing office, it was not deleted. The reason for its deletion is because it is confusing and would be misunderstood. I would like to make clear for the record, since the language in the record is reflecting my amendment, that the Federal Communications Commission and the Copyright Royalty Commission are two entirely separate commissions with entirely separate jurisdictions, proceedings and functions.

122 Cong. Rec. 31984 (1976).

<sup>89</sup> See H.R. Rep. No. 1733, 94th Cong., 2d Sess. 75-76 (1976) [hereinafter cited as "H.R. Rep. 94-1733"].

The Conference Committee also adopted, for the most part, the House provisions concerning the structure of the Tribunal. See note 85 *supra*. However, it determined that the Tribunal would consist of five commissioners appointed for staggered seven-year terms by the President with the advice and consent of the Senate. In addition, the Tribunal was created as an independent agency in the Legislative Branch. H.R. Rep. 94-1733, *supra*, at 82.

thought to be justified by the various conditions that existed within the cable industry during the early to mid-1970s. The Tribunal was created, at least in part, to respond to changes in these conditions by changing the statutory rates. As ultimately enacted, the copyright legislation severely restricted the applicability of the Tribunal's rate adjustment authority; apart from inflation adjustments, the Tribunal had power to set rates only for the distant signal programming carried as a consequence of FCC deregulation. Congress, however, vested the Tribunal with broad authority to reconsider the rates applicable to this programming—without being limited by the arbitrarily chosen statutory rates or by the considerations which prompted these rates.

Under these circumstances, it would appear that the Tribunal did not contravene its statutory discretion by adopting rates which are intended to replicate a free marketplace—even though such rates are substantially higher than those in the Act.<sup>90</sup> The legislative history of the Copyright Revision Act reveals a clear intent to permit the Tribunal to make its own assessment as to what constitutes a reasonable rate, and choosing a marketplace standard is not inconsistent with this intent. The further question, of course, is whether as a matter of policy the Tribunal should have raised the rates to what it, on the basis of the record before it, considered to be marketplace levels.

In assessing the wisdom of the Tribunal's decision, it is important to consider the dramatic changes that have taken place in those industry conditions which originally were advanced as justification for the statutory rates. As discussed below, these changes have undercut whatever rationale existed in the early and mid-1970s for gearing the statutory rates solely to cable's asserted ability and willingness to pay. The present-

<sup>90</sup> Congress, of course, did direct the Tribunal to "consider" "among other factors" (which were unspecified) "economic impact upon copyright owners and users." This mandate was perhaps adopted over concern that a total lack of guidance would render the provision susceptible to constitutional challenge. See note 62 *supra*. Or perhaps it reflected the repeated arguments that any rates adopted by the Tribunal should not impair cable's financial viability and, therefore, its ability to expand into the major markets. In any event, there does not appear to be anything necessarily inconsistent in the Tribunal's adopting a marketplace standard and protection of the cable industry from undue economic impact; a marketplace rate based upon transactions in analogous marketplaces in fact subsumes considerations of impact since it reflects actual operating conditions. Cf. *Amusement & Music Operators Ass'n v. CRT*, 676 F.2d 1144, 1157 (7th Cir.), *cert. denied*, 103 S.Ct. 210 (1982) (marketplace analogy appropriate in setting jukebox royalty rates even where the Tribunal is directed by statute to consider the economic impact on jukebox operators). Even if there were any inconsistency, Congress did not direct the Tribunal to place any priority on impact over other considerations which the Tribunal might consider relevant.

day circumstances further suggest that the Tribunal's decision to adopt a marketplace standard was a correct policy choice.

#### A. Increased Strength of the Cable Industry

When Congress debated the copyright legislation, there was considerable pessimism as to the future viability of what was then an embryonic cable industry. Congress accepted the arguments made by cable that the entire system of compulsory licensing, including only modest royalty payments, was necessary to ensure the industry's development. As Congressman Kastenmeier, who was the principal House sponsor of the 1976 Act, recently observed: "Had we not done so, most assuredly, the growth of a major new industry may well have been stopped dead in its tracks."<sup>91</sup>

This rationale can no longer be advanced to support royalty rates that are below marketplace levels. During the seven years following enactment of the copyright revision legislation, cable has matured into a substantial and financially sound industry. This is apparent from a number of objective indicia, including the unpredecended growth in industry subscribers,<sup>92</sup> revenues,<sup>93</sup> and stock values,<sup>94</sup> as well as in the values of

<sup>91</sup> 1982 Joint Hearings, *supra* note 13, at 53.

<sup>92</sup> The number of basic cable subscribers has grown from about 12 million at the beginning of 1976 to over 28 million as of February 1983. *Cablevision*, April 18, 1983, at 145. Currently, 34 percent of all television households subscribe to basic cable; by 1990, 61 percent are expected to subscribe. This compares to a 17 percent figure in 1976. *Id.*

<sup>93</sup> The total operating revenues of the cable industry increased from less than \$1 billion in 1976 to over \$3.5 billion in 1981, and to nearly \$5 billion (estimated) in 1982—*i.e.*, revenues have increased fivefold since the enactment of the statutory royalty rates. The 1982 estimate is from Donaldson, Lufkin & Jenrette, *Cable Industry Viewpoint*, Table 7 (October 1982) [hereinafter cited as "Donaldson, Lufkin, *Cable Industry Viewpoint*"]. The 1981 figure is from "FCC Annual Financial Report" on the Cable Television Industry, Table II, March 28, 1983 [hereinafter cited as "FCC Annual Financial Report"]. The 1976 figure is from FCC New Release on the Cable Television Industry, June 21, 1978. The growth in cable revenues is not explained simply by inflation. During the period 1976-1982, the CPI rose by 69 percent from 170.5 to 288.6.

<sup>94</sup> The growth in the value of cable television stocks versus the performance of the stock market as a whole is illustrated in a cable stock index which is compiled by Paul Kagan Associates. The average price of a share in the cable index rose from approximately \$6 at the start of 1976 to a record high of \$111 in November 1982. Paul Kagan Associates, Inc., *The Cable TV Financial Databook* 76 (Dec. 1982) [hereinafter cited as "Paul Kagan Associates, *Cable Databook*"]. During this same seven-year period, the Dow Jones Industrial Average rose a mere 22 percent.



individual systems<sup>95</sup> and the availability of capital to finance expansion (a major concern during the copyright debates).<sup>96</sup> Equally important has been the increased domination of the industry by a relatively few corporations,<sup>97</sup> many of which are among the largest and most successful

<sup>95</sup> In the 1970s, cable systems typically sold for about \$300 per subscriber. U.S. Department of Commerce, *U.S. Industrial Outlook 1982* at 369. Currently, the cost, on average, is between \$600 and \$1,000 per subscriber. U.S. Department of Commerce, *U.S. Industrial Outlook 1983* at 45-5. For examples of the prices paid for cable systems during 1982, see Paul Kagan Associates, *Cable Databook*, *supra* note 94, at 124-28.

<sup>96</sup> During the 1975 copyright hearings, a representative of the investment firm of Warburg Paribas Becker presented a study which concluded that the cable industry would be unable to attract the debt funds which it needed in order to expand. 1975 House Hearings, *supra* note 56, at 598. But as Michael Botein of the Communications Media Center at New York Law School stated in his 1981 testimony before a congressional subcommittee:

As the cable television industry has proven its financial stability, regional as well as local banks, insurance companies, and other investors have shown a willingness—and at times even a fervor—to make long-term debt commitments to any company with an apparently profitable franchise in hand.

*Cable Television Industry: Hearings Before the Subcomm. on SBA and SBIC Authority, Minority Enterprise and General Small Business Problems of the House Comm. on Small Business*, 97th Cong., 1st Sess. 189 (1982). More recently, a *Broadcasting* report on the cable industry observed:

Cable continues to be a favorite in the financial markets. The money men perceive the industry as a dynamic, fast-growing business that stands out among many others that have been knocked on their heels by the recession. Some of the major cable operators can boast of being among the elite ranks of the below-prime borrowers.

*Broadcasting*, May 3, 1982, at 37.

The assessments of Professor Botein and *Broadcasting* are supported by a Warburg Paribas study released in 1982. This study shows that debt funds supplied to the cable industry have increased from barely over \$1 billion in 1975 and 1976 to \$3.7 billion in 1981 and nearly \$5 billion (estimated) in 1982. Warburg Paribas Becker, *Survey of Historical and Projected Debt Funds for the Cable TV Industry 2* (May 1982). David Wicks, Jr., managing director of Warburg Paribas, recently concluded that adequate debt funds will be available to the cable industry throughout 1983. *Cable TV Law & Finance*, March 1983, at 1, 6.

<sup>97</sup> In 1983, approximately 63 percent of cable subscribers were served by the 25 largest multiple system operators (MSOs). The top ten MSOs alone provided service to approximately 46 percent of subscribers. See *Cablevision*, May 16, 1983, at 78-79. The domination of the industry by the large MSOs is a result of horizontal mergers and acquisitions and the relative success of existing MSOs in the franchise bidding for major markets. See Majority Staff of the House Subcomm. on Telecommunications, Consumer Protection and Finance, 97th Cong., 1st Sess., *Telecommunications in Transition: The State of Competition in the Telecommunications Industry* 291 (Comm. Print 1981) [her-

conglomerates in the country.<sup>98</sup>

This is not to say that the cable industry has become impervious to economic difficulties. Certainly, the costs of constructing and operating cable systems (particularly in urban areas) as well as the competition posed by the new communications media, can be significant; in the near future these factors likely will keep industry profits below the record levels achieved during the first few years following passage of the 1976 Copyright Act.<sup>99</sup> The point, however, is that the cable industry has come

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inafter cited as "1981 Majority Report"].

The trend toward horizontal and vertical integration and the merger of cable system operators with still larger firms have greatly strengthened the cable industry in the years since 1976. The increased strength stems from better access to internal and external capital. Larger companies are better able to absorb the large cash outlays that are associated with constructing a new system and are able to balance it with the large cash flows that are associated with more mature systems. Finally, the greater credit-worthiness of the larger company is apt to be an advantage in bidding for very large systems. These advantages are discussed in Warburg Paribas Becker, *Five-Year Performance Survey of the Cable TV Industry* 11 (December 1981) [hereinafter cited as "Warburg Paribas, *Five-Year Performance Survey*"].

<sup>98</sup> For example, six of the ten largest MSOs are owned by seven companies that rank among the largest in the country in terms of total profit and other measures of financial strength, as reported in the "Forbes 500." See *Forbes*, May 9, 1983, at 266-305. The seven are TeleCommunications, Inc., (TCI), Time, Inc. (ATC), Westinghouse (Group W), Cox Communications (Cox), American Express and Warner Communications (Warner Amex), and Times Mirror (Times Mirror).

Moreover, there has been a substantial improvement in the financial condition of the large MSOs in the years following Congress' consideration of the Copyright Act. During the 1975 copyright hearings, the NCTA (through the investment firm of Warburg Paribas Becker) presented a variety of financial data concerning nine of the largest publicly traded MSOs. See 1975 House Hearings, *supra* note 56, at 610. The NCTA explained that this data provided a good indication of the health of the industry as a whole. *Id.* at 599-600. During the Tribunal's 1982 rate-adjustment proceedings, the NCTA again presented a Warburg Paribas analysis of the cable industry, including financial data for eighteen of the largest MSOs. Warburg Paribas, *Five-Year Performance Survey*, *supra* note 97, Appendix A. A comparison of the data submitted by the NCTA demonstrates that revenue, net income, shareholder's equity, return on equity, and return on revenue rose significantly for the MSOs in the years between 1974 and 1980. For example, revenue per MSO rose, on average, from \$29.5 to \$62.1 million, and whereas each MSO, on average, lost \$1.8 million in 1974, it made a profit of \$5.3 million in 1980. Particularly significant, in view of the concerns raised in 1975 about the cable industry being fully leveraged, is the fact that the ratio of long-term debt to dollar of revenue has dropped, on average, from 1.95 in 1974 to 1.16 in 1980.

<sup>99</sup> After years of steady growth, pre-tax net income declined from a record high of \$199 million in 1979 to \$168 million in 1980 and \$40 million in 1981.

a remarkably long way since 1976; it bears little resemblance to the struggling industry which approached Congress during the early to mid-1970s. Also, the industry today is much more optimistic about its future than it was in the earlier years.<sup>100</sup> These factors belie the need for the below-market rates afforded an infant industry over seven years ago.

### B. Cable Penetration of the Major Markets

Another factor thought to justify modest royalty payments was the desire to encourage cable's expansion into the major urban markets. The cable industry argued that anything other than minimal royalties would impede, if not prevent altogether, the penetration of these areas—a result which Congress sought to avoid.

Since 1976, the cable industry has demonstrated a significant com-

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FCC Annual Financial Report, *supra* note 93, Table II. Industry analysts attribute the more modest "bottom line" to increased construction expenditures and high interest rates—both expenses stemming from cable's heavy financial commitment to expanding into the large urban areas. For example, an analyst with Drexel, Burnham & Lambert commented in the April 11, 1983 issue of *Cablevision*:

The magnitude of the decline (in pre-tax net income) does seem rather large, but it makes sense. . . . The pre-tax line reflects what happens when you try to translate operating income into earnings when you're in a rapid building phase; you've got a lot of interest and a lot of depreciation. And it made for a large decline.

*Id.* at 20. In that same article, an L.F. Rothschild, Unterberg, Towbin analyst explained that the pre-tax net income decline

shouldn't raise many eyebrows, because we're looking at an industry that is hardly mature, despite the rapid growth that it's seen over the past years. It's still in a phase where it is really growing; it's not even close to reaching its full profit potential yet.

The general recessionary environment during 1981-1982 also contributed to the slackening in industry profits, although cable fared rather well in the recession compared to most other service industries. *See Cablevision*, December 27, 1982, at 28; *Cable T.V. Law & Finance*, March 1983, at 6.

<sup>100</sup> Analysts generally agree that the long-term outlook for profitability in the cable industry is bright. As one cable operator and broker (William Daniels) has said: "They're going through a period now where they choke each month when they see their losses. But in 10 years' time, they will be thrilled with what they have." *Wall Street Journal*, April 1, 1983, at 6. Indeed, one leading analyst predicts that cable profits will begin to soar as early as 1984, when the pace of costly new construction will begin to ebb. *Broadcasting*, January 10, 1983, at 76 (quoting Dennis Liebowitz, media analyst at Donaldson, Lufkin & Jenrette). Liebowitz's favorable assessment of cable's prospects is detailed in Donaldson, Lufkin, *Cable Industry Viewpoint*, *supra* note 93. *See also Wall Street Journal*, May 20, 1983, at 57 (reporting that various analysts predict "a turnaround in [cable] industry profitability").

mitment to wiring the major markets. As of mid-1982, some 32 percent of the households in the top 50 markets subscribed to cable; the comparable figure was only 10 percent in late 1974.<sup>101</sup> Even these figures, however, do not provide a complete indication of the extent to which cable is moving into the urban markets. A number of major market franchises have been awarded only in the last two years; thus, cable has not yet reached its full potential in these areas.<sup>102</sup> The intensity of cable's interest in the major markets goes beyond such statistics, and is reflected in the rather extraordinary promises that have been made in order to secure urban franchises.<sup>103</sup>

One illustration of the changed circumstances with regard to major market cable can be seen in New York City. During the 1975 House Hearings, the NCTA highlighted the fact that the Manhattan cable franchisees were losing substantial sums of money, even without making any copyright payments;<sup>104</sup> this big city experience, the NCTA suggested, cautioned other cable operators against seeking to penetrate the major markets. In 1981, however, no fewer than fourteen cable

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<sup>101</sup> The 1982 figure is derived from A.C. Nielsen data, as reported in *Broadcasting/Cablecasting Yearbook 1983* at D-287 to D-288. The 1974 figure is from Arbitron, as reported in the 1976 *TV Factbook* at 98a-101a, which was current at the time the Copyright Act was passed. (It should be noted that Nielsen estimates of cable penetration tend to be slightly higher than those of Arbitron.) During the Tribunal's rate adjustment proceedings, an NCTA witness projected that cable penetration in the major markets will reach between 40 and 60 percent. Transcript in CRT Docket No. 81-2 at 1810 (testimony of James F. Ackerman).

<sup>102</sup> For example, franchises were awarded during 1981-1982 in such major markets as New York City (outlying boroughs), Chicago, Baltimore, Milwaukee, Boston, Denver, Montgomery County (Maryland), Sacramento, Minneapolis, Fort Worth, Miami, and Tucson. See Donaldson, Lufkin, *Cable Industry Viewpoint*, *supra* note 93, at 24; Warburg Paribas, *Five-Year Performance Survey*, *supra* note 97, at 15.

<sup>103</sup> Subsequent to passage of the Copyright Act, competing companies typically gave away a substantial amount of equity to prominent people in the franchise city. Winning bids frequently include reduced or even free rates for basic service, as well as systems using costly dual cables with two-way, interactive capabilities and a capacity of 100 or more channels. They also include various provisions for the support of local origination programming and public access channels. An extreme example of the promises that cable operators have made in order to secure the urban franchises can be seen in the recent bidding for Boston. There, Cablevision's successful bid included a \$2 per month basic service of up to 52 channels and a commitment to pay 5 percent of revenues to finance local access programming (in addition to a 3 percent franchise fee payable to the city). Donaldson, Lufkin, *Cable Industry Viewpoint*, *supra* note 93, at 26.

<sup>104</sup> 1973 Senate Hearings, *supra* note 29, at 406-07, 640.

companies—including a number of major MSOs—submitted bids for the right to franchise all or portions of the remaining boroughs of New York City.<sup>105</sup> Moreover, the applicants for these new franchises projected substantial profits for the systems they proposed to build.<sup>106</sup>

The fervor that cable exhibited during the late 1970s and early 1980s to wire the large urban areas has cooled during the past year or so.<sup>107</sup> Nevertheless, the situation with respect to major markets is vastly different today than it was while copyright legislation was being debated. Some large cities, which have delayed the cable franchising process or have made unrealistic demands, may find themselves bypassed by cable. But the majority of the major markets have experienced growth in cable penetration which many never believed possible a decade ago. Cable need not be afforded below-marketplace rates for distant signal programming to ensure that this growth continues. Indeed, it would appear that, of the many determinants of the extent to which the urban markets are wired, the royalty rates for distant signals will not be a significant factor.<sup>108</sup>

### C. Deregulation of the Cable Industry

During the hearings on copyright revision legislation the cable industry emphasized the substantial costs which heavy FCC regulation imposed upon it. Indeed, Dr. Mitchell, whose study of the cable industry

<sup>105</sup> Indeed, both ATC and Teleprompter, which operated the two Manhattan systems which the NCTA claimed would be financially pressed by the imposition of copyright fees, applied for new franchises in the outlying boroughs. Although Teleprompter ultimately withdrew its bid, ATC was awarded a part of the borough of Queens.

<sup>106</sup> For example, ATC estimated in its 1981 submission to the City that the system it proposed for the borough of Queens would begin to show a profit within five years and generate approximately \$75 million in net income (after taxes) over the first ten years of operation.

<sup>107</sup> Recently, a few of the largest MSOs have withdrawn or pulled back from bidding for new franchises in the major urban areas; in some cities, all but two or three companies have dropped out of the bidding. Donaldson, Lufkin, *Cable Industry Viewpoint*, *supra* note 93, at 25-26; *Fortune*, April 18, 1983, at 87; *Wall Street Journal*, April 1, 1983, at 1. In other cases, the victorious bidder has sought the approval of the franchising authority to scale down the system it initially proposed to build. See *Cablevision*, April 4, 1983, at 99 (Suffolk, Virginia); *Cablevision*, December 27, 1982, at 35 (Denver). As a result, cities have begun to show greater flexibility in their negotiations with cable operators. See *Wall Street Journal*, April 1, 1983, at 1.

<sup>108</sup> This point was made by an NCTA witness during the Tribunal's rate adjustment hearings. See Transcript in CRT Docket No. 81-2 at 1825-26 (testimony of James F. Ackerman).

played a major role in the reduction of the royalty rates,<sup>109</sup> testified: "It is primarily these regulatory policies which will limit development of cable service in suburban and fringe areas and result in little or no central city construction."<sup>110</sup> Congress itself underscored the direct relationship between the compulsory licensing scheme and FCC regulation, concluding:

"[A]ny statutory scheme that imposes copyright liability on cable television systems must take account of the intricate and complicated rules and regulations adopted by the Federal Communications Commission to govern the cable television industry."<sup>111</sup>

Since 1976 the FCC regulatory pendulum has swung almost completely in the other direction. The FCC and the courts have eliminated virtually all of those regulations which formed the basis of cable's complaints during the copyright debates.<sup>112</sup> The most significant of the Commission's actions, of course, has been the repeal of the rules which led to the Tribunal's rate adjustment. As Representative Kastenmeier has observed: "We did not contemplate such a sweeping change in the regulatory structure when we drafted [the Copyright Revision Act of

<sup>109</sup> See text accompanying notes 42-43 *supra*.

<sup>110</sup> 1973 Senate Hearings, *supra* note 29, at 403.

<sup>111</sup> H.R. Rep. No. 94-1476, *supra* note 83, at 89.

<sup>112</sup> Since 1976, the FCC has deleted its "leapfrogging" rules, which generally prevent cable systems from importing independent television signals from any but the two closest television markets, Report and Order in Docket No. 20487, 57 F.C.C.2d 625 (1975) (effective 1976); exempted cable systems with less than 1,000 subscribers from essentially all regulation, Second Report and Order in Docket No. 20561, 68 F.C.C.2d 18 (1978); eliminated the time-consuming and burdensome process by which it required cable operators to apply for a certificate of compliance before commencing operations in a particular community, Report and Order in CT Docket No. 78-206, 69 F.C.C.2d 697 (1978); expanded the categories of television signals which cable systems need not delete under the network nonduplication rules, Memorandum Opinion and Order in Docket No. 19995, 67 F.C.C.2d 1303 (1978), *aff'd sub nom.* Spartan Radiocasting Co. v. FCC, 619 F.2d 314 (4th Cir. 1980); eliminated all of its rules which placed restrictions on the local franchising process, Report and Order in Docket No. 21002, 66 F.C.C.2d 380 (1977); eliminated virtually all restrictions on the licensing of earth stations, which are used by cable systems to receive programming, First Report and Order in CC Docket No. 78-374, 74 F.C.C.2d 205 (1979); changed its rules to permit the use of less costly small diameter earth stations, American Broadcasting Companies, Inc., 62 F.C.C.2d 901 (1976); and, prior to eliminating its restrictions on the number of distant signals which may be imported, significantly relaxed the standards for granting waivers of the rule, Arlington Telecommunications Corp., 69 F.C.C.2d 1923 (1978).

1976]."<sup>113</sup> In short, the FCC regulatory factor can no longer be advanced as a basis for below-market compulsory licensing rates.

To be sure, the federal deregulatory trend has not been paralleled at the state and local levels, where cable systems typically have been subjected to rate regulation and requirements to provide various access and other community services. It is questionable whether this regulation is more the product of industry competition than the demands of franchising authorities;<sup>114</sup> it also is questionable whether and to what extent this regulation will survive cable's current lobbying efforts before Congress.<sup>115</sup> Most importantly, though, the state and local regulation, unlike

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Additionally, since 1976, the courts required the FCC to delete its rules which had restricted the amount of sports and movies available to pay cable and the amount of advertising which could be placed on pay cable. *Home Box Office, Inc. v. FCC*, 567 F.2d 9 (D.C. Cir.), *cert. denied*, 434 U.S. 829 (1977). The courts also required the FCC to delete its rules which had required cable systems to afford the public access to their facilities, to upgrade their channel capacity, and to provide for two-way capability. *FCC v. Midwest Video Corp.*, 440 U.S. 689 (1979).

<sup>113</sup> Letter from Rep. Kastenmeier to FCC Chairman Ferris (March 13, 1980), *quoted in* 79 F.C.C.2d at 897. *See also* COPYRIGHT ISSUES: CABLE TELEVISION AND PERFORMANCE RIGHTS: HEARINGS BEFORE THE SUBCOMM. ON COURTS, CIVIL LIBERTIES, AND THE ADMIN. OF JUSTICE OF THE HOUSE JUDICIARY COMM., 96th Cong., 1st Sess. 22 (1978) (statement of Barbara Ringer, Register of Copyrights) (the cable provisions of the Copyright Act acknowledged "the need for flexibility in FCC regulation of cable, but they did not anticipate that the Commission would eliminate entirely either the distant signal or the syndicated exclusivity rules. Piecemeal revision of the regulations, rather than outright repeal, was clearly what Congress had in mind.").

<sup>114</sup> The cable industry has become concerned that the terms of local franchises may raise the cost of new systems to onerous levels. But the problem often stems from unrealistic, "pie-in-the-sky" promises made by cable operators in their zeal to win franchises by lucrative markets. As Howard Gan, former general counsel to the Cable Television Information Center, recently observed: "The reality was that the cities never demanded much at all. It was truly the franchising staffs of the companies that took the franchising process out of hand and out of sight." *Cablevision*, April 4, 1983, at 121. Moreover, it appears that market forces are working to ensure that the cost of franchise inducements remains affordable to the cable industry. *See* note 107 *supra*.

<sup>115</sup> Cable's efforts have resulted in a bill in the 98th Congress (S. 66) which would, among other things, deregulate basic subscriber rates in any market served by at least four commercial television stations, place a 5 percent ceiling on local franchise fees, and require local governments to grant franchise renewals unless the franchisee fails to satisfy certain federal standards. It also would establish exclusive federal jurisdiction over cable except for matters of "strictly local concern." The bill recently was passed by the Senate. Representatives of many of the largest cities and the telephone industry vigorously oppose the bill in its present form. *See Cablevision*, May 23, 1983, at 15; *Cablevision*, May 2, 1983, at 15.

much of the former FCC regulation, is not designed to protect copyright owners. Thus, it cannot be a fair basis for depriving copyright owners of royalties below those that would be obtained in a free marketplace setting.

#### *D. Availability of Alternative Programming Sources*

Prior to passage of the Copyright Act, Congress' concern in ensuring cable's access to distant signals was understandable. Other than improved reception, distant signals were about all that cable could offer in order to attract subscribers. Congress recognized that, unless the compulsory licensing rates were easily affordable to cable, a major component of the industry's attractiveness would be lost. Once again, the situation today is quite different.

The cable industry now has available to it a substantial number of programming sources which did not exist when copyright legislation was being considered. The most important new sources of programming are the "pay" services—largely first run, uninterrupted movies and other entertainment programming for which subscribers pay an additional monthly fee on a per-channel basis. In 1976, there was only one such service (Home Box Office), and it had just gotten under way. Today, there are ten pay cable services available nationally by satellite and others in the offing;<sup>116</sup> additionally, there are eighteen regional pay cable services that offer highly attractive programming such as local professional sports events.<sup>117</sup> The various pay services, which have provided the cable

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Even under current law, the scope of local regulation is restricted significantly by federal preemption. For example, the FCC and the courts have held that local governments are preempted from regulating pay cable subscriber rates, *Brookhaven TV, Inc. v. Kelly*, 573 F.2d 765 (2d Cir. 1978), *cert. denied*, 441 U.S. 904 (1979); local or distant signal carriage, *Clarification of the Cable Television Rules and Notice of Proposed Rulemaking and Inquiry*, 46 F.C.C.2d 175, 178 (1974); and technical standards, *Report and Order in Docket No. 20018*, 49 F.C.C.2d 470 (1974). The FCC, at one time, also had prevented states and municipalities from imposing access, channel capacity, local origination, or interactive capability requirements more stringent than those set forth in the FCC rules. See *Report and Order in Docket No. 20508*, 59 F.C.C.2d 294, 329 (1976) (adopting former 47 C.F.R. § 76.258). The cable industry, however, successfully challenged the FCC rules imposing these requirements on cable systems, *see FCC v. Midwest Video Corp.*, 440 U.S. 689 (1979), thereby paving the way for unrestrained action by state and local authorities.

<sup>116</sup> *Cablevision* April 25, 1983, at 98. More than 35 new satellite services (including pay cable and advertiser-supported services) have been announced and expect to become operational in the near future. *Id.*

<sup>117</sup> *Id.*



industry with a very significant source of revenue,<sup>118</sup> have been the principal factor underlying cable's dramatic growth during the years subsequent to 1976.

The other new sources of programming include advertiser-supported origination networks (offering sports, news, public affairs, and various forms of entertainment programming); noncommercial public affairs and cultural networks; and religious networks. These programming services, some thirty of which are now available via satellite,<sup>119</sup> are important to cable in a number of respects. First, they increase the overall attractiveness of cable television generally, and add to the diversity which has aided the penetration of major markets. Second, cable systems are permitted to sell local advertising in many of these services, thereby affording an additional source of revenue; in 1982, these revenues amounted to approximately 35 million dollars.<sup>120</sup> Third, many of the programming services compensate their affiliated cable systems, thereby providing yet another source of revenue which did not exist in 1976. Finally, they permit added revenue from "tiering," a concept which was unheard of in 1976.<sup>121</sup>

The development of the cable networks has been attributed to a number of factors.<sup>122</sup> Whatever the explanation, though, cable now has

<sup>118</sup> Pay cable revenues were estimated to be nearly \$2 billion in 1982, an increase of 29 times the pay revenues in 1976. Paul Kagan Associates, *Cable Databook*, *supra* note 94, at 32. While pay cable revenues accounted for only 4 percent of the cable industry's total revenues in 1976, today they account for about 40 percent. It is indeed significant that when Dr. Bridger Mitchell submitted his study on cable's future during the Congressional hearings on the copyright revision legislation, he specifically declined to take account of any possible revenues from pay cable services. *See* text accompanying notes 42-43 *supra*; 1973 Senate Hearings, *supra* note 29, at 402.

<sup>119</sup> *Cablevision*, April 25, 1983, at 98.

<sup>120</sup> *Cablevision*, Dec. 27, 1982, at 41. One industry analyst forecasts that this source of revenue will grow at an average annual rate of 54 percent through the end of the decade. Paul Kagan Associates, *Cable Databook*, *supra* note 94, at 33.

<sup>121</sup> In tiering, a cable operator typically charges incremental amounts for additional groups of channels. The first group or tier might consist of local, over-the-air signals; the second tier might consist of advertiser-supported cable services, including superstations; a third tier might be composed entirely of one or more pay cable services. Thus, the advertising-supported origination networks can provide an attractive tier of programming for which the cable operator can directly derive added revenues.

<sup>122</sup> The growth of cable programming networks was fostered by regulatory and technological developments which took place subsequent to the passage of the Copyright Act. In 1977, a federal court invalidated the FCC's restrictions on the types of programming available to pay cable. *See* *Home Box Office, Inc. v. FCC*, 567 F.2d 9 (D.C. Cir.), *cert. denied*, 434 U.S. 829 (1977). In

an impressive array of programming to offer in lieu of additional distant signals. Thus, in setting the compulsory licensing rates, one need not be as concerned about ensuring cable's access to distant signals as Congress was in 1976.<sup>123</sup>

*E. Erosion of Protection for Copyright Owners*

Economic, technological and regulatory barriers severely limited the ability of cable to retransmit television signals from distant markets in 1976.<sup>124</sup> This, in turn, gave Congress some assurance that cable would be unable to utilize the copyright owners' works to any substantial degree; therefore, copyright owners would not suffer any substantial harm from cable's exploitation of copyrighted works at below-market rates.

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December of 1976, the FCC issued a ruling which significantly reduced the minimum antenna size required for receive-only earth stations. American Broadcasting Companies, Inc., 62 F.C.C.2d 901 (1976). Later, in October of 1979, the FCC eliminated mandatory licensing of receive-only earth stations and greatly reduced the regulatory burdens associated with voluntary licensing. First Report and Order in CC Docket No. 78-374, 74 F.C.C.2d 205 (1979).

As a result of these actions and various technological developments, the cost of receiving satellite-delivered cable programming has dropped dramatically. For example, the initial costs of securing an acceptable earth station have gone from around \$150,000 in 1976 to about \$3,000 today. SHOOSHAN & JACKSON, INC., CABLE COPYRIGHT AND CONSUMER WELFARE: THE HIDDEN COST OF THE COMPULSORY LICENSE 30 (May 1981).

<sup>123</sup> The increasing importance of made-for-cable programming and the correspondingly decreasing importance of distant signals recently was noted by the FCC, which observed that the cable industry has changed "from one which, from its inception, predominantly relied on broadcast signal retransmission for its existence, to one which is increasingly turning to nonbroadcast program and information sources and services." *Proposed Rule in MM Docket No. 83-331*, 48 Fed. Reg. 26472, 26478 (June 8, 1983).

<sup>124</sup> At the time that Congress established the statutory royalty rates, sheer economics limited the number of signals and the distances over which they could be carried. Most cable systems had the capacity to carry programming on no more than twelve to twenty channels. Moreover, the distant signals had to be received either off-the-air or via terrestrial microwave; it was prohibitively expensive to import signals over great distances. Copyright owners received further protection from pervasive FCC regulations which restricted the number of signals that a cable system could import and limited a cable system's ability to "leapfrog" nearby television stations in order to carry more distant (and more desirable) stations. These FCC regulations were particularly important in the large urban markets where all program suppliers derive the bulk of their revenues from the sale of program rights and where the sports interests derive their attendance revenues.

As a result of satellite technology, the cable industry now has a much greater capacity and flexibility to import large amounts of programming over long distances and at very low cost relative to the value of the programming.<sup>125</sup> Furthermore, cable has (particularly in major population centers) a greatly increased amount of channel capacity to deliver that programming to its subscribers.<sup>126</sup> And, as noted above, there no longer are any FCC regulations restricting the number of distant signals that cable systems may import. In short, gone are the technological and regulatory barriers which prevented the pervasive utilization of copyrighted distant signal programming.

There are, of course, the traditional questions as to whether and to what extent copyright owners are damaged by cable's retransmission of this programming. But trying to prove that there is harm is as elusive and problematic as trying to prove that there is no harm. To be sure, there has been no conclusive showing either way, although there is little doubt that copyright owners are sufficiently convinced of the harm that they often are willing to make substantial business judgments based upon this conviction. In any event, the relevant consideration here is that Congress in 1976 tipped the scale in favor of cable in part because the regulatory and technological situation appeared to offer substantial protection to copyright owners' interests. The absence of this protection means that another justification for below-market rates has disappeared.

#### *F. The Development of Alternative Media*

Congress in 1976 had to be concerned about cable's growth since cable was perceived as the only available means to increase program diversity for the American public. During the past seven years there has been a proliferation of new or improved technologies that are already or soon will be providing additional video programming to the public,

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<sup>125</sup> In addition to providing cable with cable origination programming, satellites have made possible the growth of three so-called "superstations"—major market independent television stations whose signals are picked up by a satellite resale carrier and distributed nationally to cable systems. There are presently three such superstations—WGN, WOR, and WTBS—which reached 11.1, 4.7, and 25.8 million cable subscribers, respectively. *Cablevision*, May 23, 1983, at 104. These superstations broadcast a large amount of highly attractive movies and sports, as well as other popular programs. For example, a cable system that carries all three superstations annually brings into its market over 560 distant signal telecasts of professional sports teams. See CABLE COPYRIGHT LEGISLATION: *Hearings on H. R. 5949 Before the Subcomm. on Telecommunications, Consumer Protection and Finance of the House Comm. on Energy and Commerce*, 97th Cong., 2d Sess. 140 (statement of Bowie K. Kuhn).

including the Multipoint Distribution Service,<sup>127</sup> low power television,<sup>128</sup> subscription television,<sup>129</sup> direct broadcast satellites,<sup>130</sup> satellite master

<sup>126</sup> In 1976, at most, only 22 percent of all cable systems had a capacity of twenty or more channels. See *TV Factbook No. 46*, 1977 Edition, at 73a. In 1981, over 35 percent had such capacity. See *TV Factbook No. 50*, 1981-82 Edition, at 83a. Systems now being proposed or built in major population centers have enormous capacity; 35, 50 and even 100 channel systems are the norm. *Proposed Rule in MM Docket No. 83-331*, *supra* note 123, at 26478. Most recently, the franchisee of Pasadena, California, promised to construct a 142-channel system. *Cablevision*, May 30, 1983, at 19.

<sup>127</sup> Multipoint Distribution Service (MDS) uses microwave frequencies to deliver pay TV programming to hotels, motels, apartment buildings, and, as a result of rapid decreases in antenna and downconverter costs, to individual residences as well. By the end of 1976, MDS was used to provide pay TV service to 8 markets; by the end of 1982, the comparable figure had increased to 99. Paul Kagan Associates, Inc., *Multicast*, March 4, 1983. See generally, Donaldson, Lufkin, *Cable Industry Viewpoint*, *supra* note 93, at 58-61. The FCC recently has authorized "multi-channel MDS"—that is, an MDS operator in any one market may utilize up to five channels (a total of 10 channels will be available in each market). FCC News Release No. 4428, Gen. Docket No. 80-112 (May 27, 1983). Federal Communications Commission staff estimate that up to 7,000 applications may be filed as a result of this action.

<sup>128</sup> Low power television broadcast stations (LPTV) can operate as "miniature" broadcast stations which receive financial support by selling advertising time, by operating in a subscription mode (*i.e.*, with a scrambled signal), or through local taxes. In addition to retransmitting regular television stations, low power stations can utilize satellite-delivered programming such as that which is carried by cable. The FCC approved the final rules for the new service in 1982; it estimated that as many as 4,000 new LPTV stations will be created. *Report and Order in BC Docket No. 78-253*, 47 Fed. Reg. 21468 (1982), as corrected, 47 Fed. Reg. 30495 (1982); see *Broadcasting*, March 8, 1982, at 35. As of April 1983, the Commission had received more than 12,000 applications for LPTV service and had licensed 169 LPTV stations and issued 161 construction permits. *Broadcasting*, April 4, 1983, at 141. The FCC recently authorized the use of lotteries to expedite the awarding of initial LPTV authorizations. *Report and Order in Gen. Docket No. 81-768*, 53 Rad. Reg. (P & F) 2d 1401 (1983).

<sup>129</sup> Subscription television (STV) refers to the transmission of scrambled programming—principally movies, sports and other entertainment fare—from full-power television stations to subscribers who pay a monthly fee for decoders. The concept of over-the-air subscription television has been around for quite some time, but recent advances in integrated circuit technology and other developments have finally made it feasible. Consequently, although there were no STV subscribers prior to 1977, there are currently about 2.2 million subscribers. See Paul Kagan Associates, *The Kagan Census of Cable and Pay TV*, September 30, 1982; Paul Kagan Associates, *Cable Databook*, *supra* note 94, at 7. The future of STV is brighter now than it was in 1976, principally because the FCC has removed many of its regulations which had limited severely the number of STV stations, their hours of operation, and the types of programming they could carry. *Report and Order*

antenna services<sup>131</sup> and videocassette recorders.<sup>132</sup> This trend will almost certainly accelerate because of further technological developments and declining costs of electronic equipment, and because the FCC likely will continue its pro-deregulation and pro-competition tendencies.

The development of other technologies and services for delivering video programming means that cable television is no longer the only technology on the horizon that is capable of providing such diversity. Consequently, there is less need to adopt compulsory licensing rates which favor cable. Indeed, because of its compulsory license, cable already enjoys a significant advantage over the emerging technologies; unlike these technologies, cable need not bargain in the marketplace for all of its programming. Allowing cable to retransmit programming at rates less than those which the copyright owners can reasonably expect to charge the new media gives cable an additional unfair advantage over these media, distorts investment decisions, and results in a less than optimal mix of distribution technologies.

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in *Docket No. 21489*, 43 Fed. Reg. 15322 (1978); *First Report and Order in Docket No. 21502*, 44 Fed. Reg. 60091 (1979); *Third Report and Order in Docket No. 21502*, 90 F.C.C.2d 341 (1982).

<sup>130</sup> Direct Broadcast Satellites (DBS) would transmit programming from high power geostationary satellites directly to individual homes where the signals would be received on inexpensive antennas/receivers. The FCC authorized DBS service on an experimental basis in 1982. Report and Order in Gen. Docket No. 80-603, 90 F.C.C.2d 676 (1982), *appeal pending*. The FCC has already authorized eight applications to launch high-powered satellites for DBS operation. CBS, Inc., 52 Rad. Reg. (P & F) 2d 1112 (1982). Satellite Television Corp., a subsidiary of Comsat, recently announced plans to provide a five-channel DBS type service to the northeastern United States by the fall of 1984; it will use a lower powered satellite than will be used by a true DBS service. *Broadcasting*, May 23, 1983, at 34.

<sup>131</sup> Satellite master antenna systems (SMATV) are, in effect, private cable systems that serve private apartment complexes and other multi-unit housing developments. Satellite-transmitted programming, such as that available to cable, is received by an earth station that is located on private property and hooked into a master antenna system which connects to the individual housing units. With the earth station, SMATV can provide as many channels as cable television; the typical system offers fifteen to twenty channels. SMATV did not exist in 1976; today, it serves approximately 300,000 subscribers. Paul Kagan Associates, *Cable Databook*, *supra* note 94, at 7.

<sup>132</sup> In 1976, there were only about 80,000 videocassette recorders (VCRs) in use, but by 1980 the number had increased to 1.85 million. *TV Factbook No. 50*, 1981-82 Edition, at 79a. It has been estimated that there will be 10.6 million VCR and videodisc users by 1985 and over 30 million VCR and videodisc users by 1990—or about one-third of the estimated number of U.S. television households in that year. 1981 Majority Report, *supra* note 97, at 305. As of 1981, over 33,000 programs were available on prerecorded videocassettes and videodiscs. NAB, *New Technologies Affecting Radio & Television Broad-*

The former head of the National Telecommunications and Information Administration of the Department of Commerce recently observed:

If cable television were truly a small, struggling "cottage industry," and were the last best hope for affording the American public more information options and greater news and entertainment choices, perhaps some sort of preferential system would be defensible. Cable television today, however, is but another—albeit major—player in our increasingly competitive and diversified video marketplace.

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[W]e should not perpetuate and entrench a regulatory system that accords any one competitor in the marketplace a special preference.<sup>133</sup>

These remarks were made in support of a proposal to replace compulsory licensing with a free marketplace. But they are equally supportive of a proposal to ensure, at the very least, that cable pay the same marketplace rates that the other media must pay.

### *G. Ensuring Program Diversity*

When Congress established the compulsory licensing rates, its over-

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casting 35 (1981).

The growing popularity of VCRs has spawned considerable controversy over the legality of "home taping"—the off-the-air videotaping of copyrighted television programs by viewers. In the celebrated *Betamax* case, the Ninth Circuit held that home taping constitutes copyright infringement. *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982). The Ninth Circuit's decision prompted Congress to consider legislation which would permit home taping while requiring the manufacturers and importers of blank tape and recording equipment to pay a royalty fee to copyright owners. Under the current version of the royalty bill (S. 31), the fees would be paid into the Copyright Office and distributed to the copyright owners by the Tribunal, in a manner similar to cable's compulsory license. Unlike cable royalty fees, however, the home taping fees would be established by voluntary negotiation among the parties (subject to binding arbitration if agreement is not reached). Senator Mathias explained that the purpose of the negotiation provisions is to "place maximum reliance on the free market to establish fair royalty fees." 129 Cong. Rec. S254 (daily ed. January 26, 1983).

<sup>133</sup> 1982 Joint Hearings, *supra* note 13, at 62 (statement of Bernard Wunder).

all concern was one of promoting the availability of diverse programming to its constituents. Compulsory licensing combined with minimal royalty payments was thought to have this effect. By the same token, the Tribunal's decision to raise the rates has been challenged on the ground that it will limit program diversity; the claim is that some number of cable systems will refuse to pay the higher rates, thereby depriving their subscribers of access to the programming.

One can accept the basic premise that a decision to raise the royalty rates to marketplace levels will result in fewer purchases of the distant signal product—although there are no firm data on the precise extent to which the Tribunal's rate adjustment has caused cable systems to drop or not to add distant signals.<sup>134</sup> It does not necessarily follow, however, that the viewing public is deprived of program diversity. For example, cable systems that dropped distant signals in response to the Tribunal's rate increase often added cable originated networks, which they considered to be adequate substitutes for distant signals.<sup>135</sup> More importantly, the long-term consequences of requiring copyright owners to license their programming to cable at below-market rates likely will reduce the amount of programming available overall to the American public, for a number of reasons.

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<sup>134</sup> On the basis of a survey it conducted of thirty MSOs, the NCTA predicted that more than 6 million cable subscribers would lose distant signals as a result of the Tribunal's action. *Cablevision*, February 21, 1983, at 15. This survey, however, was conducted prior to the effective date of the rate increase. Current indications are that many cable operators that had intended to drop distant signals subsequently changed their minds; in many cases, they simply passed along the higher royalties directly to subscribers. See *Cablevision*, May 2, 1983, at 20; *Cablevision*, May 23, 1983, at 11. WTBS, for example, had predicted losing up to 1 million subscribers, but the superstation was dropped by only 33 cable systems, representing a mere 320,000 of the over 25 million subscribers who receive it. *Multichannel News*, March 21, 1983, at 1, 31. Moreover, the relationship between the rate increase and the dropping of distant signals is less clear than might be supposed. The NCTA's own witnesses at the Tribunal's rate adjustment hearings testified that, even prior to the rate hike, cable operators were in the process of dropping distant signals as they moved away from reliance on distant signal programming. See Transcript in CRT Docket No. 81-2 at 1421-22 (testimony of Carolyn Chambers), 1505-07, 1517 (testimony of John Evans), 1682-83, 1700 (testimony of Marvin Lafferty). In addition, it appears that confusion over the scope of the Tribunal's decision caused some cable operators to drop distant signals that were not subject to the higher rates.

<sup>135</sup> Instances in which cable operators have added cable origination networks to replace the distant signals they dropped have been reported widely in the trade press. See, e.g., *Variety*, March 16, 1983, at 1; *Multichannel News*, March 21, 1983, at 1, 31. During the rate adjustment hearings, witnesses from the cable industry repeatedly testified that the growth of the satellite-delivered,

*First*, as noted above, there are now a variety of new media which compete with cable. None of the new media possess a compulsory license;<sup>136</sup> all must pay marketplace rates to program rights holders. To the extent that cable receives favored treatment through below-market rates, the new media will be put at a distinct competitive disadvantage. This, in turn, may restrict the ability of the new media to expand and thereby to provide the public with added program diversity.

*Second*, the below-market rates also disadvantage the cable origination networks, which compete with distant signals for acceptance by cable operators and which must increase their affiliates in order to increase advertising revenue. In light of the relatively cheap availability of distant signal programming, the cable networks have been forced to make a variety of concessions in order to become sufficiently attractive to cable—including the offering of direct payments to cable.<sup>137</sup> Many of the cable networks are now finding that such concessions threaten their future viability. As long as cable can obtain distant signal programming at below-market rates, the diversity provided by cable origination networks is itself in jeopardy.

*Third*, in the long run, below-market rates will induce copyright owners to restrict the amount of their programming on free television, or to withdraw it altogether. This not only will impair the viability of conventional television; it also will result in a loss of viewing options to those members of the American public who depend upon over-the-air television—those who either cannot afford or do not have access to cable.

The adverse impact that below-market rates ultimately will have on the supply of programming to conventional television is documented in

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made-for-cable programming services has reduced substantially cable's need for distant signals. *See, e.g.*, Transcript in CRT Docket No. 81-2 at 1503-04, 1508, 1515, 1625-27 (testimony of John Evans), 1785-86, 1791-92, 1825-26 (testimony of James F. Ackerman). Indeed, the FCC recently has noted cable's decreasing dependence on distant signal programming. *See* note 123, *supra*.

<sup>136</sup> The one exception is satellite master antenna service (SMATV), *see* note 131 *supra*, which falls within the definition of a "cable system" in 17 U.S.C. § 111(f) and therefore can utilize the cable compulsory license.

<sup>137</sup> One industry trade journal recently observed, with respect to the advertiser-supported cable services:

Part of the basic cable services' problem is the cable operators they were created to serve. With supply high and demand low (many systems that are filled to the brim with programming), many cable operators are taking advantage of their market position to extract, as one partner put it, "the last ounce of blood [from program suppliers] in the form of upfront payments, launch support assistance, co-op advertising dollars and forgiveness of subscriber fees."

*Broadcasting*, January 3, 1983, at 74.



at least two scholarly works<sup>138</sup>—one of which was co-authored by Dr. Mitchell who, as noted above, was instrumental in formulating the original statutory schedule.<sup>139</sup> Copyright owners expect to receive adequate compensation from the television stations to which their works are licensed as well as the cable systems which profit from the retransmission

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<sup>138</sup> See SHOOSHAN & JACKSON, INC., CABLE COPYRIGHT AND CONSUMER WELFARE: THE HIDDEN COST OF THE COMPULSORY LICENSE (May 1981); Besen, Manning & Mitchell, *Copyright Liability for Cable Television: Compulsory Licensing and the Coarse Theorem*, 21 J.L. & ECON. 67 (1978).

The Besen, Manning & Mitchell study was an economic analysis of the compulsory license which was undertaken under the auspices of the Rand Corporation shortly after the passage of the 1976 Copyright Act. The authors stated their conclusion as follows:

The objective of compulsory licensing is to limit negotiation costs, but unless rates are set correctly and adjusted frequently they will create the wrong incentives to program suppliers. If, as we conjecture, the rates contained in the revision will generate too little revenue, then as cable penetration and distant-signal importation increase, the ability of program suppliers to capture the incremental value of their programs will decline. Some suppliers may be forced out of business and others may never enter the industry at all.

21 J.L. & ECON. at 95.

The Shooshan & Jackson study provides evidence that the compulsory license already is having an adverse impact on the supply of programming to conventional television. The study cites a number of specific examples where programming has been or may be denied to over-the-air television viewers because producers are unable to control the retransmission of television programming by cable systems. See SHOOSHAN & JACKSON, INC., *supra*, at 54-62.

Shooshan & Jackson conclude that, under the compulsory license, "as cable coverage expands, millions of viewers *without* cable service will have even *fewer* choices than they do today." *Id.* at 2 (emphasis in original). They note further that sports programming is particularly vulnerable to the market distortions caused by the compulsory license.

The compulsory license for cable systems threatens to destroy the traditional television distribution market for sports. In the short term, it denies consumers programs which are not made available to some broadcast stations in order to prevent cable systems from distributing those programs in other markets. In the long term, as full liability media increase their coverage, the compulsory license could induce programmers to withhold sports events altogether from broadcast stations (and thereby from traditional cable subscribers) in favor of pay cable, STV, MDS and other full liability alternatives. *Id.* at 55.

<sup>139</sup> See text accompanying notes 42-43 *supra*. Indeed, during the rate adjustment hearings, Dr. Mitchell testified that he now supports a marketplace approach to the cable royalty rates. Dr. Mitchell explained that regulatory, economic and technological changes in the cable industry warrant the payment of marketplace rates by cable operators for their distant signal programming. Transcript in CRT Docket No. 81-2 at 397-421.

of the stations.<sup>140</sup> Unless the total payment received from the stations and the systems is considered fair, copyright owners increasingly will look to other media as a source for the distribution of their works.

#### IV. CONCLUSION

The United States has now moved into the Information Age. Over 50 percent of our nation's labor effort currently is involved in the collection, processing and dissemination of information.<sup>141</sup> In other words, information activities have now surpassed the production of industrial goods just as industrial production once surpassed agricultural production as a percentage of our Gross National Product. Because of the increasingly dominant role of information in our society, it becomes more important than ever that the originators of such information—the producers of programs and software—be compensated fully and fairly for their creativity.

It is in this larger context that the royalty rates in the 1976 Act should be examined. These rates reflected a balancing between objectives based on the conditions extant at that time. The situation today, however, is entirely different. The policy concerns that originally may have justified a royalty schedule tied solely to cable's ability and willingness to pay are no longer applicable. Moreover, there are now strong policy reasons supporting rates that approximate those which the copyright owners would reasonably charge in a free marketplace.

The Tribunal's determination to adopt rates which, in its judgment, reflect such marketplace considerations is entirely consistent with the broad discretion with which it was vested by Congress in the Copyright Revision Act of 1976. Perhaps even more important, the Tribunal's approach represents sound policy. If the compulsory license is to be retained, Congress itself should be guided by the same approach in amending the statutory rates which apply to the vast majority of distant signal programming retransmitted by cable and which were unaffected by the Tribunal's decision.

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<sup>140</sup> Both the Tribunal and the FCC have concluded that there is no evidence that the copyright owners of television programming will receive additional payments from television stations to compensate for the distant viewing of their programming on cable. *See* 47 Fed. Reg. 52146, 52156 (1982) ("[O]ur record provides no basis for any general finding that program suppliers are being compensated for the distant signal audience"); Report and Order in Dockets No. 20988 & 21284, 79 F.C.C.2d 663, 763 (1980) ("[W]e cannot determine . . . whether this is a stable equilibrium [*i.e.*, whether superstations will pay more for programming] because we do not know whether these stations will receive additional revenue for distant cable viewing").

<sup>141</sup> J. NAISBITT, *MEGATRENDS: TEN NEW DIRECTIONS TRANSFORMING OUR LIVES*, ch. 2 (1982).

## 575. THE JOYS OF COPYRIGHT\*

By RALPH S. BROWN\*\*

I'd like to share with you some observations about my favorite subject—loftily but accurately described in my casebook as “Copyright, Unfair Competition, and Other Topics Bearing on the Protection of Literary, Musical, and Artistic Works.”

I've taught all around the curriculum—conflicts, corporations, environmental law, most other aspects of public control of business, torts, a little administrative and constitutional law. Much of this has been self-indulgence, in seeking fresh fields and pastures new; but sometimes I was eased out by aggressive seniors, and later juniors, who captured a particular market. Wesley Sturges, that mysterious and driven man, used to mutter about how the young fellows were pushing the elders over the cliff, but the jostling was really rather general.

It was through Walton Hamilton that I got into my longest love—copyright, unfair competition, et cetera. Hammy, as he neared retirement from Yale in the early postwar years, was moving into practice with Thurman Arnold and Abe Fortas. He got involved in a strange antitrust case. It challenged the minimum basic agreement of the Dramatists Guild. That interest led to a seminar. He christened it “Law and the Arts,” and asked me to be its godfather (meaning that I was responsible for keeping it going, not just for its spiritual health). If I recall correctly, we poked into the antitrust problems of creative people who were not in labor unions, like the Dramatists Guild case, and the chronic difficulties of ASCAP.

I then became aware that something called “copyright” lay behind all these entanglements, and read the shortest book I could find—*The Copyright Law*, by Howell. I still have my notes on it, marking my discovery of such arcane concepts as the divided term, 28 years renewable for another 28. That's been abolished in favor of something even more

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\* EDITORS' NOTE: The editors have determined that you don't have to be a Yale Law School graduate to appreciate these observations on copyright by a distinguished member of the copyright community.

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\*\* Mr. Brown is the Simeon E. Baldwin Professor of Law at Yale Law School. He is retiring from the faculty as of June 1983 and, in recognition of that retirement, was asked to give this talk at the luncheon meeting of Yale Law School Alumni-in-Teaching at the American Law Schools' annual meeting on January 8, 1983 in Cincinnati, Ohio.

arcane called "termination of grants" that I will spare you any elucidation of, largely because I barely understand it myself (in this I am not alone—there is a recent complex case before the Second Circuit about Tarzan of the Apes in which those very able judges Kears and Newman each politely suggest, and at some length, that the other doesn't fully understand it).

So we skip a few years, from 1947 to 1983, and here we are. In the interim I had the invaluable privilege of collaborating with Harvard's Ben Kaplan on the first copyright casebook, published in hardcover in 1960; as I've said, it combined copyright with unfair competition. Now there are four other first-rate casebooks, two that are more purely copyright: Nimmer, and Latman & Gorman; and two that take an overall view of copyright, patents, and trademarks, not confined to intellectual creations: Kitch & Perlman, and Paul Goldstein's.

Most of us then active in the field were enlisted by an outstanding Register of Copyrights, Arthur Fisher, in the scholarly spadework for a new statute, which after twenty years' gestation finally passed through Congress in 1976.

Partly because of the turmoil over the revised statute from the many interest groups that sought to shape it (or deform it), the subject has been continually interesting. Now the new statute faces interpretation, while the old one keeps ruling from its grave, because of the prolonged duration of old copyrights. For example, the recent Tarzan case that I mentioned starts from a book published in 1912—before even I was born.

It's a knotty statute. Its roots, and some of its language, go back to the first English statute of 1710, which either created or confirmed, nobody really knows, a monopoly limited in time and scope. Its purpose, as expressed in our Constitution, is "to promote the progress of science"—"science" meaning, in the 18th century, "knowledge."

You may think that we have drifted a long way from "progress" and "science," if you encounter the welter of cases attacking knockoffs of trivial commercial designs—or perhaps they are not all trivial, it's a matter of taste. How do you stand, to take only recent examples, on Paddington Bear, Pufnstuf, Godzilla, high-style gold belt-buckles? Or E.T.? Here I am inching—no, plunging—into hot water. You may know, it has been seriously suggested that E.T. is a Christ figure. If so, is He then not an ineffable idea that is beyond copyright?

As Jerry Reichman of Ohio State has shown in a mammoth study awaiting publication, commercial design is uneasily at home in copyright everywhere. So also is much of the new technology of communication. The new Act grapples with cable television and computers, but does not master them. Barbara Ringer, the able Register who was the true midwife of the new statute, ruefully describes it as a "good statute for the 1950s."

For one example, consider a problem that our eminent Chicago colleague, now Judge Richard Posner, recently grappled with and *did* master, though not easily. The signal of WGN, the TV superstation in Chicago, is picked up by a satellite common carrier and rebroadcast to many cable TV systems. WGN makes use of the "vertical blanking interval"—an invisible gap that occurs as the TV scanner bounces up to the top of the tube many times per second—to carry "teletext"—print—that the cable companies can display on a different channel from the 9 p.m. news broadcast. The defendant satellite carrier stripped WGN's teletext and substituted its own. Was that an infringement of WGN's copyright in its visible news broadcast? Very cautiously, the Seventh Circuit panel, through Judge Posner, held that it was. Cautiously, because there is not a word in the statute about satellites or vertical blanking interval teletext. The court literally had to read between the lines.

The vaulting technology not only makes the statute inadequate, it makes it unenforceable in important respects. In so many media, it is so easy to copy that flatout criminal infringement is rampant. Piracy of films and records is not new, but piracy by means of audio and videotapes is so easy that it has led to the creation, by the Motion Picture Association of America, of a global security force, staffed by such sleuths as a former Detective Chief Superintendent of Scotland Yard.

"Copyright is in bad trouble" declares an MPAA vice-president. It is in trouble from large-scale crooks here and abroad (one recent conviction was for supplying unlicensed videotapes of movies, out of Houston, to offshore oil rigs in the Gulf; another trouble spot in the Gulf is the Grand Cayman Islands, where the people—I guess because of all those offshore banks—have income, leisure, and no television).

It is also of course in trouble from the likes of you and me.

The statute has a complex and rigid structure of rights and exemptions; its elasticity is in the concept of fair use. But that elasticity has been stretched beyond the breaking-point by the videotape recorder, popularly known as the Betamax, and by educational photocopying.

In the Betamax case, in which the real target is Sony rather than the innumerable users, the District Court held that home copying of movies was fair use. The Court of Appeals reversed; the Supreme Court granted certiorari and the case is about to be argued. In fact, there was an AALS section meeting on it just today.

I do not know why the Supreme Court took the case, when it considers itself so overworked, unless it was to provide an ephemeral topic for an AALS roundtable. I say "ephemeral" because sooner or later there will have to be some legislative solution; and indeed the opposing groups were hard at it before the Congressional committees until, in a display of misplaced deference, a tacit truce descended. Of course, one

solution, if the Court validates home copying, will be to do nothing. But I doubt that the movie people will then go away quietly. If the Court says home copying is infringement, we'll have either legislation or anarchy.

It will be like the photocopying front. You probably all know that the publishers have sued a copy shop and New York University, and horror of horrors, ten faculty members. Dean Norman Redlich assures me that none of them is on the law faculty. I believe the teaching of copyright in this country began at NYU with the late great Walter Derenberg; and I am sure that this tradition engenders the most scrupulous law-abidingness among our colleagues there.

I hold to a decidedly unpopular position: the Act does not in most circumstances authorize the repeated dissemination of anthologies that include complete copyright works—unless the copyright holders authorize it.

I would be happy to step outside after we adjourn, for a peaceable discussion of these and other issues; and I, of course, do not prejudge the NYU case; the complaint is a barebones one, and does not tell us how much was copied how often. To those who think that getting permissions is intolerable, I would only observe that you will have to do it for a printed collection; and that there are specialized publishers who will help you assemble and produce teaching materials in photocopied form.

Much of this seeming disregard of copyright can be alleviated by bringing practice into line with legality. In most disciplines there must be little objection to the use in teaching materials of scholarly work. All that is needed is a modicum of cooperation and a tablespoon of good will. In our little world, I am delighted to discover and report that the AALS has provided the medium for cooperation and about 100 law journals the good will, in proclaiming policies of automatic licenses for teaching use of their contents. All that the *Yale Law Journal*, for example, asks is that "(1) copies are distributed at or below cost, (2) author and journal are identified, (3) proper notice of copyright is affixed to each copy," and that the *Journal* be notified of the use. Those of you who are publishing a lucrative treatise in installments can explicitly reserve your rights. I do wonder whether all of us observe even the simple courtesies that the law reviews expect. The movement is a commendable one.

The perennial tensions between monopoly and competition, between restrictions and openness, also keep this field interesting. Copyright pulls toward a monopoly, albeit a perforated and narrow one. Unfair competition, when a Learned Hand holds the reins, is mindful of the competitive ideal. But other judges, and some legislatures, ride off on what I think to be woolly notions of unfairness, and on property

rights that Congress has not created. They thus override the position that competition is copying—not only making something different, but making it, whatever it is, cheaper or better. The Warren Court in the *Sears and Compco* cases in 1964 asserted the supremacy of the national schemes of limited monopoly that it found legislated in copyright and patent law. The Burger court has quietly gutted those holdings, in the name of deference to state law. All this makes for lively teaching.

The latest protectionist device is, however, a simple federal statute dating from 1946, namely, sec. 43(a) of the Lanham Trademark Act. Intended chiefly, in my opinion, to cure a gap in the common law that failed to recognize a cause of action for a competitor's false assertions or advertising, 43(a) gives to "any person who believes that he is or is likely to be damaged," an action against "any person who uses in connection with any goods or services, any false description or representation." For a long time I thought that 43(a) was underused. Now it is the other way. Two quick recent examples of the new trend: In the *Paddington Bear* case, plaintiff was a nonexclusive licensee. A District court properly held that it lacked statutory standing to sue for copyright infringement. But never mind, said the judge. If the defendant was wrongly putting a copyright notice on his product, *that* was an actionable false representation under 43(a). I suppose that's harmless enough, except to standing sticklers.

The other example, however, encourages a rather dismaying course of business. Plaintiff markets dolls—that's harmless enough. But it says to its customers that they are not buying the doll. They are "adopting" it. With the doll comes a "birth certificate" and "Official Adoption" papers. There's more, but I can't go on. Apparently adults engage in this fantasy, and it was successful enough to be imitated. The Eleventh Circuit held that the whole "adoption technique" is protectable trade dress under 43(a), thus creating a monopoly in a business scheme that I think could not be achieved under copyright, patent, or trademark law.

And so it goes. If some of my examples seem frivolous, they are. At the same time, copyright and its cousins undergird our post-industrial society, for we are told that half of the gross national product now comes from the information industries, or the knowledge industries—not quite the same thing, and from the entertainment industries—surely not the same thing. Moreover the computer is *Time's* Man, or rather Machine, of the Year. Software is the food of that machine: the rules that define property in software are secreting from copyright.

Still, the fun comes not from these portentous claims, but from encounters with the popular idols of our culture. Here's a familiar list that I culled from cases of the last few years that had other substantive

significances. I first tried to impose some order on these as lowbrows, middlebrow, or highbrow artifacts. But that was too dangerous an undertaking, so I simply rattle them off at random, in addition to those you've already met: Pac Man, Superman, the Dallas Cowboy Cheerleaders, Donald Duck, the Lone Ranger, the New York Mets, the Marx Brothers, Rudolph Valentino, Elvis Presley, Hopalong Cassidy, Happy Birthday to You, Trees, Roots, the Dow-Jones Average, the Bobbsey Twins, Monopoly, Scrabble, the I Ching, and, to conclude with some semblance of style: The Encyclopedia Britannica, Sherlock Holmes, Sigmund Freud, Charlie Chaplin, and Martin Luther King.

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As the Dean mentioned in his introduction, this appearance and these remarks are occasioned by my retirement at the end of this academic year. The best may be yet to be, for at Yale, and I hope at all your schools and firms, retirement does not mean extinction. We simply hole up in smaller offices. Our resident emeriti, like Myres McDougal and Tom Emerson, are cosseted and busy. They have no students, to be sure; but no committees either. Is there life after committees? You bet there is.

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Cases referred to (other than catalogs of "characters"):

Dramatists' Guild: *Ring v. Spina*, 148 F.2d 647 (2d Cir. 1945), 186 F.2d 637 (2d Cir. 1951).

Tarzan: *Burroughs v. Metro-Goldwyn-Mayer, Inc.* 685 F.2d 610 (2d Cir. 1982).  
WGN: *WGN Continental B'casting Co. v. United Video, Inc.*, 685 F.2d 218, 693 F.2d 628 (7th Cir. 1982).

Houston movie pirate: *U.S. v. Smith*, 686 F.2d 234 (5th Cir. 1982).

Betamax: *Universal Cities Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981).

N.Y.U.: *N.Y. Times*, Dec. 15, 1982, p. 1.

Sears and Compco: *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225; *Compco Corp. v. Day-Brite Lighting Co.*, 376 U.S. 234 (1964).

§43(a) cases: *Eden Toys v. Floralee Undergarment Co.*, *CCH Copyright Law Reporter* ¶25, 336 (S. D. N.Y. 1981), remanded as to standing, affirmed as to §43(a), ¶25, 476 (2d Cir. 1982).

Original Appalachian Artworks, Inc. v. Toy Loft, 684 F. 2d 821 (11th Cir. 1982).



## PART II

## LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

## 1. United States of America and Territories

## 576. U.S. CONGRESS. HOUSE.

H.R. 175. A bill to amend Title 17 of the United States Code to exempt the private noncommercial recording of copyrighted works on video recorders from copyright infringement. Introduced on January 3, 1983 by Mr. Foley; and referred to the Committee on the Judiciary. (98th Cong., 1st Sess.).

This bill would amend Title 17 U.S. Code by adding "Section 119. Limitation on exclusive rights: Exemption for certain video recordings," making the recording of copyrighted video works not an infringement of the copyright law, provided the recording is made for a private use and the recording is not used in a commercial way.

## 577. U.S. CONGRESS. HOUSE.

H.R. 1027. A bill to amend Title 17 of the United States Code with respect to rental, lease or lending of sound recordings. Introduced by Mr. Edwards on January 27, 1983; and referred to the Committee on the Judiciary. (98th Cong., 1st Sess.).

To be cited as the "Record Rental Amendment of 1983", this bill would provide that "unless authorized by the copyright owner, the owner of a particular phonorecord of a sound recording may not, for purposes of direct or indirect commercial advantage, dispose of the possession of that phonorecord by rental, lease, or lending, or by any other activity or practice in the nature of rental, lease, or lending." Similar to S. 32, *infra*.

## 578. U.S. CONGRESS. HOUSE.

H.R. 1028. A bill to amend Title 17 to protect semiconductor chips and masks against unauthorized duplication, and for other purposes. Introduced by Mr. Edwards on January 27, 1983; and referred to the Committee on the Judiciary. (98th Cong., 1st Sess.).

To be cited as the "Semiconductor Chip Protection Act of 1983" this bill would provide copyright protection for semiconductor chips and masks and establish a compulsory license mechanism to permit otherwise unauthorized use of semiconductor chip products. This bill would also redefine "semiconductor chip products", a "mask work" and a "mask". It would also qualify a semiconductor chip as a "copy" and give copyright owners exclusive rights in mask works. Similar to H.R. 7207 introduced by Mr. Edwards in the 97th Congress.

579. U.S. CONGRESS. HOUSE.

H.R. 1029. A bill to amend Title 17 of the United States Code with respect to rental, lease, or lending of motion pictures and other audiovisual works. Introduced by Mr. Edwards on January 27, 1983; and referred to the Committee on the Judiciary. (98th Cong., 1st Sess.).

To be cited as the "Consumer Video Sales-Rental Amendment of 1983", this bill would provide that "unless authorized by the copyright owner, the owner of a particular copy of a motion picture or other audiovisual work may not, for purposes of direct or indirect commercial advantage, dispose of the possession of that copy by rental, lease, or lending, or by any other activity or practice in the nature of rental, lease, or lending." Similar to S. 33, *infra*.

580. U.S. CONGRESS. HOUSE.

H.R. 1030. A bill to amend Title 17 of the United States Code with respect to home recording and video and audio recording devices and media, and for other purposes. Introduced by Mr. Edwards on January 27, 1983; and referred to the Committee on the Judiciary. (98th Cong., 1st Sess.).

To be cited as the "Home Recording Act of 1983", this bill would grant an exemption from copyright infringement for individuals who tape programs off-the-air for private use. Specifically, the bill encourages a private negotiation between the parties to the home taping controversy. Parties unable to conclude a voluntary agreement would be required to submit to compulsory binding arbitration under the auspices of the Register of Copyrights. Similar to S. 31, *infra*.

## 581. U.S. CONGRESS. HOUSE.

H.R. 1388. A bill to amend the copyright law respecting the limitations on exclusive rights to secondary transmissions; to amend the Communications Act of 1934 respecting retransmission of programs originated by broadcast stations; and for other purposes. Introduced by Mr. Frank on February 10, 1983; and referred to the Committees on the Judiciary and Energy and Commerce. (98th Cong., 1st Sess.).

This bill is designed to resolve the controversy concerning the carriage by cable systems of copyrighted material, by retaining the cable television compulsory license embodied in section 111 and chapter 8 of the Copyright Act of 1976 for a transition period of two years (until January 1, 1985). Effective January 1, 1985, it would eliminate the cable television compulsory license, exempt from all copyright liability the unaltered cable carriage of local signals and certain network programming, as well as eliminate the signals permissible under the FCC, by unaffiliated "stand alone" cable systems serving fewer than 2,500 subscribers. Also on January 1, 1985 it would exclude satellite carriers from the "passive" common carrier exemption in section 111(a), broaden the "master antenna" exemption of section 111(a) to exempt the secondary transmission of all signals received over the air, and repeal the FCC's "must carry" rules and prohibit state and local governments from imposing such rules.

## 582. U.S. CONGRESS. HOUSE.

H.R. 1521. A bill to amend the copyright law to secure the rights of authors of pictorial, graphic, or sculptural works to prevent the distortion, mutilation, or other alteration of such works and for other purposes. Introduced by Mr. Frank on February 17, 1983; and referred to the Committee on the Judiciary. (98th Cong., 1st Sess.).

To be cited as the "Visual Arts Moral Rights Amendment of 1983" this bill would amend Section 2, Section 113 of P.L. 94-553 (90 Stat. 2541) by adding a new subsection: "(d) Independently of the author's copyright in pictorial, graphic, or sculptural work, the author or the author's legal representative shall have the right, during the life of the author and fifty years after the author's death, to claim authorship of such work and to object to any distortion, mutilation, or other alteration thereof, and to enforce

any other limitation recorded in the Copyright Office that would prevent prejudice to the author's honor or reputation."

583. U.S. CONGRESS. SENATE.

S. 31. A bill to amend Title 17 of the United States Code with respect to home recording and video and audio recording devices and media, and for other purposes. Introduced by Mr. Mathias on January 26, 1983; and referred to the Committee on the Judiciary. (98th Cong., 1st Sess.).

To be cited as the "Home Recording Act of 1983", this bill would exempt home viewers and listeners from copyright liability in addition to providing fair compensation for copyright owners who create the programs that people tape. The bill provides for manufacturers and importers of home recording devices and tapes to pay a reasonable royalty fee to be distributed to the copyright owners. In addition, the bill would place a maximum reliance on the free market to establish fair royalty fees, by encouraging private negotiations between the parties to the home taping controversy. If agreement is not reached, the parties would be required to submit to binding arbitration, the results of which would be subject to public comments and review by the Register of Copyrights.

584. U.S. CONGRESS. SENATE.

S. 32. A bill to amend Title 17 of the United States Code with respect to rental, lease, or lending of sound recordings. Introduced by Mr. Mathias on January 26, 1983; and referred to the Committee on the Judiciary. (98th Cong., 1st Sess.).

To be cited as the "Record Rental Amendment of 1983", this bill would prohibit the rental of video cassettes, tapes or phonograph records without authorization of the copyright owner. The copyright owner would retain some control over his or her work through the chain of distribution until it reaches the hands of the final consumer. Free market negotiations between the copyright owner and the retailer would be allowed.

585. U.S. CONGRESS. SENATE.

S. 33. A bill to amend Title 17 of the United States Code with respect to rental, lease, or lending of motion pictures, and other audiovisual works. Introduced by Mr. Mathias on January 26, 1983; and referred to the Committee on the Judiciary. (98th

Cong., 1st Sess.).

To be cited as the "Consumer Video Sales/Rental Amendment of 1983", this bill would provide that, "unless authorized by the copyright owner, the owner of a particular copy of a motion picture or other audiovisual work may not, for purposes of direct or indirect commercial advantage, dispose of the possession of that copy by rental, lease, or lending, or by any other activity or practice in the nature of the rental, lease, or lending." Free market negotiations between the copyright owner and the retailer would be allowed. Similar to S. 32, *supra*.

586. U.S. CONGRESS. SENATE.

S. 175. A bill to amend Title 17 of the United States Code to exempt the private noncommercial recording of copyrighted works on video recorders from copyright infringement. Introduced by Mr. DeConcini on January 26, 1983; and referred to the Committee on the Judiciary. (98th Cong., 1st Sess.).

This bill would amend Title 17 of the United States Code by adding a new section 119, "Limitation on exclusive rights: Exemption for certain video recordings." Providing that recording is made for private use, and not used in a commercial way, such recording would not be an infringement of copyright.

587. U.S. COPYRIGHT OFFICE.

37 CFR 201. Compulsory license for cable systems inquiry. Notice of inquiry. *Federal Register*, vol. 48, no. 30 (Feb. 11, 1983), pp. 6372-6373.

The Copyright Office is conducting an inquiry into certain issues resulting from the Copyright Royalty Tribunal's October 20, 1982 adjustment of the royalty rates for cable systems and the Federal Communications Commission's repeal of the distant signal carriage and syndicated exclusivity restrictions. The issues being addressed concern: (1) specialty stations; (2) expanded geographic coverage of previously carried signals; (3) expanded carriage of previously carried signals; and (4) ungranted waiver requests.

588. U.S. COPYRIGHT ROYALTY TRIBUNAL.

37 CFR 304. 1982 adjustment of royalty schedule for use of certain copyrighted works in connection with noncommercial broadcasting; terms and rates of royalty payments. Final rule.

*Federal Register*, vol. 47, no. 250 (Dec. 29, 1982), pp. 57923-29.

Effective January 1, 1983, the Copyright Royalty Tribunal amended its regulations to establish a new schedule of "terms and rates of royalty payments for the use of published nondramatic musical works and published pictorial, graphic, and sculptural works by public broadcasting entities." The amendment also includes "procedures by which copyright owners may receive reasonable notice of the use of their works, and for the keeping by public broadcasting entities of records of such use."

589. U.S. COPYRIGHT ROYALTY TRIBUNAL.

1980 cable royalty distribution proceeding. Notice. *Federal Register*, vol. 47, no. 249 (Dec. 28, 1982), pp. 57748-49.

In March of 1982, the Copyright Royalty Tribunal declared that a controversy existed with respect to the distribution of the 1980 cable royalty fees. The Tribunal resolved at that time that the distribution proceeding for such fees would be conducted in two phases—Phase I, to determine the allocation of cable royalties to specific groups of claimants, and Phase II, to allocate royalties to individual claimants within each group. Phase I is now completed and the Tribunal made the following determinations: (1) Motion Picture Assn. of America and other program syndicators—70%; (2) Joint Sports Claimants—15%; (3) Public Broadcasting Service—5.25%; (4) U.S. Television Broadcasters—4.25%; (5) Music Performing Rights Societies—4.50%; (6) Canadian Claimants (except radio)—.75%; (7) National Public Radio—.25%; and (8) Devotional Claimants—0. Phase II hearings will commence on January 25, 1983; and in preparation therefor, the Tribunal directs each claimant category to give notice by January 12, 1983 of any voluntary distribution agreements among claimants within the category. Any claimant wishing to present evidence during Phase II is directed to file a notice of intent by January 12. All parties are instructed to submit and exchange with other parties their written cases and evidence not later than January 18, 1983.

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## PAR IV

**JUDICIAL DEVELOPMENTS IN LITERARY AND  
ARTISTIC PROPERTY**

## A. DECISIONS OF U.S. COURTS

## 1. State Court Decisions

590. **ARRINGTON v. THE NEW YORK TIMES CO.**, 55 N.Y.2d 433, 434 N.E.2d 1319, 449 N.Y.S. 2d 941 (N.Y. Ct. App. April 7, 1982) [Fuchsberg, J.].

Herve Gouraige, Donald J. Zoeller, John J. Kirby, Jr. and Douglas M. Parker, New York, N.Y., for plaintiff; Floyd Abrams, Dean Ringel, Howard G. Sloane, Richard Call, Katherine P. Darrow and George Freeman, New York, N.Y., for defendant. The New York Times Co.; Tennyson Schad. New York, N.Y. for other defendants.

Appeal from dismissal of action for invasion of privacy under New York Civil Rights Law sections 50 and 51 brought by a person whose picture was used without his consent to illustrate an article with which he did not agree. *Held*, The use by a publisher of a photograph to illustrate an article about a subject of public interest does not give rise to a cause of action under New York Civil Rights Law sections 50 and 51 if the photograph is related to the article, but a cause of action does lie against the photographer who sold the photograph to the publisher and his photographic agency.

Plaintiff Clarence Arrington is black and works as a financial analyst. A picture of Arrington was used to illustrate an article in the magazine section of a Sunday edition of the New York Times about the black middle class. The central theme of the article was that members of the black middle class had grown apart from less successful black Americans and were more concerned with their own social and economic progress than with that of black Americans in general. Arrington was not mentioned by name or referred to in the article. Arrington was photographed without his knowledge or consent while walking on a New York City street

by Gianfranco Gargoni, a freelance photographer, at the behest of the Times.

Arrington disagreed with the opinions expressed in the article. He claimed in his complaint that others inferred he agreed with the article, was an example of the black middle class as described in the article, or had changed his profession from financial analyst to model. Arrington brought the instant action against the Times, Gargoni, Contact Press, Images, Inc., the photographic agency that represented Gargoni, and Contact's president. Arrington asserted three legal theories in his complaint: violation of his rights under sections 50 and 51 of New York Civil Rights Law, violation of his common law right to privacy and violation of his Constitutional right of privacy.

All defendants moved in New York Supreme Court, the trial court, to dismiss the suit for failure to state a cause of action. The motion was granted on the ground that no cause of action will lie under sections 50 and 51 for the publication of a picture in connection with an article of general interest. However, being of the view that it was the Times which was responsible for publication of the picture, and the law had come to recognize a right to be left alone, the Supreme Court permitted Arrington to serve an amended complaint on the Times. On cross-appeals, the Appellate Division modified the order below by denying Arrington leave to serve an amended complaint. One justice dissented, expressing the opinion that Arrington had pleaded a cause of action for having been placed in a false light in the public eye.

The Court of Appeals reached a conclusion different from the two lower courts, holding that Arrington had stated a cause of action under sections 50 and 51 against all defendants except the Times.

The Court of Appeals first described the history and limited scope of sections 50 and 51. Sections 50 and 51 were enacted in response to a turn-of-the century Court of Appeals decision. In that decision, it had been held that New York's common law did not recognize any cause of action based on a right to privacy in favor of a person whose photograph had been used to advertise flour. *Roberson v. Rochester Folding Box Co.*, 171 N.Y. 538 (1902). Sections 50 and 51, drafted with the facts of *Roberson*, created a cause of action only for the unauthorized use of a person's name or likeness for "advertising purposes or purposes of trade." The scope of protection afforded by sections 50 and 51 were never enlarged despite the Court of Appeals' consistent refusal to recognize a common law right of privacy outside of the scope of



sections 50 and 51. Moreover, the protection afforded by sections 50 and 51 was limited by the courts to allay First Amendment concerns. Thus, a photograph illustrating an article about a matter of public interest does not give rise to a cause of action unless the photograph has no real relationship to the article, or the article itself is an advertisement in disguise.

Applying these principles to the instant case, the Court of Appeals held that Arrington could not assert a cause of action against the Times because the article was about a subject of public interest, and the photograph of Arrington, who appeared to be of a member of the black middle class, was related to the article. The court rejected Arrington's claim that the photograph was not related to the article because he did not maintain the values ascribed by the article to members of the black middle class. The court held that the relationship test should not depend on "value judgments based on the subjective happenstance of whether there is agreement with views expressed on a social issue."

However, the Court of Appeals held that Arrington *had* stated a cause of action against the other defendants because they were alleged to have sold the photograph in furtherance of their trade, without having a role in the publication of the article. The Times' immunity did not shield these defendants.

The Court of Appeals rejected the suggestion in the dissenting opinion to the decision of the Appellate Division that Arrington stated a "false light" cause of action. Even assuming such a cause of action were recognized in New York, an issue the Court of Appeals did not decide, an essential element of such an action (as described by the Second Restatement of Torts) is that defendant's conduct be highly offensive to a person of ordinary sensibilities, a criterion not satisfied in this case.

Finally, Arrington's claim of violation of a Constitutional right to privacy was rejected by the Court of Appeals out of hand because defendants' conduct did not involve any state action.

## B. DECISIONS OF FOREIGN COURTS

### 1. Austria

591. Supreme Court, June 29, 1982 (#4 Ob 413.81) GRUR INT. 1983, 118.

The high court had to decide the question whether Austrian or Italian law is applicable with regard to the term of protection

of Verdi's opera "Otello". The music was first published in 1886 and 1887 in Italy. Giuseppe Verdi died on January 27, 1901, the librettist Arrigo Boito on June 10, 1918; the composer and librettist were both Italian nationals. The fifty-year term of protection after Boito's death having been prolonged by six years under an Italian decree of July 20, 1945, it had expired on December 31, 1974. On the other hand, the seventy-year term of the Austrian Copyright Act as amended in 1972 would not end until December 31, 1988. Both Italy and Austria are Contracting States of the Berne Convention, Brussels revision, and of the Universal Copyright Convention, Geneva version.

*Held:* 1) Works whose country of origin is in a country of the International Union created by the Berne Convention are protected in the countries of the Berne Convention that are also Contracting States of the Universal Copyright Convention exclusively under the Revised Berne Convention (UCC, Appendix Declaration (b) relating to Art. XVII). The principle laid down in Art. II and IV Par. 1 UCC is inapplicable. 2) Under Sec. 96 of the Austrian Copyright Act, Article 7 Par. 2 of the Revised Berne Convention is directly applicable. 3) This provision does not establish a maximum protection and imposes on the Contracting States no obligatory limitation of the copyright protection to the term of the country of origin. But a system exceeding the protection according to Art. 7 Par. 2 of the Revised Berne Convention is alien to Austrian Copyright law. 4) Also no reciprocity (Sec. 96 Copyright Act) existing between Italy and Austria, the libretto of Verdi's opera "Otello" created by Arrigo Boito and first published in Italy is protected in Austria only during the Italian term of 56 years, not the Austrian term of seventy years after the death of the author.

## 2. Belgium

592. S.A. COMPANIE GENERALE POUR LA DIFFUSION DE LA TELEVISION, CODITEL, et al. v. S.A. CINE VOG FILMS, et al., Supreme Court, September 3, 1981. "Le Boucher IV", GRUR INT. 1982, 448.

The retransmission of a motion picture broadcast through a television station via cable television violates the right of the author, guaranteed by Art. 11bis par. 1 (ii) of the Berne Convention as revised at Brussels, even though the cable television station does not exercise any additional activity. The Revised Berne Convention having been ratified by the law of June 26, 1951, the

provision requires the authorization by the author for every communication to the public of a work broadcast with or without cable when the communication is made by some one other than the original broadcasting organization without specifying that the communication has to be "active".

### 3. Netherlands

593. Supreme Court, October 20, 1981 (Rechtspraak van de week 1981, 665) GRUR INT. 1982, 463.

Cable television stations which simultaneously retransmit unchanged motion pictures broadcast by television without authorization by the author violate the copyright in the motion pictures even though they do not reach a new public. Art. 12 Par. 4 of the Copyright Act in the version of the law of October 27, 1972 is to be interpreted in the sense of Art. 11bis Par. 1 of the Berne Convention as revised at Brussels. Commenting on the history of this provision, the court states that the propositions of the Belgian delegation and the Berne Union Bureau to use the phrase "every new communication" which could have meant that a retransmission must have reached "a new circle of auditors" has been rejected. It is thus clear that the adopted version "every public communication" embraces an instantaneous retransmission of copyrighted material.

### 4. New Zealand

594. PHONOGRAPHIC PERFORMANCES (N.Z.) LTD. v. LION BREWERIES LTD., Court of Appeals, November 7, 1979. "Sweet Wine II" (1980) F.S.R. GRUR INT. 1982, 462.

The copyright of the producer of phonograms is not violated if a hotel owner sells drinks and at the same time transmits music from protected phonograms because the price for the drinks represents no compensation for the rendition of the music. It is immaterial that the musical entertainment serves as an attraction. While under the English copyright statute of 1956 it is sufficient for a violation that the work is publicly performed regardless of any compensation, the copyright law of New Zealand (1962) requires in addition that the person responsible for the public rendition of the work receive compensation with regard to the rendition; Sec. 13(5) (c). Here the prices in the bar were equally high on the days without musical entertainment.

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## PART V

## BIBLIOGRAPHY

## A. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

## 1. United States

595. ANTHONY, MICHELE, AND RICHARD FINKELSTEIN. Protection against the unauthorized use of the title of a song as the title of a motion picture: The doctrine of unfair competition in California and under the Lanham Act. *Journal of Copyright, Entertainment and Sports Law*, vol. 1, no. 1 (Summer 1982), pp. 49-65.

This article discusses the availability of protection of titles under the doctrine of unfair competition as it applies in California, and as embodied in federal law in Section 43(a) of the Lanham Act. The authors also focus on the unauthorized use of a title of a musical composition as the title of a motion picture. The authors conclude that under California law a title of a musical composition may be used as the title of a motion picture if the title has not acquired secondary meaning. Courts have not developed a uniform policy in terms of protection of titles under Section 43(a) of the Lanham Act.

596. BATES, AMY PIERSON. Copyright protection for firmware: an international view. *Hastings International and Comparative Law Review*, vol. 4, no. 3 (Spring 1981), pp. 473-509.

A look at copyright, patent and trade secret rights in Japan, West Germany and the U.S. Ms. Bates discusses methods of protecting computer firmware from competitors and also the terms of existing and proposed international agreements to provide protection for computer firmware.

597. COHEN, JERRY. Xerography suits: the long shadow of Gnomon. *Copyright Management*, vol. V, no. 12 (Dec. 1982), pp. 1-2.

In reviewing the American Association of Publishers' (AAP) efforts against the unauthorized "xerographic copying of scien-

tific journal materials," Mr. Cohen briefly focuses on the *Gnomon*, the *American Cyanamid* and the *Squibb* cases. He gives special attention to the AAP's suit against New York University because the school's fair use defense presents the argument being put forth by educators in their bid for congressional expansion of the fair use provisions of the Copyright Act.

598. Derivative work enforcement. *Copyright Management*, vol. V, no. 12 (Dec. 1982), p. 3.

In *Eden v. Floralee*, the Second Circuit held that a belated written confirmation of a license was sufficient to give plaintiff standing to sue for copyright infringement. The case involved the rights in a bear character featured in books published by the Paddington publishers and on gift wraps embodying derivative sketches of the bear.

599. Folklore. *Copyright Management*, vol. V, no. 12 (Dec. 1982), pp. 4-5.

The Berne Union is drafting a model law for the protection of folklore. The categories of folklore to be protected under the proposed law are verbal, musical and tangible expressions and expressions by action. The draft provides for government and/or community authorization "of commercial publication or performance of folklore outside its traditional context, as well as acknowledgment of the source of the folklore used." Fair use and enforcement provisions are also included in the measure.

600. GRECO, LISA. The performance pirate and the diva: Can federal law come to the rescue. *Art & the Law*, vol. 7, no. 2 (1982), pp. 177-192.

A discussion of performance piracy, particularly in relation to works of the opera. Two names associated with performance piracy, Eli Oberstein (The Ring Cycle) and opera singer Maria Callas, are discussed. Ms. Greco analyzes the Copyright Act of 1976 and the relationship it has to the protection of copyright owners in opera recordings and in particular to the case of *Metropolitan Opera Assn. v. Wagner-Nichols Recorder Corp.*

601. HAFT, JONATHAN D. Universal City Studios v. Sony Corporation of America. *Art & the Law*, vol. 7, no. 2 (1982), pp. 85-125.

A look at the *Sony* case including the setting of the litigation

and the nature of Disney's and Universal's products. Also discussed is infringement by off-the-air taping under the 1976 Act and the application of the fair use doctrine.

602. JONES, HENRY W., III. Video game litigation and the 1976 Copyright Act: The ideas of games, the expression of aliens and the underlying computer software. *Journal of Copyright, Entertainment and Sports Law*, vol. 1, no. 1 (Summer 1982), pp. 17-48.

Since the enactment of the new copyright law in 1976, which was designed to be adaptable to unforeseen and unforeseeable applications, many video games have been developed and litigations contesting alleged infringement of property rights in these video games have flooded the courts. The author discusses some of these video game cases and concludes that courts have indicated by their decisions that the constitutional policy that provides incentives to authors by rewarding them with a limited monopoly in their creations will not be frustrated by the new technological writings in the new media of ROMS, circuit boards and video games. However, "the video game owners must seek the ambit of federal and state law protection to bolster their defense against alleged infringers because the creator of an original work deserves to reap the benefits of his creation."

603. KALER, JAMES L. Software v. hardware: The battle for cable television copyright liability. *Journal of Copyright, Entertainment and Sports Law*, vol. 1, no. 1 (Summer 1982), pp. 1-15.

This article addresses the question of how much copyright liability should be imposed on the cable television industry. The author concludes that if Congress eliminates the compulsory licensing system for cable systems the creation of private licensing organizations such as ASCAP, BMI, and SESAC will probably emerge as the negotiators of fees for television producers on an industry-wide basis. The outcome of this would affect American television viewers in terms of how much they would see and at what cost.

604. LAVEY, WARREN G. Patents, copyrights and trademarks as source of market power in antitrust cases. *The Antitrust Bulletin*, vol. XXVII, no. 2 (Summer 1982), pp. 433-456.

A look at tying arrangements (when a seller sells one product only if the buyer also buys a second product) involving patents

and copyrights. The case of *United State v. Loew's Inc.* is analyzed. The author also discusses trademarks as a source of market power.

605. MACHLACHLAN, JANET L. Betamax battle: round three. *Federal Communications Law Journal*, vol. 34, no. 2 (Spring 1982), p. 291.

The author discusses the history and purpose of copyright, the works protected by copyright and the rights given to copyright owners. In Section II, Ms. Machlachan discusses the district court's position on Betamax and the Court of Appeals' position. Section III is devoted to the question of fair use.

606. MARKS, KEVIN S. An assessment of the copyright model in right of publicity cases. *California Law Review*, vol. 70, no. 3 (May 1972), pp. 786-816.

A discussion of the case of *Lugosi v. Universal Pictures* which brought about four opinions as to the ownership of the commercial right to the image of Bela Lugosi's portrayal of Count Dracula. The author investigates the treatment of the *Lugosi* case and states that he believes the right of publicity to be descendible.

607. MOLIERE, DONNA R. The common law right of public access when audio and videotape evidence in a court record is sought for purposes of copying and dissemination to the public. *Loyola Law Review*, vol. 28, no. 1 (Winter 1982), pp. 163-213.

The author reviews contemporary tape-access cases, including the Watergate tape suit. She gives the history and development of the common-law right of public access and policy considerations when the common-law right of access is applied in tape-access cases. The author also analyzes the "free press"- "fair trial" controversy.

608. Newsletter appeal against copying. *Copyright Management*, vol. V, no. 12 (Dec. 1982), pp. 3-4.

In an open letter to readers, the publisher/editor of "Inside R&D" asked that all photocopying of his newsletter cease. The letter appeared in a recent issue of the publication and was in response to remarks made by readers concerning the number of copies of the newsletter that were being reproduced. It informed the readers that such copying was in violation of the copyright law.

609. O'MALLEY, BRIAN S. Fair use and audiovisual criticism. *Comm/Ent. L.J.*, vol. 4, no. 3 (Spring 1982), pp. 419-443.

This article examines the holdings in *Iowa State University v. ABC* and *Roy Export v. CBS* and traces the history of the fair use doctrine as it pertains to criticism and as it has been applied to cases involving visual and audio visual materials. The author concludes that films and video works should be treated the same as books in terms of fair use, thereby allowing for criticism and comment.

610. RAPSON, DAVID J. Legislative relief and the Betamax problem. *Art & the Law*, vol. 7, no. 2 (1982), pp. 125-141.

The author addresses the need for legislative relief in the home video recording situation. He discusses the Mathias amendment and provides a critique of the bill.

611. ZECHOWY, JODI. Cheaper by the dozen: unauthorized rental of motion picture, video cassettes and videodiscs. *Federal Communications Law Journal*, vol. 34, no. 2 (Spring 1982), pp. 259-291.

The author discusses the history and the development of unauthorized rental of video cassettes and the current remedies that are available for copyright owners. In section III of this article the author reviews the concept of the "exclusive right of public performance," performance rights under the 1909 Act and an expanded view of public performance under the 1976 Act.

## B. ARTICLES PERTAINING TO COPYRIGHT FROM MAGAZINES

### 1. United States

612. Aerial pirates get shot down for lift of satellite signal. *Variety*, vol. 309, no. 7 (Dec. 15, 1982), pp. 1, 83.

The defendant in a suit involving the pirating of MDS pay-TV signals was enjoined from selling microwave antennas and down link converters and ordered to pay \$476,415.44 in damages. The action was brought by Movie Systems Inc., the owner of a Milwaukee MDS system. The court found that MWH Enterprises, the defendant in the action, sold the antennas and converters with the knowledge that they would be used to pirate MDS pay-TV signals.



613. Alleged lp pirate first in N.Y. to be accused of grand larceny. *Variety*, vol. 310, no. 2 (Feb. 9, 1983), p. 75.

A New York District Attorney is using a new interpretation of the grand larceny statute to prosecute a purported record counterfeiter. William Kamarra, the alleged offender, was indicted on six counts of "grand larceny . . . for stealing the royalties of artists whose recordings he . . . included on an unauthorized compilation album." The strategy of the prosecution is to "raise the weight of the crime to the status of a felony."

614. BAKER, GLENN A. New confederation formed: Aussie copyright owners unite. *Billboard*, vol. 95, no. 2 (Jan. 15, 1983), p. 39.

The Confederation of Music Copyright Owners Ltd. (COMCOL) recently was formed in Australia. COMCOL is comprised of various music writers' and publishers' organizations. Its main purpose will be to "project a single voice on matters broadly affecting the interests of music copyright owners." Such matters include copyright law reform, cable and subscription television and "audio/visual copying."

615. BARBER, ROBERT J. Writer-actor files \$300 mil lawsuit re 'Chorus Line'. *The Hollywood Reporter*, vol. CCLXXV, no. 13 (Jan. 18, 1983), p. 6.

Justin Thomas filed a plagiarism suit against Joseph Papp, the producer of "A Chorus Line". Plaintiff claims that the musical was taken from his autobiographical play, a copy of which was allegedly shown to defendant in 1972. The suit also alleges copyright infringement and breach of contract.

616. BESSMAN, JIM. Performance rights: life after Buffalo. *Cash Box*, vol. XLIV, no. 35 (Jan. 29, 1983), pp. MP5, MP10.

1982 was ASCAP's most profitable year. ASCAP president Hal David attributes the increase to the organization's efforts for more equitable reciprocal agreements with performing rights societies in other countries. Other factors that he points to as contributing to the rise in income include a growth in membership, new and renegotiated license agreements and the increase in the jukebox compulsory license fee.

617. Blank tape fees assessed: new rights rules in Hungary. *Billboard*, vol. 95, no. 4 (Jan. 29, 1983), p. 71.

Under new (blank tape) rules adopted by the Hungarian government, local audio and video software manufacturers must pay 8% of the producer's price to the country's authors' rights protection agency. Foreign manufacturers must pay 8% of the wholesale price of such product. The proceeds of the fees will be distributed to authors, performers and record producers.

618. BRESSLER, MARTIN. Counsel on the arts. *American Artist*, vol. 46, no. 485 (December 1982), p. 32.

An article on the plight of Florida artist Lea Goodaur who had a retrospective of twenty of her major pieces at a Palm Beach gallery. The gallery went bankrupt and the trustees in bankruptcy stated that Ms. Goodaur's work should be considered as belonging to the bankrupt gallery and her work sold to pay for the gallery's utility and telephone bills. The author discusses "art law" in Florida as it pertains to this case.

619. CARR, JOHN. Association formed: Greek publishers seeking new role. *Billboard*, vol. 95, no. 2 (Jan. 15, 1983), p. 45.

Major publishing concerns in Greece recently formed the Association of Greek Music Publishers. The Association's main objective will be to promote the copyright interests of the country's music publishers, composers and lyricists. Its initial efforts will focus on revision of the copyright law and payment of performance and publishing royalties by Greece's state-run radio and TV networks.

620. CARR, JOHN. Greek antipiracy chief named: IFPI's Apostolidis maps public education campaign. *Billboard*, vol. 95, no. 4 (Jan. 29, 1983), p. 72.

The IFPI office in Greece is taking a public relations approach to the country's piracy problem. The plan will focus on "public education as a means for reducing the number of potential pirate cassette buyers."

621. Court stays royalties for 'Robt & Liz' musical. *Variety*, vol. 309, no. 9 (Dec. 29, 1982), p. 49.

In a suit against L. Slade Brown and the Paper Mill Playhouse, Fred Moritt was granted a temporary restraining order prohibiting the payment of royalties to the co-authors of a musical titled "Robert and Elizabeth." The complaint claims that Moritt, who

wrote a score for the production, is entitled to "billing in programs and advertising plus royalties." The order is effective pending a court hearing.

622. DANIELL, TINA. ASCAP, BMI dealt 'serious setback'; local licensing banned. *The Hollywood Reporter*, vol. CCLXXV, no. 6 (Jan. 7, 1983), pp. 1, 4.

Effective February 1, 1984, ASCAP and BMI are permanently enjoined from licensing music to local TV stations. This prohibition was part of the district court's final judgment in the Buffalo Broadcasting suit against the societies. The judgment also enjoins ASCAP/BMI members from "authorizing any performing rights society to license music to local broadcasters" and orders local television stations to continue paying interim blanket license fees pending defendants' appeal.

623. DANIELL, TINA. Cable copyright hot issue at INTV. *The Hollywood Reporter*, Vol. CCLXXV, no. 14 (Jan. 19, 1983), p. 4.

During a panel debate on the "Cable Copyright Crisis," accusations were exchanged between broadcast and cable representatives over the financial interest and syndication rules. The broadcasters charged that cable interests . . . had waged a "hysterical" and "inconsistent" campaign concerning the complex cable copyright issue. The "cable representative . . . countered that program suppliers had sold out independent station owners' concern over syndicated exclusivity and must-carry rules in order to obtain an increase in copyright fees. . . ."

624. D.C. battle plans for home taping laws. *Variety*, vol. 310, no. 2 (Feb. 9, 1983), pp. 2, 82.

A look at the legislative battles that are gearing up in Congress concerning home taping. The subject of these contests includes three House bills which propose a royalty on audio recording, a royalty on videotaping and the modification of the first sale doctrine, respectively. Three similar proposals are pending in the Senate plus an additional measure which calls for the exemption of all forms of home taping from copyright liability.

625. EBERT, HANS. China cracks down on imports: foreign records, tapes, video-cassettes are banned. *Billboard*, vol. 95, no. 4 (Jan. 29, 1983), p. 71.

China has halted the import and sale of records and pre-recorded cassettes and videocassettes for commercial purposes. The action is part of a governmental action against the proliferation on the market of "any products judged to be anti-China, anti-Communist, religious or pornographic in nature."

626. FARRELL, DAVID. Federal study urges levy on blank tape, hardware. *Billboard*, vol. 95, no. 4 (Jan. 29, 1983), p. 74.

A Canadian government study entitled "Exemptions Under the Copyright Act" argues for a blank tape and/or hardware levy. The paper also proposes the compulsory licensing of audio and video recording for private use and recommends that a government tribunal be authorized to establish rates.

627. FBI raids New Haven home of convicted record bootlegger. *Cash Box*, vol. XLIV, no. 33 (Jan. 15, 1983), p. 18.

FBI agents in Connecticut raided the home of Keith Taruski and seized more than a thousand master tapes and bootleg albums. Recording equipment allegedly used to record live performances was also seized. This was the second raid on the Taruski home in two years.

628. Ford memoirs used illegally by magazine, judge rules. *The Washington Post* (Feb. 18, 1983), p. C6.

In a damage suit involving the memoirs of former president Gerald Ford, a district court ruled that the owner of *The Nation* magazine was guilty of copyright infringement. The complaint alleged that the defendants' publication of an article based on a draft of Mr. Ford's "A Time To Heal" violated plaintiff's publication rights in the work and resulted in the loss of a pre-publication rights deal. The defendants maintained that "the memoir material was 'news' and that aspects of Ford's pardon of former president Richard M. Nixon was 'hot news'."

629. FOTI, LAURA. Experts mull the menace of piracy and counterfeiting. *Billboard*, vol. 94, no. 50 (Dec. 18, 1982), p. 47.

Piracy and counterfeiting were among the topics discussed at Billboard's fourth International Video Entertainment/Music Conference. The panel discussing these problems was told that though numerous antipiracy efforts have been undertaken, areas where additional efforts are needed include educating the public

and lobbying activity.

630. FUJITA, SHIG. Court says c'right law covers Japan vid games. *Billboard*, vol. 94, no. 51 (Dec. 25, 1982), p. 77.

The plaintiff in a copyright infringement suit (Japan) involving a computer program was awarded \$2,200 in damages. Tiato Corp. claimed that competitor I.N.G. Enterprises illegally copied the computer program to the Space Invaders Part II video game. Defendant argued that the programs do not objectively express ideas and, therefore, are not "original works by authors." The Tokyo District Court rejected the defense and held that "the assembly words used to write computer programs . . . are means of communicating 'thoughts' to other people" and are protectable under the Japanese copyright law.

631. FUJITA, SHIG and WILLEM HOOS. Rental caveat issued in Japan; Dutch test case targets renters. *Billboard*, vol. 95, no. 2 (Jan. 15, 1983), pp. 7, 46.

Several record producers in Japan filed a copyright suit in the Tokyo District Court to seek a ban on record rental shops. The legality of such shops also is being challenged in Holland where the Dutch copyright society initiated a test case to stop the commercial rental of records and prerecorded cassettes. In both countries, the basic argument is that rentals stimulate home taping, which results in decreased sales.

632. GANSBERG, ALAN L. Network push for deregulation aimed at indie stations: Gardner. *The Hollywood Reporter*, vol. CCLXXV, no. 11 (Jan. 14, 1983), pp. 1, 52.

Members of the Committee for Prudent Deregulation reject the networks' arguments for repealing the financial interest and syndication rules. They claim that the real reason the networks want the rules abolished is that they want to block the growing market share of the independent stations. Since dropping the rules would mean that the networks "would eventually take control or at least have the largest say in the syndication of . . . off-network product," the webs could warehouse shows instead of selling them to independents.

633. GELLER, HENRY. Exploding deregulation myths. *Variety*, Seventy-Seventh Anniversary Issue (Jan. 12, 1983), pp. 109-126.

Mr. Geller discusses issues relating to the deregulation of broadcasting. Issues addressed include whether the marketplace will meet the public interest, whether the scarcity basis for licensing is gone and whether the public trustee scheme works. Geller also gives attention to the question of multiple ownership.

634. GOLD, RICHARD. Television stations told to pay interim music fees. *Daily Variety*, vol. 198, no. 10 (Dec. 17, 1982), pp. 1, 50.

In the Buffalo Broadcasting Corp.'s suit against ASCAP and BMI, the court issued an order instructing local television stations to pay ASCAP and BMI interim music-use fees equal to those paid in 1980. The order prohibits the societies from offering the broadcasters per program licenses or "any form of license which includes within its coverage performing rights to music contained in syndicated commercial advertisement."

635. HARRIS, PAUL. Solar plexus blow for H'wood: Senate committee votes stay of cable-TV royalty hike until court rules. *Daily Variety*, vol. 198, no. 10 (Dec. 17, 1982), pp. 1, 52.

The Senate Appropriations Committee approved an amendment to a continuing resolution bill that would stay the Copyright Royalty Tribunal's (CRT) cable royalty increase. The amendment prohibits the CRT "from spending money to collect the additional fees."

636. Health web gets c'right break. *Variety*, Seventy-Seventh Anniversary Issue (Jan. 12, 1983), p. 115.

The Cable Health Network attributes its increase in subscribers to the Copyright Royalty Tribunal's rate adjustment. The Network estimates that more than two-thirds of the households that it picked up in December were the result of cable systems replacing distant signals that are subject to copyright payments by systems with programming originated by cable.

637. HOLLAND, BILL. Rental bill ploy might speed okay. *Billboard*, vol. 95, no. 2 (Jan. 15, 1983), pp. 1, 58.

Congress is expected to act on the audio and video rental sections of the Betamax bills in the near future, but indications are that it will be several months before work on the issue of a compensatory royalty will begin. Reportedly, at least three bills will be introduced this year that propose separating the rental and

royalty provisions. One measure addresses audio rental, the second, video rental and the third, home taping as well as compensation to copyright owners.

638. HOROWITZ, IS. Classical stations push for new ASCAP license. *Billboard*, vol. 94, no. 41 (Dec. 25, 1982), pp. 5, 72.

The Concert Music Broadcasters Association (CMBA) is urging its members to support the All Industry Radio Music Licensing Committee in its negotiations with ASCAP for a per program license. The CMBA recommendation for statistical and financial support was prompted by the lack of success of its own previous efforts to improve its licensing stance with ASCAP.

639. Hotel pact may signal break in Manila piracy war. *Daily Variety*, vol. 198, no. 39 (Jan. 31, 1983), p. 12.

A few months ago the Philippine government stopped local hotels from exhibiting pirated films via closed-circuit television. Now it has entered into a contract with a U.S.-based company that will allow the country's better hotels to show legal prints. This action by the Philippine government is seen as a good antipiracy move.

640. JONES, PETER. BPI acts on tape-to-tape. *Billboard*, vol. 95, no. 2 (Jan. 15, 1983), pp. 7, 44.

In conjunction with its efforts to have the government impose a tax on blank audio and video tape, the British Phonographic Industry is lobbying to ban the sale of tape-to-tape audio hardware. The organization contends that the machines, which are equipped with twin cassette decks, are "purely and simply counterfeiting devices."

641. JONES, PETER. U.K. man fined in tape case. *Billboard*, vol. 95, no. 1 (Jan. 8, 1983), p. 71.

The High Court in London ordered Roy Matthews to pay approximately \$40,000 in damages and costs for dealing in pirated cassettes. Matthews, who admitted selling some 3,000 illegal tapes, was found guilty of "a systematic infringement of copyrights and trademarks." He now faces a court inquiry into his liability for "aggravated damages."

642. KAWASHIMA, DALE. Publishers are optimistic about '83 in spite of

problems. *Cash Box*, vol. XLIV, no. 35 (Jan. 29, 1983), pp. MP1, MP3, MP10.

The antitrust suit brought by independent television stations against ASCAP and BMI is causing concern among music publishers. This article focuses on this and other industry problems, including home taping, mechanical royalties and record rentals.

643. KIRK, CYNTHIA. Radio-fed home taping service tests concept in S.F. *Daily Variety*, vol. 198, no. 10 (Dec. 17, 1982), p. 8.

National Public Radio is testing its new radio-fed home taping service. The service is called the Codart Sound Line and offers up to thirty-five hours of music and informational programming a week over station KQED-FM in San Francisco. Copyright holders are paid a percentage of the aggregate sales on each selection taped by Codart subscribers.

644. KLEIMAN, RENA. Janus Films names four in \$3 million copyright lawsuit. *The Hollywood Reporter*, vol. CCLXXV, no. 17 (Jan. 24, 1983), p. 22.

Janus Films filed a copyright infringement suit against the Public Broadcasting System and others. The suit alleges that defendants broadcast pirated copies of films for which plaintiff has the exclusive distribution rights. The films at issue include such classics as "Oliver Twist" and "The Lady Vanishes".

645. LAPOINTE, KIRK. Canadian study supports levy on blank tapes. *Cash Box*, vol. XLIV, no. 35 (Jan. 29, 1983), pp. 8, 27.

A study prepared for Canada's Consumer and Corporate Affairs Department recommends that manufacturers and importers be required to pay a levy on blank audio and video tape. The report, which addresses the issues concerning exemptions under the Copyright Act, proposes that the levy "be set by the Copyright Tribunal and administered by performing rights organizations."

646. LETELLIER, LAUREN T. Copying software: crime in the classroom? *Electronic Learning*, vol. 1 (Jan./Feb. 1983).

This article takes an in-depth look at the issue of multiple copying of copyrighted educational programs for classroom use. It examines the arguments presented by teachers and program



producers concerning such points as public interest, cost and the scarcity of quality programming. It then gives attention to the law and certain legal questions arising from this controversy.

647. LOYND, RAY. Fox sez ABC pirated 'Verdict.' *Variety*, Seventy-Seventh Anniversary Issue (Jan. 12, 1983), pp. 97, 100.

The broadcast of the film "The Verdict" by ABC's Home View Network (HVN) brought strong protests from 20th Century-Fox. HVN transmitted the movie to the homes of fifty ABC executives during the testing of the service's video-recorders and decoder systems. Fox, which had loaned a print to ABC executives for private screening, maintains that it did not authorize use of the film for broadcast test purposes.

648. N.Y. man indicted in bootleg scheme. *Variety*; vol. 310, no. 2 (Feb. 9, 1983), p. 77.

John Gallant of Gallant International in New York was indicted on twenty-two counts of criminal copyright infringement and 27 related charges. He allegedly distributed illicit recordings of radio and television broadcasts and live performances. If convicted of all counts, Gallant faces up to 157 years in prison and a maximum fine of \$658,000.

649. PRS chief sounds warning on exploitation of copyright. *Billboard*, vol. 95, no. 5 (Feb. 5, 1983), pp. 7, 56.

During the MIDEM meetings, Michael Freegard of the Performing Rights Society (U.K.) said that he wanted to see "a higher level of education in the realm of copyright protection among . . . government circles." In this vein, he indicated that the Society has begun to seek parliamentary representation to defend its members' interests. On an international level, Freegard talked about copyright protection, infringement, blanket licensing and authors' societies.

650. Rental ruling in U.K. seen as precedential. *Billboard*, vol. 94, no. 51 (Dec. 25, 1982), pp. 3, 89.

The High Court (U.K.) granted EMI Records an injunction in its breach of contract suit against a record rental operation. The order prohibits the further rental of EMI product pending an inquiry on the extent of the damage suffered by plaintiff.

Reportedly, EMI chose the breach of contract route because of the failure of a similar action brought on copyright grounds.

651. RITZER, TERI. Marcos promises Philippine Islands film piracy crackdown. *The Hollywood Reporter*, vol. CCLXXV, no. 23 (Feb. 1, 1983), p. 5.

Ferdinand E. Marcos, the President of the Philippines, told American distributors that he expects a recently introduced film piracy bill to be passed by Philippine lawmakers. Marcos promised that, in the event that the measure is not passed, he will "exercise his power to issue a presidential decree declaring the changes in law before the Easter holiday period." The legislation would "make piracy punishable by stiffer fines and longer" sentences and would provide for the confiscation of all equipment.

652. RODRIGUEZ, CES. Philippine bills target pirates: proposed legislation would impose tougher penalties. *Billboard*, vol. 95, no. 5 (Feb. 5, 1983), p. 57.

Two copyright amendments were proposed in the Philippine national assembly. One measure calls for stronger penalties for audio piracy—fines of \$5,500 to \$11,000 and jail terms of five to ten years. The second bill, which also proposes increased penalties for piracy, "recommends a maximum prison term of more than ten years" and covers audio as well as audiovisual works. Additionally, it provides for "an extension of the period within which sound recordings may be copyrighted with the National Library from 2 months to 6 months."

653. Ron Howard named in copyright suit. *Daily Variety*, vol. 198, no. 12 (Dec. 21, 1982), p. 13.

Ron Howard was named by Dana Rowe in a copyright infringement suit involving a television show entitled "The Magic Pyramid." Rowe claims that the program infringed her copyrighted work "Waiting For You." The suit alleges that a manuscript of plaintiff's work was submitted to Howard in 1978 but, at that time, defendant indicated that he had no interest in using it.

654. Sandy Howard files suit versus Universal Studios. *The Hollywood Reporter*, vol. CCLXXIV, no. 40 (Dec. 14, 1982), p. 4.

Ernest Hemingway's "For Whom The Bell Tolls" is the subject

of a suit filed by the Sandy Howard Prods. Corp. against Universal City Studios Inc. Plaintiff claims to own the exclusive worldwide film rights to the novel and contends that all rights previously held by and presently claimed by defendant to make a new film based on the book "were disposed of in an agreement between the Hemingways and Universal."

655. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXIV, no. 43 (Dec. 17, 1982), p. 14.

In this discussion of the Copyright Act and the new technologies, an examination of the decisions in *Doubleday Sports Inc. v. Eastern Microwave Inc.* and *WGN v. United Video Inc.* is provided. Both suits involve the pickup of television broadcast signals by satellite retransmission companies. Since they "do not control or select the broadcasts they retransmit or the recipients of their retransmissions," these firms claim that they are passive common carriers and, thus, exempt from copyright liability.

656. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXV, no. 6 (Jan. 7, 1983), p. 16.

A discussion of the cable-copyright issue. Attention is first focused on the Copyright Royalty Tribunal's cable royalty increase and the events leading to the Congressional resolution postponing the increase. Then, as a prelude to an upcoming article on the legal problems and the law relevant to this issue, a brief history of cable is provided.

657. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXV, no. 17 (Jan. 24, 1983), p. 12.

A review of the cable copyright issue from the Supreme Court's 1968 decision in *United Artists v. Fortnightly* to the cable royalty compromise reached in 1976. Special attention is focused on Congress' and the Federal Communications Commission's approach to the distant signal importation and program exclusivity issues.

658. SOBEL, LIONEL. Legal briefs. *The Hollywood Reporter*, vol. CCLXXV, no. 26 (Feb. 4, 1983), p. 14.

This article focuses on the cable copyright issue and the Copyright Royalty Tribunal's 1980 cable royalty adjustment. It also talks about elimination of the Federal Communications Commis-

sion's distant signal and syndicated exclusivity rules and the Tribunal's subsequent increase of the cable rate.

659. Spanish police confiscate 1200 pirated videotapes in Madrid. *Daily Variety*, vol. 198, no. 53 (Feb. 18, 1983), p. 18.

Madrid, Spain, was the cite of multi-store piracy raids. The seizures were conducted on six department stores and two video clubs. A total of 1200 allegedly pirated videocassettes were confiscated in the raids.

660. Steps taken to halt pirating by Jamaica. *Daily Variety*, vol. 198, no. 29 (Jan. 17, 1983), p. 47.

Congressman Marty Russo recently announced his introduction of "an amendment into the Caribbean Basin Initiative that would withhold U.S. trade benefits from any country" that pirates satellite TV signals. The measure is directed at such countries as Jamaica whose government-run television service has "been re-broadcasting satellite TV signals as well as buying prerecorded videocassettes and airing them without authorization."

661. Stray Cats, EMI sued over 'Jeanie'. *Billboard*, vol. 95, no. 8 (Feb. 26, 1983), p. 43.

A copyright infringement suit was filed against the Stray Cats singing group. George Motola, the plaintiff in the action, charges that one of his copyrighted songs, "Jeanie, Jeanie, Jeanie", was used without permission in a Stray Cats recording. Plaintiff also claims that "obscene, indecent and offensive language was substituted in the lyric."

662. Studios sue retailer over 'in-store rental.' *Billboard*, vol. 95, no. 7 (Feb. 19, 1983), p. 47.

Columbia and several other motion picture studios filed a copyright infringement suit against Maxwell's Video Showcase. Defendant offers a showcasing program which includes the rental of videotapes for \$2 and the use of in-store screening facilities for an additional \$3. Plaintiff contends that the practice is the same as giving an unauthorized public performance and seeks to have defendant end its showcase program.

663. SUTHERLAND, SAM. Copyright body debates mtv: California conference tackles issue of fee-waivers. *Billboard*, vol. 95, no. 4 (Jan.

29, 1983), p. 43.

Publishers and record company executives debated the promotional video rights issue, especially as it relates to music television. The exchange took place during a panel discussion at the first 1983 meeting of the California Copyright Conference. Prior to the panel, copyright specialist Melville Nimmer delivered a talk on the "compilation copyright strategy," a defense he helped to develop for use against the broadcast of entire albums.

664. T-shirt test case in Britain: firm awarded damages for copyright infringement. *Billboard*, vol. 95, no. 7 (Feb. 19, 1983), p. 9.

A London court awarded a t-shirt manufacturer \$30,000 in interim damages against a novelty company that allegedly copied its copyrighted artistic designs. The manufacturer, Mobile Merchandising, also was granted an order for interim damages against one of its competitors.

665. TURNER, TED. Cable suffering as deregulation moves forward. *Variety*, Seventy-Seventh Anniversary Issue (Jan. 12, 1983), pp. 105-130.

In arguing against the restriction of the cable industry, the author maintains that if the Federal Communications Commission eliminates its syndication and financial interest rules, "the only viable alternative outlet for syndicated programming on a national basis is found in the cable industry." He indicates that this is especially true since such alternative network systems as DBS and low power probably will be either unavailable or incapable of reaching enough people to be considered a viable alternative by Hollywood.

666. Turner wins bid to delay CRT hike. *Broadcasting*, vol. 104, no. 1 (Jan. 3, 1983), pp. 31, 32.

Congress has passed H.J. Res. 631 which contains a provision delaying the effective date of the CRT's increase in cable operators' royalty payments for distant signals from January 1 to March 15. The stay has no effect on the CRT's new rates for cable systems carrying signals previously covered by the repealed FCC syndicated exclusivity rules.

667. U.K. homevideo market 'matured' as problems were met head-on. *Variety*, vol. 310, no. 5 (Mar. 2, 1983), p. 272.

In 1982, the British video software industry made noteworthy gains in the areas of piracy, retail pricing and home recording. With respect to piracy, the Federation Against Copyright Theft was formed to lead the attack on the problem and legislation was introduced to increase the penalties for the offense.

668. U.K. warning on taping of weddings. *Billboard*, vol. 95, no. 9 (Mar. 5, 1983), p. 31.

Because music played during weddings is often under copyright, "couples getting married in the U.K. are being advised . . . that they must conform to copyright law if they want to have a video recording of their marriage ceremony." The advice is being given as a result of a warning issued by the Mechanical Copyright Protection Society that such videotapes may require a fee.

669. UNDERWOOD, NICK. PRS bows film to bolster its copyright fight. *Cash Box*, vol. XLIV, no. 43 (Mar. 26, 1983), p. 30.

Britain's Performing Rights Society (PRS) has commissioned a film entitled "What Price Music?" The movie is intended to "increase the public's awareness of the long-term danger of home taping, the value of music to the community and the role" that the PRS plays in protecting music.

670. W. German court nixes pub royalty in porno film case. *Variety*, vol. 310, no. 9 (Mar. 30, 1983), p. 2.

A West German court issued a landmark decision in a suit involving music royalties. The court ruled that GEMA, the German mechanical rights society, could not collect a fee for the music in pornographic films. The decision was based on the finding that background music in porno films was not "dancing or light music" and that such music was of secondary importance to those viewing the films.

671. WAY, MICHAEL. Lawyer's MIDEM bombshell: say EEC law overrules national c'right statutes. *Billboard*, vol. 95, no. 5 (Feb. 5, 1983), pp. 1, 56.

Attorney Harold Wenig of the European Common Market's (EEC) fair trading office in Brussels told a meeting of the International Federation of Popular Music Publishers "that Common Market law is binding on individual countries' legislation on any

matter," including copyright. He said that (1) "exclusivity is not always legal"; (2) "third parties acting legally can operate freely in other territories, unless the EEC has granted exemptions"; (3) "clauses in license agreements can be prohibited when they prevent or distort competition"; and (4) "the fact that national copyright law restrict themselves to national frontiers 'is apparently in conflict with EEC law'."

672. WAY, MICHAEL. SACEM wins fight over discos: French court upholds copyright society on tariffs. *Billboard*, vol. 95, no. 6 (Feb. 12, 1983), pp. 9, 53.

In a suit between SYNDIS, an association of French disco owners, and SACEM, the French copyright society, the Paris High Court ruled in favor of the latter. SYNDIS brought the action to challenge SACEM's "payment rates and its right to represent foreign repertoire in France." The court ruled "that SACEM did not abuse its dominant market situation in imposing a rate of 8.25% on all receipts on discos using SACEM-registered domestic and foreign repertoire."

673. Webs push FCC compromise to pull out indie TV thorn; CBS hard line riles its allies. *Variety*, vol. 310, no. 8 (Mar. 23, 1983), p. 42.

The three television networks have recommended that the Federal Communications Commission "draft a 'policy statement' banning the webs from unfairly withholding hit network product from syndication." The recommendation was offered as a compromise to calm the Commission's concerns about how elimination of the financial interest and syndication rules would affect the ability of independent stations to acquire popular syndicated programming.

674. Woody Allen files suit against USA Network. *Daily Variety*, vol. 199, no. 9 (Mar. 17, 1983), p. 39.

Woody Allen filed a suit against the USA Network for its allegedly unauthorized broadcast of an interview with him. The complaint asserts breach of contract, negligence, and misappropriation of name and likeness. Plaintiff seeks damages and injunctive relief.

675. WERBA, HANK. Italian exhibs organizing protest over quick TV

play of recent pix, video piracy. *Variety*, vol. 309, no. 10 (Jan. 5, 1983), pp. 31, 33.

Piracy is among the problems facing the Italian film industry. Recent police seizures and arrests in piracy raids indicate that the problem is growing and that there is a potential shift of film-goers to homeviewing. The industry, therefore, intends to lobby for a law with stronger penalties.

676. YARDLEY, JONATHAN: The copyright controversy: a suit that tests the rights of ownership. *The Washington Post*, vol. 106, no. 15 (Dec. 20, 1982), pp. D1, D11.

This is a discussion of the suit recently filed by nine major publishers against New York University for copyright infringement. The article not only focuses on the legal merits, but also discusses the professional ethics and moral responsibilities of an institution and its employees.

## 2. Foreign

### 1. Great Britain

677. AAP sues over copyright. *The Bookseller*, no. 4019 (Jan. 1, 1983), p. 61.

A suit by the Association of American Publishers who are suing New York University and a photocopying agency for breach of copyright claims "that the agency reproduced copyright material at the request of professors to be sold to students for classroom work." The Copyright Clearance Center also has a plan for a one-time annual royalty fee after which companies would be allowed unlimited copies.

678. Manufacturing clause—the fight continues. *The Bookseller*, no. 4022 (Jan. 22, 1983), p. 197.

A note that the Association of American Publishers has asked "to be made a party to the suit that the Authors League has filed against the U.S. government for continuing the manufacturing clause in its copyright act."

679. PA steps up action against piracy. *The Bookseller*, no. 4027 (Feb. 26, 1983), p. 689.



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An announcement of a special meeting of the Publishers Association to discuss ways to fight book piracy. The article states that the Department of Trade has established an "Anti-Counterfeiting Unit" to help combat piracy and counterfeiting of goods. Piracy also was on the agenda for the Conference of Commonwealth Law Officers which took place in Sri Lanka in February 1983.

680. Strong support for PA's photocopying proposals. *The Bookseller*, no. 4018.

A short notice on the Publisher's Association meeting and its letter to its members requesting that they support the PLR. Also sent to members were draft letters for publishers to send to their authors and a form for publishers to sign giving the PLS a non-exclusive license to "permit reprography of literary works in copyright."

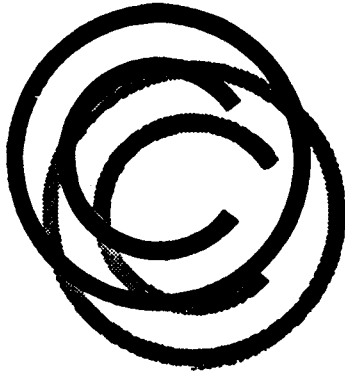
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## PART I

## ARTICLES

681. COPYRIGHT ISSUES IN THE E.E.C.: *The recent decisions of the European Court of Justice and of the Commission\**

By ADOLF DIETZ\*\*

## A. Introduction

The beginning years of the Eighties have been a very fruitful period as far as the problem of the relationship between copyright law and the European common market is concerned. First of all, there has been a series of important copyright cases decided by the European Court of Justice (the two *Coditel* cases, the *GEMA* and *Imerco* cases) which are, with certain exceptions, the real beginning of copyright jurisprudence of the European Court. Only the *Deutsche Grammophon* case, decided in 1971, was comparable in importance, and that case contained only rather brief statements by the court concerning copyright. In its substance *Deutsch Grammophon* was—at least from a continental point of view—not a “real” copyright case but rather a “neighbouring” right (that of producers of phonograms) or—in the British view—a “part II”-copyright case. Mention should be made also of the “*SABAM*” case, decided in 1974, which concerned the law and inner regulations of collecting societies.

But this is not all. The Commission of the European Communities itself, during the same period of the early 1980s, contributed to the elaboration of the European copyright case law with two important decisions concerning copyright collecting societies treating, concretely, the question whether their statutes and inner regulations were compatible with the European competition law (Arts. 85 and 86, EEC Treaty). For this there was an important precedent in the first “*GEMA-statutes*” case, decided by the Commission in 1971.

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\*This article was delivered as a lecture at the European Study Conferences' fourth annual conference on International Copyright Law and Practice at the Portman Hotel in London, England on June 17, 1983.

\*\*Dr. Dietz is a Research Fellow in Comparative Law at the Max-Planck-Institute for Foreign and International Patent, Copyright and Competition Law in Munich.

On the other hand, other divisions of the Commission were concerned with a more systematic approach to the question of the relationship between copyright and the common market. This is true, first of all, for the division named "Problems of the Cultural Sector", now organized within the General Secretariat under President Thorn, and which already in 1977 had submitted a communication to the Council under the title "Community Action in the Cultural Sector"; it did the same thing again with an amended paper "Stronger Community Action in the Cultural Sector" in October 1982. These two communications are a sort of statement of actions and plans in the cultural field but contain also very concrete propositions concerning harmonisation of copyright law in the member states of the European Community.

In this context, it should not be forgotten that, parallel to these actions and plans, another division of the European Community which, professionally, has to do with harmonisation of legislation has been charged with the preparation of a memorandum on copyright problems in the light of the EEC Treaty, which, to my knowledge, does not yet exist.

Finally, we should also mention the "Memorandum to the Commission of the European Communities and to Her Majesty's Government on European Community Law and Copyright in Literary Works" submitted by the British Publishers Association, which contains very important reflections on this problematic relationship, showing particularly that copyright questions to a large extent are related to questions of cultural policy and further to the question of the existence or nonexistence of a flourishing cultural industry. It is in this respect that we have to be very careful in applying solutions stemming from other fields of intellectual property, and particularly patent and trade mark law, to remember that

"the rigid application of the provisions of the Treaty to literary and artistic works, as though they were tins of coffee or packets of tablets, would run counter to the social and cultural, as distinct from the commercial and economic, objectives of the EEC Treaty."<sup>1</sup>

*B. The Important Decisions of the European Court of Justice in the Coditel, GEMA and Imerco Cases*

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<sup>1</sup> Argument cited by Harris, *Community Law and Intellectual Property: Recent Cases in the Court of Justice*, 19 COMMON MARKET LAW REVIEW, No. 1, 62 (1982) [hereinafter "Harris"].

a) *General remarks*

We do not have enough time and space to describe the details of all the cases decided by the Court and the Commission, but this is not necessary because so much information is available about them in several languages. Nevertheless we will try to give the essentials of all those cases and to demonstrate how far they have influenced the building up of what one can call a European copyright case law. Unfortunately this copyright case law is far from being the beginning of a true European copyright law; on the contrary, most cases decided—with the particular exception of the two *Coditel* cases—worked more in the direction of reducing copyright protection, at least in the form in which it had been shaped in several national laws. Having said this, it becomes clear at this point that the relationship between common market law and copyright law is one of conflict. If copyright law, in contrast to patent and also trademark law, is not able to build up some “positive” regulations in favour of authors and other copyright owners, there is a great risk that cutting off many blossoms of the different national copyright trees would continue without compensation.

b) *The two Coditel cases*

The first *Coditel* case of 18 March 1980<sup>2</sup> was the first real and pure copyright case decided by the European Court, if one accepts that the Court's basic decision about nine years earlier in the *Deutsche Grammophon* case of 8 June 1971<sup>3</sup> concerned only “a protection right analogous to copyright” (number 12 of the decision in the *Deutsch Grammophon* case), which in the continental terminology is called a neighbouring right, and if one sets aside the “*SABAM*” decision of 1974 concerning collecting societies. But while the Court in the *Deutsche Grammophon* case had argued in a more hypothetical form (“if it be assumed that a right analogous to copyright can be covered by these provisions . . .”), in the first *Coditel* case the Court did not feel the need to discuss at all the question whether copyright is really covered by the term “industrial and commercial property right” as used in Art. 36 of the EEC Treaty. Therefore, whether we are pleased or not, we have to accept that, at least for the European Court, copyright is one of the “industrial and commercial property rights” and that consequently the differentiation concerning, on the one hand, existence and, on the other hand, exercise of exclusive rights in interpreting Art. 36 is fully applicable to the protection under copyright law. Nevertheless, in that case, the Court was not very clear in answering

<sup>2</sup> Case 62/79.

<sup>3</sup> Case 78/70.

the question how far the principles of Art. 36 are relevant also in the framework of the provisions of the Treaty on the freedom to provide services. This however was done in the affirmative in the second *Coditel* case, which we will discuss below.

It was in the context of this differentiation between existence and exercise of exclusive rights that the Court made its famous and, of course, necessary statement that the problems involved with performances of literary and artistic works are not the same

“as those which arise in connexion with literary and artistic works the placing of which at the disposal of the public is inseparable from the circulation of the material form of the works, as in the case of books or records.”

If we put this result in the traditional language of some (but not all) national copyright laws we can say that the Court confirmed that the theory of exhaustion of copyright after the first marketing of a copyrighted product is applicable only in the field of the distribution right and not in the field of performing rights.

The outcome of the first *Coditel* case was, therefore, not in conflict with the provisions of the Rome Treaty when the holder of film copyrights in one country tried to hinder cable television diffusion companies in the same country from taking over television programs broadcast in another country and including films covered by those film copyrights, across the borders. Consequently everybody in the copyright world, except for the defendant telediffusion companies, was satisfied with this decision.

The second *Coditel* case was decided by the European Court on 6 October 1982.<sup>4</sup> The argument of the cable distributors before their national court in this second case had been that exclusive copyright licences, especially on a territorial basis, were incompatible with the competition rules (Art. 85) of the EEC Treaty.

The most interesting question here was how the European Court would respond to this problem of antitrust law given the fact that in its first *Coditel* decision it had already expressly stated that

“the rules of the Treaty cannot in principle constitute an obstacle to the geographical limits which the parties to a contract of assignment have agreed upon in order to protect the author and his assigns in this regard. The mere fact that those geographical limits may coincide with national frontiers does not point to a

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<sup>4</sup> Case 262/81.

different solution in a situation where television is organized in the Member States largely on the basis of legal broadcasting monopolies, which indicates that a limitation other than the geographical field of application of an assignment is often impracticable."

Would the Court contradict its own admittedly relatively far-reaching statements concerning the geographical field of application of exclusive copyright assignments in the film and broadcasting domain? The special interest of the question lies in the fact that exclusive licences had long formed a real battlefield between the Commission and European industry and it was only the so called "*Maize-Seed*" decision of the European Court of 8 June 1982<sup>5</sup> which had clarified to some extent that question. Therefore, the statement of the Court in the second *Coditel* case that the fact that the owner of a copyright work granted an exclusive licence to a single licensee to show the film in a particular member state did not in itself come within Art. 85 (1) of the Treaty confirmed not only the result of *Coditel I*, but, in line with its "*Maize-Seed*" decision, can also be read as having a more general importance.

In this context the Court stated, in addition, that

"it was in the nature of the market for cinema films, in particular the need to dub or apply subtitles to the films to make them available to different cultural markets, and with regard to the system of financing cinema production in Europe, an exclusive licence was not in itself liable to distort the market."

What we find here is a hint to the importance of the cultural background of the film industry, and I personally find this remarkable. Nevertheless, the Court states, on the other hand, that in a particular legal or economic context an agreement of that sort could fall under Art. 85 (1). Rather in the form of an obiter dictum the Court cites in this context the possible cases of unjustified returns of investments to be made or of unnecessarily long periods of exclusivity. This, of course, means that there is no guarantee that exclusive copyright licences would always pass the European Court of Justice without problems.

c) *The GEMA and Imerco cases*

The copyright world had come to accept the first *Coditel* decision of the European Court (and of course its confirmation with the second *Coditel* decision two and a half years later). The shock was felt even

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<sup>5</sup> Case 258/78.

stronger when the European Court came to decide the *GEMA* and the *Imerco* cases, about one year after *Coditel I*. Both the *GEMA* and the *Imerco* cases, decided on January 20, 1981 and January 22, 1981 respectively, brought a very neat confirmation of the common market principle of exhaustion of industrial and commercial property rights after the first lawful marketing of a protected product, i.e. when the product concerned was lawfully distributed on the market of a member state of the European Community by the right owner himself or with his consent.

The interesting aspect of these two cases lies in the fact that the Court in spite of the particular elements of the cases was not prepared to accept special exceptions to the principle of exhaustion. Corresponding to the first case, the *GEMA* case, this principle, therefore, applies also when first marketing took place in a country where copyright law created in effect a statutory licence in return for a rate of royalty which in practice is lower than the normal rate achievable in the other countries.

With this, the Court stated that the principle of exhaustion is applicable even in the case where the collecting society concerned (the German GEMA) did not really intend to hinder the import of the sound carriers (records and cassettes) but only wanted to equalise the royalties payable in the different countries by demanding the difference between the royalties paid in the country of origin of the sound carriers and those of the import country. The relatively harsh rejection by the Court of all the arguments put forward by GEMA, and especially the statement of the Court that the author or his publisher

“is free to choose the place, in any of the Member States, in which to put his work into circulation. He may make that choice according to his best interests, which involve not only the level of remuneration provided in the Member State in question but other factors such as, for example, the opportunities for distributing his work and the marketing facilities”

make it very doubtful whether the hopes can be realized that the Court would have decided differently in case of a pure compulsory licence without any complementary contractual consent at all (as indeed was the case in the *GEMA* case).

Indeed, the German Supreme Court, which had to decide this case in the last resort<sup>6</sup> made it very clear that there was no possible distinction between a consent on the basis of a statutory licence system and a “naked” statutory licence. Nevertheless the German Court in its decision tried to

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<sup>6</sup> Decision of 6 mai 1981, case I ZR 92/78.



help GEMA a little by accepting the argument that there was no first marketing at all where the sound carriers concerned were not really put on the market in the country of origin but were directly delivered to a sister company in the country of import.

However—as Harris put it—if the outcome of the *Coditel* case had been favourable to the maintenance of copyright, notwithstanding the arguments based on the provisions of the Treaty, the outcome of the *GEMA* case in principle was favourable to the maintenance of the provisions of the Treaty, notwithstanding the arguments based on copyright. And it was without success that the French government in its submissions to the Court had mentioned that the copyright included moral right aspects, too.

It was also this moral right aspect that finally characterizes the relatively less important copyright aspects of the *Imerco* case which was primarily decided in the framework of unfair competition law. In this case the Danish firm Imerco, a group of hardware merchants, had commissioned in the United Kingdom on the occasion of the fiftieth anniversary of its foundation a china service decorated with pictures of Danish royal castles. It was further agreed between Imerco and the British manufacturer that the substandard pieces which, owing to the quality standards applied, amounted to approximately 20% of the production, might be marketed by the manufacturer in the United Kingdom but might not in any circumstances be exported to Denmark. One can say that the moral right aspect of that case might lie in the interest not to distribute substandard products in a specific country in the context of a specific event (fiftieth anniversary) in case the product concerned is protected by copyright. Nevertheless, the Court once more answered in a very general way that an exclusive right guaranteed by the legislation on industrial and commercial property is exhausted when a product has been lawfully distributed on the market in another member state by the actual proprietor of the right or with his consent, and that import of the product concerned may not be prohibited on the basis of a copyright.<sup>7</sup>

One must keep in mind that the copyright question in the *Imerco* case was formulated by the national court and put forward in a general manner, and that in the *GEMA* case moral right aspects were clearly not implied in the particular problem of the royalty difference. One can hope that the question of moral right aspects in their core at least remain undecided.

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<sup>7</sup> For reasons of completeness I have to inform you that the Danish Supreme Court, deciding (on 2 December 1981) upon the European Court decision, nevertheless found that the failure of a particular designation of the lower quality of the imported substandard products constituted a violation of honest marketing practices (unfair competition).

C. *The "GEMA-Statutes" and the "GVL" Cases, Decided by the Commission*

As already mentioned, in the critical period of the early 1980s it was not only the European Court of Justice which has contributed to a marked evolution of the relationship between copyright law and the common market but also the European Commission which, once more, had made investigations in the working field of copyright collecting societies. Everybody knows the necessity of these societies for an efficient administration and realisation of those particular rights under copyright which cannot realistically be administered individually. In view of the growing importance of mass uses of protected works it is not astonishing that the working field of collecting societies, in Germany as in other countries, gets more and more enlarged, widening by far the traditional field of collective administration of musical performing rights and mechanical rights.

In view of this very importance of the collecting societies for realisation of rights under copyright, especially for professional authors of every kind, it is a surprising fact that as long as twelve years ago, one of the first decisions rendered by the Commission under Art. 86 of the EEC Treaty (misuse of a dominant position) concerned a collecting society, the German GEMA. In this first *GEMA-statutes* case, decided on 2 June 1971, completed on 6 July 1972, GEMA was obliged to render its statutes compatible with a series of claims by the Commission concerning the splitting, categories and duration of rights transferred to GEMA and the position of foreign authors who are nationals of other member countries, as affiliates to GEMA.

This first and indeed wide-ranging decision of the Commission in 1971 was rendered only six days before the *Deutsche Grammophon* decision of the European Court and therefore has the privilege of having begun the European copyright decision practice some days earlier than the Court.

The Commission, more than ten years later, once again entered the field of collecting societies, showing once more its interest in the de facto monopoly of the collecting societies concerned, which again were two German societies.

In the second *GEMA-statutes* case, decided on 4 December 1981, GEMA was happy enough that the Commission raised no objections to an amendment of its articles, whereby authors protect themselves against harmful practices by music users (record manufacturers, radio and television authorities). GEMA had notified the Commission of that amendment prohibiting its members (composers, librettists and music publishers) from concluding agreements with music users under which the latter receive a direct share of the income of members if they play certain of

their compositions.

Two things seem of importance in that decision of the Commission. First, the Commission repeats and reaffirms its view that GEMA has a dominant market position in the sense of Art. 86 of the EEC Treaty. But, second, the Commission cites the decision of the European Court of Justice in the *SABAM* case of 1974, already mentioned, which was the first case concerning collecting societies and their position decided by the Court under Art. 86 of the EEC Treaty. That Court, in contrast to the first *GEMA-statutes* case of 1971, decided by the Commission, was significantly more aware of the practical need for strong and efficient collecting societies for authors, particularly in view of mighty users and user groups. Therefore, while admitting that collecting societies have a dominant position under Art. 86 of the EEC Treaty, the Court states that to determine whether a national copyright society is imposing unfair trading conditions on its members or third parties, account has to be taken of all the relevant interests so as to ensure a balance between the need for maximum freedom for composers etc. to dispose of their works and the need for effective management of their rights by the society to which they have assigned them without any practical alternative to doing so.

It is a sort of consolation for GEMA that the Commission in its second *GEMA-statutes* decision in 1981 expressly repeats and cites these and other passages of the *SABAM* decision of the European Court, passages full of comprehension for the practical needs of authors and their societies. Of special interest in this context are, in addition, the relatively extensive reflections in the decision of the Commission concerning the dangers collecting societies are confronted with when large scale manipulations between members and users enter the field of use of works of music. Consequently GEMA in this second statutes case obtained full confirmation of the relevant amendments of its statutes.

This benevolent decision of the Commission in the second *GEMA-statutes* case is, however, to be contrasted with its "GVL" decision several weeks before (29 October 1981). In line with its very first decision of 1971 (first *GEMA-statutes* case) the Commission took a very hard stand against the German society GVL ("Gesellschaft zur Verwertung von Leistungsschutzrechten"), the only society in Germany which acts on behalf of performing artists on the one hand and producers of phonograms and videograms on the other hand. Maybe the hard stand of the Commission can be understood—partly in the same way as in its first *GEMA-statutes* decision of 1971—as a reaction against provisions in the statutes of GVL which in fact contained a number of discriminations against performing artists which are not of German nationality and have no permanent residence in the Federal Republic of Germany.

The problem underlying this case results in the fact that the differences of national legislation and national protection of performing artists are so great that there is a certain reluctance to treat foreign artists on the same basis as national artists since the normal play of reciprocity agreements as in the traditional copyright field is not working very well. This is, at least to some degree, understandable. Nevertheless the European Commission gave no pardon in this case, where GVL had refused to assist foreign artists in their claims for remuneration against certain users and had therefore deprived the artists of part of the remuneration due to them for their work. During the course of the proceedings GVL, while insisting that its refusal was legally well founded, changed its practice so as to admit the claims of foreign artists to accord with the Commission's views. (Probably this decision of the Commission will give the European Court the opportunity to decide another collecting society case because GVL appealed to the Court in this interesting case.)

It is not easy to criticize the European Commission in this case because, admittedly, it has the strong obligation to enforce the implementation of the basic rules of the common market and especially the principle of non-discrimination of nationals of member countries. On the other hand, it is doubtful whether this sort of decision is the best beginning for the solution of problems which stem from the uncoordinated system of rights of performing artists in the member countries. In my opinion it would have been better to make more efforts to harmonize the law in this field and only then to oblige the existing collecting societies to do more justice to foreign authors.

By the way, this decision might have importance also in other fields of copyright and related rights, especially where newly created rights administered by specific collecting societies, such as *droit de suite* or public lending right, are only incompletely or not granted at all to foreign authors, nationals of the member countries.

Finally, one has to admit that all these decisions of the European Commission concerning collecting societies contain brilliant analyses of the respective economic and contractual situations in the relevant fields of activity of the societies, and one can learn many details in this respect which normally are not very easily obtainable and accessible.

#### *D. Copyright Harmonization*

As we have seen, the decision practice of Court and Commission is often not very favourable to traditional concepts and activities in the field of copyright and neighbouring rights. One has, therefore, the impression that continuing decision practice in this field could represent certain dangers for authors and other owners of copyright and neigh-

bouring rights, given the fact that, all too often, they are on the weak side. If we compare this situation with that in the field of patent and trademark law we can state, on the one hand, that the decision practice in these fields often has a comparably rigid and far-reaching character in view of traditional concepts of national patent and trademark law. But, on the other hand, we must not forget that the interested circles in the patent field have been largely compensated by the elaboration of a modern and apparently well-functioning European patent system, which, for the moment, it is true, functions outside the common market and goes beyond its frontiers, but, in a still uncertain future, will be complemented by a real common market patent. In the trademark field things have, as yet, not evolved so far but nevertheless there exists a very elaborate draft regulation for a European trademark system which, in the same way as in the patent field, might largely compensate potential losses in the field of national trademark law because of certain evolutions in the decision practice.

In the copyright field this second "pillar" to counterbalance certain damaging tendencies in the decision practice, now and in the near future, will be absent. Surely, there are some tendencies to the harmonization of copyright problems, such as duration, reprography, piracy and *droit de suite*, which are contained in the Communications of the European Communities mentioned earlier. Even the planned memorandum on copyright problems in the light of the EEC Treaty, cited by Harris, and which is still to be awaited, will probably have much of a priority list for the problems to be treated and will therefore continue to be of a punctual character. Even if it should be possible to realize part of these proposals, the second pillar in copyright law will still remain very weak for a long time. This raises the question whether one should not try in the years to come to look for an overall approach to a modern European copyright concept, giving to the common market what is due to it but also to authors and other copyright owners what is due to them.

#### *E. The Cultural Dimension of Copyright Law*

In September 1980 the British Publishers Association submitted a Memorandum on European Community law and copyright in literary works. First of all, this memorandum impresses us with its stringent argumentation concerning certain dangers of strict application of Arts. 30 and 36 of the EEC Treaty in the context of the relationship between British and U.S. publishers, especially in view of possible importations of copies of U.S. editions into the United Kingdom which pass through other countries of the common market, without any compensation on the American side. In addition, maybe to the surprise of those who

would have expected a more pragmatic British approach, the memorandum strongly accentuates the cultural aspect of the problem, as is demonstrated by the following short passages (amongst others):

"In important respects books remain the yeast of economic, social and cultural activity. They play a basic part in the communication of ideas and in the growth and assimilation of knowledge, and are vital not only to social and cultural life and to society, but also to the promission of economic growth and progress;"<sup>8</sup>

and

"The fact that the European Community is seeking to assimilate the economies of the nine Member States does not mean that the cultural diversity of the Member States should be eliminated at the same time. Indeed, the merit of European culture is the variety of cultures and languages it contains, yet all within a broadly similar tradition. Because each Member State needs, for example, its own publishing industry, just as it needs its own television services, does not mean that there is a failure to integrate the Community."<sup>9</sup>

I personally feel that these and other remarks in the memorandum are fully justified. One cannot and must not separate copyright law from its cultural background even if it is true that thousands and tens of thousands of protected works often have only a minimal relation to culture in the specific sense of the word. I doubt whether purely economic and stringent juridical argumentations, based on the treaty establishing the European Economic Community, can always really do justice to the cultural background of copyright law if we accept, for example, that the "merit of European culture is the variety of cultures and languages it contains."

Consequently, one has to ask whether some protective concepts would be justified not only as far as the British publishing industry is concerned as against the American publishers but also as far as the cultural identity of smaller countries and ethnic groups within the European Community is concerned. In this context I doubt, once more, whether the strict position of the Commission in the Dutch and Flemish booksellers case<sup>10</sup> prohibiting the Dutch and Flemish books cartel and

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<sup>8</sup> P. 21.

<sup>9</sup> P. 7.

<sup>10</sup> 25 November 1981.

the system of cross-border resale price maintenance in Belgium and Netherlands covered by it, is really the right way. But, of course, here we are already leaving the field of copyright in the strict sense of the word.

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682. RECENT DEVELOPMENTS IN THE COPYRIGHT SPHERE  
IN THE UNITED KINGDOM\*

By DAVID A. LESTER\*\*

I have split this talk into five sections. Firstly, I am going to outline some of the important copyright and related cases in the English courts over the past year. Secondly, there are three English statutes I should mention. Thirdly I am going to talk briefly about developments in the European Economic Community which may have an effect on copyright in the UK. Next I am going to say something about proposals for copyright reform in the United Kingdom and lastly just a few words about the current issues which seem to me to be dominating the copyright industry in all its various aspects at the moment.

So firstly English case law. *Hoover v. Hulme*<sup>1</sup> is a case on copyright in technical drawings. Now, in the United Kingdom copyright subsists in any original drawing regardless of what is being portrayed, or its artistic merit, and regardless of whether or not it is a drawing of a "useful article." Prima facie the period of copyright is life of the author plus fifty years in the normal way. However, there is a very obscurely worded section of the 1956 Copyright Act—Section 10 for those of you who like collecting examples of bad drafting in statutes—and the effect of this was to limit the copyright protection by providing that fifteen years from the first marketing of articles made from a copyrighted design it would no longer be an infringement of copyright to do such acts as manufacture or sell articles reproduced from the designs. There are all sorts of conditions which qualify that statement but basically what I am trying to do is to give you an overview of it. Section 10 tied in with another United Kingdom statute—the 1949 Registered Designs Act—so that it only applied to designs *registrable* under the 1949 Act. From the 1949 Act it appeared clear that the only designs which could be registered were those which had features appealing to and judged solely by the eye and not dictated solely by the function which the article reproduced in the design was to perform. Now you will appreciate from this that the ma-

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<sup>1</sup> [1982] F.S.R. 565.



jority of technical drawings are not going to qualify, so as a result of a decision back in 1964, *Dorling v. Honnor*,<sup>2</sup> we had a rather odd situation where designs which appealed to the eye and so on had a considerable limitation in protection after fifteen years whereas purely technical drawings of, say, engineering parts were protected for life of the author of the drawing plus fifty years. If all that sounded complicated, we now have the new case *Hoover v. Hulme* which says that, because of another Act called the Design Copyright Act 1968 which amended Section 10, what I have set out above (which was widely considered to be the correct legal view) is wrong and for *all* designs applied industrially the fifteen-year limitation applies. A great deal of discussion has taken place about this complicated case, and the general view seems to be that it may be logically right but is probably legally wrong! For other reasons, there was no appeal from the case, but attempts are being made in other cases to reverse the decision.

The *Hoover v. Hulme* case is also important on three other issues which I will just mention briefly. Under the United Kingdom Copyright Act, there are what we call primary infringing acts, such as reproduction, public performance and so on and secondary infringing acts, such as sale or importation. The secondary infringing acts require knowledge on the part of the person doing the relevant act. Now there are obviously various standards of knowledge (actual, constructive, implied and so on) and *Hoover v. Hulme* says that the standard is very high and that there has to be actual knowledge on the part of the relevant person that what he was doing was an infringement of copyright. So in *Hoover v. Hulme* the defendants had been sent various warning letters setting out the basic copyright position and had had various meetings with Hoover employees, although they had not been shown the whole range of engineering drawings on which the plaintiffs founded their claim. The judge held in those particular circumstances that the defendants did not have the requisite knowledge to give the plaintiffs a cause of action.

Secondly, the case raises the danger of acquiescence. It is a rule of equity in English law that if the plaintiff acquiesces in the defendant's conduct then he is not entitled to relief against that defendant. What constitutes acquiescence depends very much upon the facts, but I think it can be fairly said that this case takes it rather further than most people thought. Here, there was only six years' knowledge and behaviour which was inconsistent with the plaintiff's later complaint, and for the first half of that period the defendant's activity was pretty minimal anyway. In England it seems that we are coming increasingly nearer to a position where a copyright owner has to take some action to protect his rights

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<sup>2</sup> [1964] 1 All E.R. 241.

even where it may not commercially be worthwhile.

Lastly, *Hoover v. Hulme* raised the question as to what implied licence a purchaser of an article which is the subject of a copyright design has to repair or fit a replacement part. The judge said that although a purchaser clearly has an implied licence to that effect, that licence does not extend to third parties so as to enable them to make spare parts for sale.

The second case, *Sega Enterprises Ltd. v. Richards*,<sup>3</sup> is on computers. Although computers are not referred to specifically in the 1956 Act, it is generally thought that there are a variety of categories into which they can fall. The most common one is thought to be a literary work, although there may be elements of artistic works—this is particularly important in video games—and a cinematograph work which is defined in the 1956 Act as a sequence of visual images. This case involved just an interim hearing, but strangely enough it appears to be the first reported case in which a judge has really tried to come to grips with computers. His decision was that an assembly code programme was a literary work, and a machine code programme was either a reproduction of that literary work or an adaptation of the assembly code programme and therefore protected in its own right as an adaptation of a literary work. The plaintiffs in that copyright action also alleged a breach of artistic copyright and cinematograph copyright, but the judge did not bother to deal with those aspects.

Now we come to a case in the book publishing business: *Sillitoe v. McGraw Hill*.<sup>4</sup> What happened here was that the defendants imported some booklets which provided a discussion and interpretation of various literary works for students. The defendants said that they were covered by the fair dealing provisions of Section 6 of the Copyright Act 1956. The relevant fair dealing provisions were firstly fair dealing for the purposes of research or private study and secondly fair dealing for the purposes of criticism or review. Both failed. Private study according to the judge clearly meant the defendants' own private study and not that of someone else. Fair dealing for the purposes of criticism and review could not be used simply because on this scale and in these circumstances it was not fair. Incidentally, the defendants said in this case that they also did not have the requisite knowledge necessary for a secondary infringement of copyright, on the grounds that they had sought Counsel's advice which was in their favour and then acted in accordance with it. Here the judge (rather in conflict with *Hoover v. Hulme*) decided that once a plaintiff fixed the defendant with notice of the facts relied

<sup>3</sup> [1983] FSR 73.

<sup>4</sup> [1982] 2 EIPR 30.

on, the defendant could not say he was without knowledge simply because in good faith he believed no infringement had been committed.

Now *Independent Television Publications Ltd. v. Time Out Ltd* (unreported). In the United Kingdom as you know we have two television broadcasting organisations. The first one is the British Broadcasting Corporation and the second is the group of commercial stations which are covered by an "umbrella" organisation, Independent Television Companies Association Limited. The BBC and the ITCA each authorise the publication of a magazine which contains all the details of the programmes being broadcast during the particular week, the BBC's being called the "Radio Times" and the ITCA's the "TV Times". Now, the daily press for many years have published a time schedule every day showing the actual time of a programme plus its name and sometimes a little bit of comment, but a magazine called "Time Out" went much further and started to do something along the lines of the "Radio Times" and the "TV Times". The BBC and the ITCA sued for infringement of copyright on the grounds that the magazine constituted compilations which are protected as literary works under our 1956 Act. The judge said that was right, and that the defendants could not reproduce substantial parts of the those compilations. What was substantial would depend on the facts, but on the facts before the court the defendants were going too far. An interesting defence put up by the defendants that this was public information and therefore not subject to copyright protection as you would expect failed completely. The defendants also put a defence of fair dealing and again this judge said that plainly in his view the dealing was unfair!

Now as to the music business, there are three cases I want to mention. Firstly, *Fraser v. Thames Television Limited*.<sup>5</sup> This is a rather interesting commentary on the basic copyright maxim that there is no copyright in ideas. What happened here was that the plaintiffs suggested to the defendants in a fair amount of detail the idea for a television programme. A lot of discussion took place about the series in general terms. The plaintiffs and defendants could not reach agreement, but the defendants went ahead and made the series anyway. The judge here said that although there was clearly no subsisting copyright, communication about the proposed series was made in confidence and the breach of that confidence was clearly actionable in damages. So even where there is no copyright protection, you may still get remedies elsewhere.

Next a case which has caused some consternation in the music industry: *Raymond O'Sullivan v. MAM Ltd.* (unreported). There has been a lot of concern about this case in England in which the pop singer

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<sup>5</sup> [1983] WLR 917.

Gilbert O'Sullivan got back all his publishing and recording rights from companies run by his manager. This is by no means the first case in which this sort of thing has happened: many of you may well have heard of the 1973 case *Schroeder v. Macaulay*.<sup>6</sup> I do not have time to go into the precise details, but basically they were very special facts, and the judge held that all the relevant assignments and rights were void on the grounds of firstly unreasonable restraint of trade, secondly the lack of any explanation of the terms of the contracts to O'Sullivan and the suppression of material facts, and thirdly the failure to insist that the artist should have competent independent legal advice before signing the agreement. It is clear from this case that copyright agreements such as exclusive songwriting agreements and so on are attackable in certain circumstances but it is nowhere near the case as has been reported that all agreements entered into when an artist is on the threshold of his career can be overturned when he becomes a success.

Lastly, a rather difficult case, *RCA Corporation v. Pollard*.<sup>7</sup> Factually, this deals with the problem of bootleg records. Say for example an unauthorised tape is made of a live performance of a rock star exclusively signed to a particular record company. Leave aside the question of infringement of copyright of the musical work (although in many cases this will be a help). What rights does the performer or the record company have against a man who makes the bootleg tape? This is difficult because there is really no copyright involved. A performer does not have a copyright in his performance, and the recording company may have a sound recording equivalent to that performance, but it is not that sound recording which has been used for the bootleg tape. About ten years ago our Court of Appeal in the *Ex Parte Island Records*<sup>8</sup> case got round it by applying a rather interesting and legally pretty shaky concept in English law called unlawful interference with business which runs along the lines that a man who is carrying on a lawful trade or calling has a right to be protected from any unlawful interference with it. Since it was a criminal offence to make such a recording under the Performers Protection Act in the United Kingdom, there was unlawful interference. In a case not in the copyright sphere, *Lonrho v. Shell*,<sup>9</sup> the House of Lords, the final appellate forum in England, disapproved of this tort. *RCA v. Pollard* has put another nail in the coffin by saying that a record company has no cause of action in a case of this nature. It did leave open the point as to whether the performer himself could sue, and that re-

<sup>6</sup> [1974] 3 All ER 616.

<sup>7</sup> [1983] FSR 9.

<sup>8</sup> [1978] 3 All E.R. 824.

<sup>9</sup> [1981] 2 All E.R. 456.

mains to be seen, but this obviously raises practical difficulties.

Now I must move on to statutes. The first two statutes I can dispose of fairly briefly, namely, Copyright Act 1956 (Amendment) Act 1982 and Copyright (Amendment) Act 1983. Under the 1956 Act there are criminal sanctions for infringement of copyright as well as civil sanctions. They have never been much used because the standard of proof in the courts is much higher for a criminal action than it is for a civil action. However, with piracy ravaging the copyright industry there is some move towards using it more often and the purpose of these two Acts is really to bring the position up to date. The result is that the courts can now fine a defendant up to £1,000 for each infringing article in someone's possession, or impose that fine and also a prison sentence up to two years in length. There are also some provisions for search warrants being issued where infringements of copyright are suspected, and also a new offence created for anyone who by way of trade has in his possession an article which he knows to be an infringing copy.

The more substantial statutory development which I can report is that the Public Lending Right Act passed in 1979 has at last started to come into force although it is not fully operational until the 1st July 1983. Eligible are both writers and illustrators of books including people who take photographs which are incorporated in books. Editors, compilers, revisers and translators are excluded. Furthermore, for those of you who are thinking of rushing away and advising your clients to register, the only authors eligible are British subjects or nationals of the European Economic Community. In addition, they have to have their sole or principal home in the United Kingdom, unless they are present in the United Kingdom for twelve out of the preceding 24 months. So tax exiles are out. There are various other restrictions which are too detailed for me to go into now. Obviously it is not yet economically feasible to record every loan made by a library each year, and a sampling system is in operation with sixteen sample points covering differing geographical locations within the United Kingdom. The method in which the author receives payment is complicated, but basically the registered owner can expect to receive a sum equivalent to five English pence multiplied by the number of notional loans attributed to a given book. Even here, there are exceptions where there is a very minimal figure due at the end of the year, or a figure which is over £5,000. It is unfortunate that at the moment the scheme is being run by the Government and not by an authors' society because it looks as if the bureaucracy of the scheme is firstly going to make a little bit of a mess and secondly it is going to be rather costly. The costs of the scheme will come out of the money which the Government allocates to it. However it is really very easy to criticise, and we will just have to see how the scheme goes. There

are all sorts of pitfalls with the scheme, and one is demonstrated by a letter which was recently published in "The Times" from Dodie Smith, author of "One Hundred and One Dalmations". She was solely responsible for the book, and two very talented sisters did those marvellous drawings in the original edition. One of the sisters recently died, and Dodie Smith's letter drew attention to the fact that because of that neither the surviving sister nor Dodie Smith herself would be entitled to any fees.

Now let us turn to the European Economic Community. Some of you might wonder how this subject creeps into a talk on recent developments in UK copyright and related law. The reason is that, for better or worse, EEC law is part of the law of the United Kingdom, and indeed takes precedence over the law of the United Kingdom unless and until a Parliament amends or repeals the European Communities Act. The last ten years have been very difficult for English lawyers to convince themselves that they actually have to think about EEC law as they do UK law, but I think most of us working in the copyright business have come to take the EEC dimension very seriously indeed. Furthermore, EEC law has ramifications well beyond the boundaries of the Common Market, because firstly, the Treaty of Rome covers not only articles manufactured in the EEC but articles in free circulation in the EEC wherever their manufacture, and secondly, the terms of the Treaty apply to agreements not only between parties resident within the EEC but also to agreements where one party is outside and indeed when both parties are outside but the agreements have an effect within the EEC. So I am sorry to have to tell you that the EEC could well affect you if you or your clients do any business in the EEC or with parties resident in the EEC.

I will just offer a kind of simplistic overview as to the two main areas where EEC law touches on copyright. Firstly there are Articles 30 to 36 of the Treaty. These are concerned with prohibiting so-called quantitative restrictions preventing the free movement of goods within the EEC. You may think "so what?" and that "quantitative" means something to do with quantities, but I am sorry to tell you that quantitative does not seem to have its natural meaning but means any miscellaneous method of slowing down or preventing free trade between the countries forming part of the EEC. For example, it is now well established that the action of a copyright owner in the national courts to prevent or affect the circulation of goods made with the consent of the copyright owner throughout the EEC, even though lawful under the laws of a national country, will usually be unlawful under EEC law. The rationale behind this principle seems very clear. The EEC is one territory for the distribution of goods just as the United Kingdom is one territory. Just there-

fore as you will not use UK copyright law to prevent goods lawfully made in the United Kingdom going from England to Scotland, so you cannot use copyright law to prevent articles lawfully made in one EEC territory going to another. There are some exceptions, but what you can be absolutely certain about is that matters such as quality control, price differences and so on are unlikely to make a blind bit of difference.

Secondly there are Articles 85 and 86. Article 86 is concerned with abuse of a dominant position which affects trade between member states. Article 85 is concerned with prohibiting any agreement or practice affecting trade between member states and having as its object or effect the prevention, restriction or distortion of competition within the Common Market unless it is approved by the European Commission. Now this is a really difficult one as you will see. The scope of this becomes wider and wider, and it is clear now that virtually any copyright agreement is subject to this provision, whether it be between the author and his publisher, the publisher and a sub-publisher, or an agreement between an author or publisher and the local collecting society.

I would stress that the above is really a very simple outline, and the detailed law is too complicated to go into here, but what I really want to do is give you a warning that copyright agreements you enter into which cover part of Europe should always pay attention to the EEC dimension. Having said that, let me go to some of the decisions of the European Court of Justice and the European Commission.

First, the good news. This is a case called *Polydor Limited vs. Harlequin Records Shops Limited*,<sup>10</sup> which was a case my firm handled. There are around 140 treaties which the EEC has with countries which are not members of the EEC. These range from European countries such as Norway, Portugal and so on to developing countries and to industrial countries such as Canada. There is to my knowledge no agreement as yet with the United States of America. Many of these treaties are drafted very much along the lines of the Treaty of Rome, and the question is really whether the principles which I have described above also apply to those treaties and can therefore be enforced by individuals within the EEC. The answer I am glad to say is a fairly resounding no. As I said above, the EEC is treated as a domestic market, and even if the provisions in the outside treaties are similar in wording, the different nature of the treaty produces a different effect. So in this particular case, Polydor could use the very strict importation laws of the United Kingdom to prevent the importation into England of records lawfully manufactured in Portugal. There is however a very difficult open question left. Many of the EEC countries do not have as strong importation laws for copyright

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<sup>10</sup> [1982] FSR 358.

as the United Kingdom. What happens if you import the goods into a weak country—Holland for example—and then despatch the goods from Holland into England? As I have said above, the Treaty of Rome applies to articles which are in free circulation within the EEC. But what does “free circulation” mean? As I say, this is an unresolved question, although for what it is worth, my opinion is that you ought to be able still to prevent importation.

Next, two decisions as regards copyright societies. The first one *Re STEMRA*,<sup>11</sup> is about the Dutch collecting society. In agreements with cassette manufacturers, this society had imposed a ban on the export of cassettes and tape recordings to other countries of the Common Market unless such export was done with the consent of the collecting societies in the country of destination. The reasoning behind the contract clause was that the royalties were different in the country of destination. This is a typical term to which the Treaty of Rome will apply in full force. The European Commission declared that the term was contrary to the Treaty of Rome and STEMRA were forced to remove the ban. The second case, *Re GEMA's Constitution*,<sup>12</sup> concerns the German collecting society. In Germany, the situation built up where the broadcasting companies tried to get a share in writers' broadcasting royalties by making deals with writers in commissioning agreements. GEMA, to prevent this, put in a clause to the effect that its members had to refrain from making grants of a share of their revenue to parties who had entered into collective licensing agreements with GEMA, where the purpose would be to favour unjustifiably certain works of the GEMA member or of that third party. The European Commission held an investigation into this term, but decided that the clause was justified and not in breach of the Treaty of Rome.

You will appreciate that one of the main difficulties we have is that there is no European copyright law. It is all very well that the EEC has to be treated as a domestic market but it is very difficult to do that where the national laws of the various member states are completely different. For the most part, the European Court of Justice has ignored this as a justification for preventing imports, but there has been a case recently where they did take notice of it. This is *Industrie Diensten Groep B.V. v. J.J. Beele Handelmaatschappij B.V.* What happened here was that after a patent expired in Holland, slavish imitations of the relevant article were imported from Germany. Those articles were lawfully made, but under Dutch law the importation of the articles was illegal. The European

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<sup>11</sup> (1982) 3 CMLR 494.

<sup>12</sup> (1981) 2 CMLR 43.

<sup>13</sup> (1982) 3 CMLR 102.



Court said that in principle this was banned under Article 30 as a quantitative restriction, but the court added:

"In the absence of common rules relating to the production and marketing of products, obstacles to movement within the Community resulting from disparities between national laws must be accepted insofar as such laws, applying without discrimination to both domestic and imported products, may be justified as being necessary in order to satisfy mandatory requirements relating in particular to the protection of consumers and fairness in commercial transaction."

I thought I would read this as an example of the sort of obscure statement that one gets in a judgment of the European Court. How does one interpret this? How in particular as a lawyer do you advise your clients whether obstacles to movement are justified on these grounds? The court in fact decided that in this particular situation there was justification for the import ban, *but* the court also said that it reserved its position on the application of the rule it had set out to spare parts "for which the foregoing considerations are not necessarily conclusive"!

Now I have two really bad cases. The first one relates to the film industry: *Coditel S.A. & Others v. Cine Vog Films S.A. & Others*.<sup>14</sup> The facts briefly are as follows. Coditel is a cable television service covering part of Belgium. They picked up a television broadcast from Germany, lawfully broadcast with the consent of the owner of the copyright in the film there, and then transmitted it on their cable service in Belgium. However in Belgium the copyright owners had agreed that the film should not go on television for a certain number of years by contract, and they and their licensees therefore tried to stop the Coditel company from transmitting the film by cable network. Coditel said that the relevant agreements were in breach of Article 85. The Court did not decide this question but it laid down some pretty stiff tests. Let me quote one passage:

"Although the copyright in a film and the rights arising from the copyright to exhibit a film do not by their nature fall within the prohibitions of Article 85, the exercise of such rights may nevertheless under economic or legal circumstances which have the effect of substantially restricting the distribution of films or distorting competition in the film market having regard to its special characteristics fall within those prohibitions."

<sup>14</sup> (1983) 1 CMLR 49.

The Court then sent the case back to the National Court to decide whether or not those circumstances applied. In this particular case, it looked as if the court was implying that the film company would probably be able to prevent the cable transmission. But the really frightening thing is that the court is emphasising that distribution agreements of this type are well within the purview of the Treaty of Rome. A considerable amount of justification is going to have to be made out for anything which could be considered as in restriction or distortion of competition. What seems to me fundamentally wrong here is that the European Court has not yet fully grasped the concept of copyright. Copyright's very essence is that it is in the public interest for there to be restrictions on dealing in copyright works, and there therefore has to be a balance between rules on free trade and competition and rules on the use of copyrights. It still seems to me that the balance is too much in favour of the former.

This last case is really part of what I might term a concerted attack by the European Commission on assignments and exclusive licences which divide up the Common Market into particular territories. This is the EEC case *LC Nurgesser K.G. & Another v. E.C. Commission*.<sup>15</sup> It is going to take some time before its full implications are clear, but what the court emphasised once again was that Article 85 of the Treaty definitely applies to assignments and exclusive licences for the exploitation of intellectual and industrial property rights, in this case plant breeders' rights. The court distinguished first between two kinds of agreements. The first is a so-called open exclusive licence or assignment where the exclusivity relates solely to the contractual relationship between the owner of the rights and the licensee. An example of this would be where the owner undertook not to grant other licences in respect of the same territory and not to himself compete with the licensee in that territory. The other case was where there was an exclusive licence or assignment with absolute territorial protection, in which the parties to the contract proposed to eliminate all competition in that territory from third parties such as parallel importers or licensees from other territories. Now in the second case, the court implied that it was absolutely in contravention of the Treaty of Rome and therefore void. In the first case what it said was that it was not necessarily incompatible with Article 85 but would depend very much on the circumstances, the terms of the contract and the way in which they were applied. If the court felt that the object of the agreement was not to foster the development of the product for example by providing circumstances in which it could be developed properly, but had as its object the exclusion of all other competition in the Community,

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<sup>15</sup> (1983) 1 CMLR 278.

then the agreement would be void under Community Law. But you can see how difficult it is to actually distinguish between the two.

I think I have frightened you enough about EEC law. Let me move then on to proposals for reform in the UK. However, I should just say that having regard to Britain's membership of the EEC, there is a European dimension to this, and meetings are occasionally held to consider the harmonisation of copyright laws within the EEC. They frankly have not really yet come to anything positive because there are fundamental differences between countries such as France, Germany and indeed the United Kingdom as to how to reconcile the various national interests. The trouble is that this is having an effect on reform of the copyright law in the United Kingdom. On occasions the government has said that it will await the outcome of harmonisation talks, but then on other occasions it has said that it plans to go ahead anyway. The position at the moment is not entirely clear. For those of you who do not know, in 1973 a committee was set up by the Government to consider proposals for a new copyright law. That committee, known as the "Whitford Committee," reported in 1976. It then took five years until the Government published its own proposals for discussion as to what it intended to do about the Copyright Act. This is the so-called "Green Paper", which was intended by the Government to provoke discussions so that it could finally make up its mind as to what to do. I hope that one of my clients will not mind my infringing any copyright that he may have in his rather cynical comment that it seemed to him on reading the Green Paper that its only positive suggestion was that acrobats and jugglers be added to the Performers Protection Acts. Since the Green Paper appeared, there have been numerous submissions to the Government to try to get it to change its mind on various issues, but as I have said there is really no sign of a statute in progress.

Just briefly, the following seems to be the state of play on major proposals for reform. On home-taping the Government declared itself unconvinced by the arguments for a blank tape levy but since then many of the copyright organisations in the United Kingdom have been doing sterling work in trying to convince the Government that it is wrong on this. I am still myself doubtful whether a levy will be imposed because of the political difficulties in doing so. But what is true to say is that developments over the last year have shown that the Government's main hope of a spoiler system to prevent home-taping is unlikely to be achieved in practice.

Secondly, as to functional industrial designs to which I referred in the context of *Hoover v. Hulme*, basically what the Government says is that it does not like industrial manufacturers using copyright law to obtain in effect monopoly protection for their goods. It proposes to

prevent companies from using copyright law to stop other companies from making purely functional spare parts.

On photocopying, there are only minor changes proposed at the moment, so that there will just be a tightening up of the present law to prevent abuse of fair dealing provisions, particularly on multiple copying. The Government at the moment does not seem very keen on having a statutory blanket licensing scheme with users, and its view is that it is perfectly possible to negotiate a blanket licensing scheme within the current 1956 Act just as societies such as the Performing Right Society negotiate blanket licence fees with the broadcasting companies.

Our statutory recording licence is quite likely to go under current proposals. In the Green Paper, the Government seemed to be slightly sitting on the fence on this, but I think that the position is more and more tending towards its abolition. Again, this may be under the influence of the European Economic Community because the United Kingdom and Eire (which has a copyright act very similar to ours) are the only members of the EEC which have this compulsory licence scheme, and I think it is felt by the Commission that if it is going to encourage people to treat the Common Market as one area for the purposes of copyright licensing, it makes a nonsense to have such a fundamental difference.

There is an intention to confirm that computers are properly protected by copyright law, but this really highlights one of the difficulties which the Government does not seem to have fully faced how you keep abreast of new technology with the way that it is expanding at the moment. All it seems to be doing still is looking at the technology and thinking in those terms rather than providing the machinery for immediately adapting a future Copyright Act to cover new technology.

There are some changes proposed to ownership of copyright. For example, when a work is made by an employee, the employer should own the copyright only for the purposes of the employer's business and the author should have control over use of the work for other purposes. In the case of commissioned works there will be something similar so that the commissioner owns the copyright for the purposes of the commission but the author retains control over use for other purposes. This will not apply to matters of personal privacy such as family photographs.

There is also a proposal to introduce *droit moral* which will be an inalienable right for an author to claim authorship of his work and to object to any fundamental distortion of it.

Finally then just a few words on the issues which are dominating the copyright industry at the moment. Firstly there is the copyright position on technical drawings. Over the last few years there have been a rash of cases on this. The reasons for this are not entirely clear: It may

be a symptom of the worldwide recession when a manufacturer is more interested in protecting his share of the market by such means, but it may simply be that with publicity such as the Whitford Committee report manufacturers have only just realised the potential in this area. Secondly there is the influence of new technology. I have already mentioned such matters as computers, but in addition you will find in England quite a few cases dealing with the situation where a copyright work embodied in one medium is transferred to another medium. A typical example of course is the development of the videogram industry. Do the underlying agreements which granted the right to make the original cinematograph film extend to embodying the film in a new medium such as videocassette or cable television and so on? This is not really a copyright point, but seems to depend entirely on construction of the relevant contract. Under English law which I think is similar to the laws of many of the American states, one looks first to the words of the contract to see whether they clearly grant the rights. The third and possibly most important facet of copyright litigation is the growing emphasis on piracy. Over the past few years there has grown up a number of industry bodies designed to stamp out piracy of sound recordings, videograms, films and so on, as well as individual copyright owners, particularly in the merchandising area, tackling their own particular problem. The good thing to report here is that the law by and large has proved itself receptive to new possibilities of keeping piracy under control. The last five years have shown a growth in two areas which have given the copyright owners some teeth against the pirates: firstly, the so-called "Anton Pillar Order" which constitutes a sort of civil search warrant whereby the court compels a defendant to allow his premises to be searched and for infringing material and relevant documents to be taken away. Those orders in most cases are made after evidence only from the Plaintiff, and the first thing the Defendant knows about it is a dawn raid by the plaintiff's solicitors, sometimes accompanied by the police. Secondly, there is the so-called "Mareva" injunction which has been used to freeze funds which may be spirited away before a plaintiff can get judgment and some compensation for the damage done to his copyright.

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## 683. REVERSIONARY RIGHTS IN THE UNITED KINGDOM AND CANADA\*

By ROSINA HARRIS\*\*

*INTRODUCTION*

I am going to say a few words about reversionary rights and Alan Latman has asked me to mention Canada in particular. I felt a little reluctant to do this, because I am not of course a Canadian lawyer; but I do appreciate that Canada is of special interest to you and it is additionally important because the reversionary right provisions have never been repealed there. Thus every assignment made for example by an author today of his copyright, be it in a musical work or in computer software or any other work which includes the Canadian rights will be subject to reversion in Canada. So what I am going to do is to outline for you the United Kingdom law and then refer to the Canadian law, highlighting the differences as they appear to me. I do want to add the caveat that if you should have a problem which involves Canadian reversionary rights, you should please consult a Canadian lawyer expert in that field.

Reversionary rights have been in the news in recent years as a result of the recent litigation in the United Kingdom, which I will call the *Redwood* litigation. Full details of the Case Reports are set out at the end of this article.

I am sure you are familiar with the basis reversionary right provisions of our law, and I will therefore deal as quickly as possible with them and then pass on to some other aspects, which maybe have not had quite so much publicity.

*EXTENT AND SCOPE OF THE REVERSIONARY RIGHT PROVISIONS IN THE UNITED KINGDOM*

Whilst the *Redwood* litigation concerned songs, which have two copyrights under our law, one in the music and one in the lyrics, it is

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\*This article was delivered as an address at the Annual Meeting of the Copyright Society of the U.S.A. at Lake Mohonk, New York, on June 14, 1983.

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important to appreciate that the reversionary right law applies to all copyright works, whatever they may be.

The Copyright Act 1911, which I will refer to as the 1911 Act, gave copyright protection for life plus fifty years. The reversionary right provisions are set out in the Proviso to S. 5(2) of the 1911 Act, and that provides that where the author of a work was the first owner of its copyright, then any assignment or grant of a licence made by him was ineffective to vest any rights in the copyright in the assignee or the grantee after a period of 25 years from the author's death. At that date there was automatic reversion of the copyright to the author's legal personal representatives. The 1911 Act was repealed by the Copyright Act 1957, but these reversionary right provisions were kept in force as regards assignments made by an author between the 1st July 1912 and the 1st June 1957.

Thus even in the United Kingdom reversionary rights are going to be very much a live issue for many years to come. If you take the scenario of a young author who wrote the music of a song and assigned its copyright on the 1st January 1957 when he was aged 25 and he then dies in the year 2000, reversion of the copyright in that music will occur in 2025.

It should be noted that reversionary right law applies only where the author was the first owner of the copyright. Generally speaking, he will be the first owner unless the work was made under a contract of employment, in which case the employer is the first owner under S.5(2) of the 1911 Act, and there will be no reversion. Also in the case of certain commissioned works, namely engravings, photographs and portraits the commissioner is the first owner of the copyright. As you will see this class of commissioned works where the first owner of the copyright is the commissioner is much narrower than in the case of your law. There is often room for argument as to whether an author in a particular case was under a contract of employment and it would take too long for me now to go into the various points which may be factors in determining this. However, an important factor which must exist before a contract of employment can be established is that the employer must have had the right to instruct the author as to what works he was to create and how—in other words one must be able to show that the author was under the control and direction of the employer: for example, an exclusive songwriter's agreement is not sufficient.

### *DATE OF REVERSION*

It is worth spending a few minutes on the date of reversion, because the question as to whether or not a work was a work of joint authorship

is important here, and I will take if I may the example of song, because songs illustrate quite clearly the point which I want to make.

In the case of a copyright work which has a single author, the date of reversion is 25 years after his death. If however the work was one of joint authorship, then reversion occurs 25 years after the death of the first author to die or on the death of the last author to die, whichever is the later.

A work of joint authorship is defined in S.16(3) of the 1911 Act as meaning "A work produced by the collaboration of two or more authors in which the contribution of one author is not distinct from the contribution of the other author or authors."

The important point here is that there must be an inability to distinguish between the contributions of the authors—if for example you have a book with Chapters 1 and 2 by John Jones and Chapters 3 to 10 by Charles Brown, and clearly so designated, then there will be two separate copyrights, that is to say two literary copyright works and no work of joint authorship. Likewise if you have a song with music by Green and lyrics by White, they are simply two copyrights, but if you have a song with music by Green and lyrics by White and Black, and it is impossible to tell what contributions White and Black made to the lyrics, then there will still be two separate copyrights, but the copyright in the lyrics will be a work of joint authorship. This means that if for example White died in 1960 and Black dies in 1990, reversion in the lyrics will occur in 1990. If however Black had died in 1980, then reversion would occur in 1985, 25 years after the death of White.

### SUMMARY

Just to summarise so far, if you have a work to which you think reversion may apply, you need first to check whether the author was the first owner of the copyright, and if so whether he assigned its United Kingdom copyright between the 1st July 1912 and 1st June 1957. If the answer is yes, then reversion will *prima facie* apply.

### DEALINGS WITH REVERSIONARY RIGHTS

The next point to check is whether there has been any dealing in the copyright to which the author, his legal personal representatives or his heirs were parties, since the date of the first assignment, and which might have had the effect of transferring the reversionary rights. In the course of the *Redwood* litigation, and when investigating title to the various songs, it was found that in a number of cases there had been assignments of the American renewal right, which also incorporated an



assignment of worldwide rights.

It was held by the courts that where in addition to an assignment of the American renewal right, there had also been an assignment of worldwide copyright in such terms, for example, as the assignment of

“everywhere, for ever and without limitation, any and all rights and interests whatsoever, now or at any time or times hereafter known or in existence, now possessed or which may at any time or times hereafter be acquired or possessed by (widow) in or to the following entitled musical compositions,”

that that assignment included the United Kingdom reversionary rights, even though they were not mentioned by name.

Then there was another case where the words of grant included the following:—

“All rights whether now known or unknown, which the grantor . . . has or which he may become entitled to for all countries outside the United States which the grantor can convey, transfer or grant”.

Again in that case the words of grant were held to include the reversionary rights.

These are examples and there are many variations. Some renewal assignments I have seen specifically refer to reversionary rights in the work, whilst others are clearly confined to the American renewal right only. The point I want to make is that where any case of reversion has to be considered, the American renewal assignment covering the work should be carefully checked.

Turning now to capacity, you will remember that the reversion vests in the author's legal personal representatives. If you have a renewal assignment which includes worldwide copyright in terms wide enough to include the United Kingdom reversionary right, you need to check by whom that assignment was signed. If it was signed by the author's legal personal representatives or by the heirs who inherited the reversionary rights, it is normally adequate. If it is signed by the author before the 1st June 1957, it is not adequate, because it is caught by the Proviso to Section 5(2) of the 1911 Act. If the assignment is signed by the author after the 1st June 1957, the question as to whether or not the author has since that date had the capacity to assign the reversionary rights has not yet been decided. There are arguments both ways. I personally believe that an English court would uphold such an assignment, especially if it is expressed to be binding on the author's legal personal

representatives. However, one cannot be sure.

I should perhaps add that there is no doubt that the author's legal personal representatives can assign the reversionary rights at any time after probate has been granted—they do not have to wait until the first 25 years after death has elapsed.

I have highlighted renewal assignments, because experience has shown that they can be especially relevant in checking whether there has been any assignment or dealing in the reversionary rights. It may be that when the copyright title to a work is checked, it will be found that there has been some other event, such as a legal dispute followed by a settlement agreement, which may or may not have affected the reversionary rights.

### *TITLE*

I will now say a few words about title, and what I am going to say really falls into two heads, that of obtaining title and proof of title in court.

Dealing first with obtaining title, if one is checking that one needs of course to check the author's will and, where relevant, the wills of his heirs.

On the death of an American author who leaves a will, probate of which is obtained in some state of America, then the U.K. reversionary rights in his copyrights vest on his death in his American executors; and there is no need to take out a grant of probate in the United Kingdom to vest title in them. This was decided in the course of the *Redwood* litigation.

If however, an author dies intestate, whether he be American or of any other nationality, then his United Kingdom reversionary rights will vest, together with his other United Kingdom personal property, in the President of the Family Division in London. So things can get complicated if there was an intestacy and no grant of the estate was taken out at the time at the Probate Registry in the United Kingdom.

As to proof of title in Court, this arises whenever title is put in issue, and it is the practise for this to be done almost invariably in our courts. In the case of a work where reversionary rights are involved there could be litigation actually relating to a claim to own those reversionary rights or it could happen for example in the case of a plaintiff claiming that the copyright in a work which he owned had been infringed. In that case also, title would normally be put in issue. If reversionary rights were involved then the plaintiff would have to prove that he was the owner of those rights. Taking the case of the American author who leaves a will, and probate is granted in America so that title to his reversionary

rights vests in his American executors, it is nevertheless still necessary to prove the will in the United Kingdom court. For this purpose a grant of probate in the United Kingdom or a grant of letters of administration with the will annexed has to be obtained. It can normally be done without too much difficulty, but it is an added expense and it can cause delay.

### ARRANGEMENTS AND ADAPTATIONS

One of the cases involved in the *Redwood* litigation concerned the song "Zing Went The Strings of My Heart", which reverted in 1967. One of the issues in that case was whether there was a separate copyright in some 52 different arrangements of the song which had been made over the years, and whether the copyright in those arrangements, which in the majority of cases had been made at the behest of the publisher, followed the copyright in the original work and reverted to the author's legal personal representatives. On the evidence presented, which included tapes of many of the arrangements, the judge held that there was a separate copyright in nearly all of them. The test which he applied was whether the arrangement in question contained sufficient original material of the arranger to constitute a separate copyright work. He further held that the copyright in the arrangements did not revert to the legal personal representatives of the author of the original work.

Therefore you could often have a situation where the original work reverts, but arrangements or adaptations remain with the publisher. The owner of the original work which has reverted cannot exploit the publisher's arrangement and the publisher cannot exploit it either, because that would infringe the original work which has reverted. The result is a checkmate situation; I guess that in practise a deal has to be done.

### LIMITATION

In the United Kingdom, the general rule is that a plaintiff issuing a writ for breach of copyright cannot go further back than six years when claiming back royalties.

Where reversion has occurred, there can be situations where the person previously owning and exploiting the copyright will be held to have had an implied licence to continue to exploit it on the same terms as hitherto up until the date when ownership of the reversionary rights is claimed. Each case depends on its special facts and if you think that there may have been an implied licence, then it is worth looking at the *Zing* case.

Even if the facts do not substantiate an implied licence, then nevertheless if for example a former publisher has continued to exploit and

to account for royalties as hitherto to an author's heirs, then in any enquiry as to damages, there may be deducted from those damages, not merely the royalty payments paid to the heirs, but also such a rate of royalty as would in practice have had to be paid by the heirs to another publisher to exploit the work. Again the *Zing* case is relevant here.

### OVERSEAS TERRITORIES

Now may I turn to certain overseas territories where reversionary right applies. As I said earlier, it applies by and large throughout the British Commonwealth and territories and protectorates formerly within the British Commonwealth, with the difference that in many cases the operative dates are different. As time is short I will confine myself to the more important countries. You will remember that I said earlier that in the case of the United Kingdom, reversionary rights apply only if the work was assigned by the author between the 1st July 1912 and 1st June 1957.

In the case of Australia, the effective dates are 1st July 1912 and 1st May 1969.

In the case of New Zealand, the effective dates are 1st April 1914 and 5th December 1962.

In the case of South Africa, the effective dates are 7th April 1916 and 11th September 1965.

### CANADA

As I mentioned earlier, the reversionary right provisions, which are contained in the Canadian Copyright Act S.12(5), have not yet been repealed, although this has been recommended, and therefore reversion continues to apply to assignments executed by an author which include Canadian copyright.

The first point that I want to make is that reversion only applies in Canada to authors' assignments made after the 4th June 1921. Thus there will be a period of some nine years during which reversion will bite as regards assignments made by an author of his United Kingdom copyright but not of his Canadian copyright.

The Canadian Copyright Act is very similar to the 1911 Act insofar as those provisions which relate to reversionary rights are concerned. There are however some differences: There are differences in the definitions; and in the case of a work of joint authorship, reversion happens 25 years after the death of the last joint author to die, which postpones the date of reversion when compared to the United Kingdom law. This provision as to the date of reversion in the case of works of joint au-

thorship is contained in S.8(1) of the Canadian Copyright Act; but it seems that there may be a joker in the pack in the shape of S.8(2). That sub-section provides that authors who are nationals of a country which gives a term of protection shorter than life plus fifty years are not entitled to claim a longer term of protection in Canada.

There is some authority for saying that a song with words by Black and music by White may be a work of joint authorship under Canadian law, as opposed to two separate copyright works as it is under United Kingdom law. There is I think no direct authority, but the definitions in the Canadian Copyright Act lend some support for the proposition. Also in *Thibault v. Turcot*,<sup>1</sup> where two persons collaborated in writing a comic opera, and one wrote the music and the other the words, the opera was held to be one composition and a work of joint authorship.

I mentioned earlier that reversion only applies to authors' assignments made after 4th June 1921. In the case of an assignment made before that date you need to look at S.42 of the Canadian Copyright Act which provides for the extension of the term of copyright as regards those works which were written or made before the Act came into force. I do not know what the term of copyright was in Canada before the 1924 Act, but in the United Kingdom before the 1911 Act, it was the life of the author plus 7 years or 42 years from the date of publication, whichever was the longer. S.42 provides that the extended term will belong to the author or to his legal personal representatives subject to any express agreement to the contrary or subject to notice pursuant to sub-clause 2(a) having been given not more than one year or less than six months before the date on which the original copyright term expired.

The period of limitation for infringement of copyright is three years in Canada and not six as in the United Kingdom.

Finally may I stress that everything which I have said represents a summary of the more important points involving this branch of the law and there are many points of detail which need to be checked and considered if a problem arises.

*List of Cases in the Redwood Litigation*

*Redwood Music Limited v. Francis Day & Hunter Ltd.* (1978) R.P.C. 429.

*Redwood Music Limited v. B. Feldman & Co. Ltd.* (1979) R.P.C. 1.

*Redwood Music Limited v. B. Feldman & Co. Ltd.* (1979) R.P.C. 385. (C.A.)

*Chappell & Co. Ltd. v. Redwood Music Ltd.* (1980) 2. All E.R. 817 (H.L.).

*Redwood Music Limited v. Chappell & Co. Ltd.* (1982) R.P.C. 109.

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<sup>1</sup> (1926) 34 R.L.N.S. 415.

## PART II

## LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

## I. United States of America and Territories

## 684. U.S. CONGRESS. SENATE.

S. 736. A bill to provide that nonresident foreign nationals not be compensated unless such claimant's country compensates United States citizens for retransmission of materials they own. Introduced by Mr. Leahy on March 9, 1983; and referred to the Committee on the Judiciary. (98th Cong., 1st Sess.).

This bill would amend section 111(c) (5) of title 17, United States Code. The Canadian cable systems can currently retransmit American copyrighted materials without compensating the copyright holder. This bill would balance this policy by giving Canadian copyright owners only those benefits which Americans receive for the use of their copyrighted works in Canada. This amendment would require that before royalties are disbursed to nonresident foreign nationals for cable retransmissions, the Copyright Royalty Tribunal must first find that the claimant's country provides equivalent compensation to American copyright holders for the use of their materials abroad. Otherwise, the Tribunal will retain all of the fees.

## 685. U.S. COPYRIGHT OFFICE.

37 CFR 201. Compulsory license for cable systems inquiry. Statement of views. *Federal Register*, vol. 48, no. 62 (Mar. 30, 1983), pp. 13166-67.

On October 20, 1982, the Copyright Royalty Tribunal adopted its final rules establishing a new schedule of cable system compulsory licensing royalty rates in light of the Federal Communications Commission's repeal of certain distant signal carriage and syndicated exclusivity restrictions. The Copyright Office, after analyzing comments received in response to a notice of inquiry, reached certain tentative conclusions on specific issues and has published a statement of these views.

## 686. U.S. COPYRIGHT OFFICE.

Policy statement on deposit retention schedule. Notice of pol-

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icy decision. *Federal Register*, vol. 48, no. 60 (Mar. 28, 1983), pp. 12862-63.

A study of available storage space has led the Librarian of Congress and the Register of Copyrights to modify the policy concerning the retention of copyright deposits. Under the modified policy, copies of published works that are deposited for copyright registration, with the exception of visual arts, will be retained for no longer than five years from the date of deposit. Works of the visual arts will be kept for ten or more years, if possible. "Unpublished deposits will continue to be kept for the term of copyright . . . unless a facsimile reproduction has been made."

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## PART IV

## BIBLIOGRAPHY

## A. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

## 1. United States

687. ABRAMS, BERYL A. Volunteer lawyers for the arts amicus curiae brief for Universal City Studios, Inc. v. Sony Corporation of America. *Art and the Law*, vol. 7, no. 3 (1983), pp. 195-196.

A report on the amicus curiae brief submitted by Volunteer Lawyers for the Arts, Inc. in support of affirmance of the Court of Appeals' decision in the Sony case dealing with off-the-air home video recording.

688. BUTLER, TIMOTHY L. Can a computer be an author? Copyright aspects of artificial intelligence. *Communications and Entertainment Law Journal*, vol. 4, no. 4 (Summer 1982), pp. 707-747.

This note discusses the advances in computer science and its impact upon the traditional notions of authorship and originality. Since most works created by computers are not within the scope of copyright, the author explores several alternatives for copyright protection. He concludes that courts should interpret section 102 of the Copyright Act to allow copyrightability of expressions wholly or partly produced by computer software which are "thoughtful" or "indistinguishable" from those produced by a human author, and that human authorship should be *presumed* and requirements of authorship and originality deemed satisfied.

689. Copyright notice: one million copies too many. *Copyright Management*, vol. VI, no. 2 (Feb. 1983), pp. 1-2.

A federal court in New York granted Beacon Looms a preliminary injunction against fabric distributor Lichtenberg & Co. After allegedly being threatened by defendant with copyright infringement for copying its curtains, plaintiff brought suit to enjoin the threats in view of prior sale of a million of the curtain panels



without copyright notice or any appropriate surrogate notice. The court rejected defendant's section 405 argument of unintentional omission of the copyright notice and held that the extent of sale without notice evidenced a deliberate omission. "A . . . factor supporting the injunction was that Beacon's attempt to retrieve the situation included the mailing of only 50,000 copyright notice labels to its customer base."

690. FERGUSON, JEFFREY M. The obscenity defense denied: the rise of a rational view of copyright. *Western State University Law Review*, vol. 9, no. 1 (Fall 1981), pp. 85-94.

The author looks into the issue of obscenity and evolution of the statute and early case law. Mr. Ferguson also compares early and later case law giving the history and construction of both stages of the law. The impact of federal preemption is also discussed.

691. HARWOOD, CHARLES A. Encouraging delinquency in the American home: Sony's contributory infringement of copyrights. *Willamette Law Review*, vol. 18, no. 4 (Fall 1982), pp. 673-675.

A look at the Ninth Circuit Court's opinion in the case of *Universal City Studios v. Sony Corp. of America* and a discussion of liability for VTR use and possible sanctions. The author gives an analysis of the copyright law after *Sony* and the development and use of VTRs.

692. JOHNSON, JEFF EDWARD. Direct broadcast satellites: FCC adopts "open skies" policy for space age technology. *Communications and Entertainment Law Journal*, vol. 4, no. 4 (JSummer 1982), pp. 749-779.

This article gives an analysis of the FCC's policy relative to implementation of direct broadcast satellites (DBS). The author also examines the FCC's free market approach to DBS as well as the impact of these policies on local broadcasters. The author concludes that the FCC should integrate access and consumer responsiveness requirements into the DBS systems or run the risk of creating a "mediocre" new communications system that is unresponsive to many segments of the viewing public. The free market approach is not enough to insure that DBS will serve the public interest.

693. Jury trial denied. *Copyright Management*, vol. VI, no. 2 (Feb. 1983), p. 2.

A discussion of a ruling in a copyright infringement suit brought by BMI for the unlicensed public performance of music. Defendant demanded a jury trial and the court denied the demand on the grounds that the "statutory damages provided by Congress for violations of the Copyright Act are equitable and not legal in nature" and that no right to trial by jury "exists where the relief sought is purely equitable in nature."

694. PETROVICH, JOHN G. Artists' statutory "droit moral" in California. *Loyola of Los Angeles Law Review*, vol. 15, no. 1 (1981), pp. 29-69.

A discussion of the moral rights of the artist, including creation disclosure and withdrawal rights, the artist's right of paternity, the right of integrity, and the California Art Preservation Act. The author also gives suggestions for amending the California Act and looks at those works of fine art now protected by the Act.

695. Preemption in ornamental design proposals. *Copyright Management*, vol. VI, no. 1 (Jan. 1983), p. 3.

Rep. Thomas Railsback is sponsoring a bill that provides "two successive five-year terms of new protection (NP) for designs. If the . . . design becomes the subject of a design patent, NP ends forthwith. . . . If a copyright takes hold, NP can in effect shorten copyright term."

696. SEE, HAROLD. Copyright ownership of joint works and terminations of transfer. *Kansas Law Review*, vol. 30, no. 4 (Summer 1982), pp. 517-533.

Mr. See discusses joint works and the ownership of such works as *Oklahoma*, *Carousel* and *South Pacific*. Terminations of transfers and ways an author can effect this termination are investigated. Section V is devoted to the subject of joint authors and joint tenancy as a planning device to avoid the termination interest of others.

697. SELKOWITZ, IRA C. Commentary. A well-kept secret: informal adjudication in the Copyright Office—a Freedom of Information Act violation? *Administrative Law Review*, vol. 35, no. 1 (Winter 1983), pp. 133-146.

A comment on the applicability of the Freedom of Information Act (FOIA) to the Copyright Office's internal appeal procedure for rejected registration claims. The article concludes that the Office has failed to update the published statement of its appeal process and, by so doing, has violated certain publication requirements of the FOIA. A hypothetical case pointing up the effect of the alleged FOIA violation is provided along with recommendations for complying with the Act and for streamlining the appeal procedure.

698. SITZBERGER, DEBRA A. Copyright law—who gets the picture? *Washington Law Review*, vol. 57, no. 3 (July 1982), pp. 599-615.

An analysis of the *Universal City Studios, Inc. v. Sony Corp. of America* case. The author provides the legal background of the case, discusses fair use, contributory infringement (both patent and copyright) and the *Sony* decision.

699. STRASBERGER, ALISON. Copyright notice placement for the visual artist. *Art and the Law*, vol. 7, no. 3 (1983), pp. 281-292.

A look at the form of notice accompanying art works and the Copyright Office regulations implementing Section 401(c) of the Copyright Act of 1976.

700. TAMURA, DON M. Copyright infringement: an argument for the elimination of the *scenes a faire* doctrine. *Communications and Entertainment Law Journal*, vol. 5, no. 1 (Fall 1982), pp. 147-169.

This article outlines the legal requirements for an action in copyright infringement and introduces two major theories of copyright protection—the abstractions test and the patterns test. It also describes the origin of the *scenes a faire* doctrine and its current application. "*Scenes a faire* . . . are scenes which 'must' be done or alternatively, scenes which are integral to the plot or theme that they arise as a natural consequence of an artist's expression." The author concludes that the "*scenes a faire* doctrine should be eliminated because it is an aberration in the law of copyright and unnecessary to the resolution of the issue of substantial similarity."

701. URWIN, GARY L. Paying the piper: performance rights in musical recordings. *Communications and the Law*, vol. 5, no. 1 (Winter 1983), pp. 3-57.

The author gives a legislative history of the performance

rights controversy and examines both pros and cons. This article addresses whether performance rights are justified by economics and/or equity, and whether such rights are constitutionally permissible. It also discusses whether federal copyright law is the proper place for establishment of such rights. In order to break the deadlock over performance rights legislation, the author suggests that the scope of performance rights be segregated into easily determinable creative and reproductive categories. By creating performance rights only in creative performance, a bill would have a better chance of becoming law, because an equitable amount of royalties would be generated for performers, and less of a financial burden would be imposed on broadcasters.

702. VISICALC copyright enforced in West Germany. *Copyright Management*, vol. VI, no. 2 (Feb. 1983), p. 5.

A German court has found that the computer program VISICALC is copyrightable subject matter. The court stated that "with the software development in formal and material aspects an ample space for personal, creative formation exists, with virtually all personal decisions, solutions and formations, even originating from previous stages of developments, entering into the operational computer program itself."

703. ZORN, GLEN CURTIS. Cable television: toward an improved copyright and communications policy. *Art and the Law*, vol. 7, no. 33 (1983), pp. 239-260.

A history of cable television and the retransmission of distant signals. A look at *Fortnightly Corp. v. United Artists* and *Columbia Broadcasting Systems v. Teleprompter Corp.* is provided. The author also discusses continuation of the compulsory license and the current copyright fee schedule.

## B. ARTICLES PERTAINING TO COPYRIGHT FROM MAGAZINES

### 1. United States

704. AAP urges libraries to negotiate on copyright fees. *Library Journal*, vol. 108, no. 5 (Mar. 1, 1983), p. 432.

"Jon Baumgarten urged librarians to sit down with publishers

and negotiate voluntary photocopying guidelines" without the American Library Association (ALA). Publishers apparently see the ALA's position on copyright as having hindered previous negotiations. Part of that position is that most library photocopying is fair use, that photocopying does not cause a drop in periodical subscriptions and that no legislative changes in the Copyright Act are needed.

705. Bally Midway obtains judgment in New York. *Cash Box*, vol. XLIV, no. 37 (Feb. 12, 1983), p. 32.

A jury awarded Bally Midway Mfg. Co. \$545,000 in its copyright and trademark infringement suit against a Brooklyn toy company. The sum was awarded after a jury found that defendant manufactured and sold Pac-Man/Ms. Pac-Man stuffed toy pillows in violation of Bally Midway's copyrights and trademarks in the characters and their names.

706. BBC may take action on South African vid piracy. *Billboard*, vol. 95, no. 9 (Mar. 5, 1983), p. 59.

The BBC and the Independent Television Authority (ITV) recently met to discuss the illegal copying of British television material by pirates in South Africa. The BBC announced that it is contemplating legal action against the pirates; the ITV has not confirmed whether it is considering such action or not. If the British television networks do decide to bring suits, they will have to first register their films under South Africa's Copyright Act.

707. Bee Gees in court to fight c'right infringement suit. *Daily Variety*, vol. 198, no. 55 (Feb. 23, 1983), p. 14.

Ronald Selle's copyright infringement suit against the Bee Gees singing group recently went to trial. At issue in the case is a copyrighted song, which plaintiff maintains was used to make defendant's hit tune "How Deep Is Your Love." The Bee Gees members deny having heard plaintiff's tune and maintain that their work is "markedly different" from that of the plaintiff.

708. Bogus 'Pac-Man' & 'Ms. Pac-Man' video games seized in New York. *Cash Box*, vol. XLIV, no. 39 (Feb. 26, 1983), p. 32.

Bally Midway Mfg. Co. filed suit against the owners of numerous New York locations from which counterfeit Pac-Man and Ms. Pac-Man video games were seized. The machines were con-

fiscated pursuant to orders plaintiff obtained from the federal court in Brooklyn. The complaint charges the owners with violating plaintiff's copyrights and trademarks in the Pac-Man/Ms. Pac-Man games.

- 709.. Brazil minister's negative decision clobbers fight against vid piracy; gives clubs confiscated cassettes. *Variety*, vol. 310, no. 9 (Mar. 30, 1983), p. 53.

Brazil's Secretary of Federal Income ordered authorities to return 1,000 confiscated video tapes to local videoclubs. The Secretary declared the tapes to be "perfectly legal" even though federal taxes and royalties had not been paid on them and many allegedly were unauthorized duplicates. (See also "Homevideo Growing in Face of Piracy. . .," p. 58).

710. BRENNER, SUZANNE. Antipiracy test case in South Africa. *Billboard*, vol. 95, no. 6 (Feb. 12, 1983), p. 30.

The South African Supreme Court recently ruled that the "distribution, sale, rent or exposure for sale or rent of any [video software] imported to South Africa constitutes an offense in terms of the Copyright Act." The decision was rendered in a suit brought by Paramount Pictures Corp. against Video Parktown North. Paramount's attorneys see the judgment as a breakthrough as far as imports are concerned and interpret it to mean that all "pre-packs of videocassettes recorded outside the country, even if recorded by major film companies with branches in South Africa," are illegal.

711. Canadian dishes go unchecked; blindside Regina Roughriders. *Variety*, vol. 310, no. 9 (Mar. 30, 1983), pp. 94, 112.

The Canadian government eased its regulations concerning satellite receiving dishes. Under the new policy, dish owners, including hotels and bars, will not be prosecuted for the unauthorized pick up pay-TV signals. The decision followed the government's finding that the showing of programming via the dishes had no economic impact on the Canadian Football League.

712. CASTELLI, VITTORIO. Tape manufacturing plant raided by Italian police. *Billboard*, vol. 95, no. 7 (Feb. 19, 1983), p. 9.

A raid on a cassette-manufacturing plant in Italy resulted in the confiscation of 5,000 allegedly illegal cassettes and "items for

the illicit reproduction of phonograms." Three men were arrested in connection with the raid and charged with various cassette piracy offenses. The seizure was a joint effort of the Italian commercial police and SIAE, the country's copyright society.

713. Catching copyright up with technology. *Broadcasting*, vol. 104, no. 11 (March 14, 1983), p. 46.

The new Senate Subcommittee on Copyrights, Patents and Trademarks held its first hearing by receiving testimony from David Ladd, Register of Copyrights, and members of the Copyright Royalty Tribunal (CRT). Mr. Ladd testified on the activities of the Copyright Office and commented on the legislative agenda of the new subcommittee. Senator Mathias, chairman of the subcommittee, said that the committee will address such matters as revision of the copyright law, as well as copyright protection for semiconductor chips, computer programs, in addition to the treatment of cable television under the copyright act. Senator Mathias also focused on the structure of the CRT and the GAO recommendation that the CRT be reduced from five to three commissioners.

714. CBS gets another ruling vs. Springboard licensee. *Variety*, vol. 310, no. 5 (Mar. 2, 1983), p. 339.

A federal district court affirmed the settlement of CBS's suit against J.C. Enterprises Ltd. of Canada. Defendant claimed to hold the exclusive Canadian rights to a music catalog that CBS acquired from Springboard International Records. Under the settlement, defendant's rights to the catalog are terminated, it must destroy or return to CBS all masters and artwork related to the catalog, and must pay CBS a substantial royalty.

715. Coalition backs home taping bills. *Cash Box*, vol. XLIV, no. 37 (Feb. 12, 1983), p. 6.

Senator Charles Mathias' and Rep. Don Edwards' home taping and record rental bills received the support of the Coalition to Save America's Music. The Coalition, reportedly, represents hundreds of music industry groups.

716. Communication law symposium set for March. *Daily Variety*, vol. 198, no. 42 (Feb. 3, 1983), p. 21.

This year's Biennial Communications Law Symposium will

feature speakers from the American and Canadian governments and the satellite industry. The Symposium is sponsored by the International Bar Association and the UCLA Communication Law Program. The subjects that will be addressed during the meeting include direct-broadcast satellite, signal piracy and copyright.

717. Compulsory licensing for cable television: report. *The Journal of the Arts*, vol. 12, no. 4 (Winter 1983), pp. 29-41.

A report by the Committee on Entertainment and Sports Law of the Bar Association of the City of New York stating that it recommends that compulsory licensing (Section 111) should be abolished. The report provides a history of and describes the policies underlying compulsory licensing in the copyright law and gives the legal, administrative and legislative background of compulsory licensing for cable television.

718. Copying and copyrights. *Educators' Advocate* (Sept. 1982).

A brief discussion of fair-use copying by educators. This article alerts teachers to two terms in the copyright law that should be given special attention—spontaneity and cumulative effect. It also advises school districts to provide teachers with information on the law, “guidelines for fair use and their impact on use of copyrighted materials for instructional purposes.”

719. Copyright gets its own subcommittee. *Broadcasting*, vol. 104, no. 6 (Feb. 7, 1983), p. 68.

The Senate has established a new committee called the “Subcommittee on Patents, Copyrights and Trademarks.” Under the aegis of the Judiciary Committee, the committee will deal with matters concerning patents, copyrights, and trademarks, and have jurisdiction over international law and certain aspects of privacy and freedom of information.

720. Copyright Office reports to Congress on photocopying issue: upholds section 108 as workable. *Information Hotline*, vol. 15, no. 3 (Mar. 1983), pp. 1, 12-16.

This article features a reprint of the “executive summary as well as the full text of” the recommendations made in the Copyright Office’s photocopying report to Congress. On the copying practices of libraries, the report concludes “that the photocopying



provisions in the copyright law 'provide a workable framework for obtaining a balance between creators' rights and users' needs.' " The study further concludes that where a balance has not been achieved "it is either because the intent of Congress has not been carried out fully or because that intent is not clear to those whose 'behavior is within the ambit of the law.' "

721. Court 'scrambles' firm for illegal decoder distrib'n. *Daily Variety*, vol. 199, no. 16 (Mar. 28, 1983), p. 4.

A federal court in New York found Quickpit Components Inc. in contempt of court. The company had violated an injunction entered against it in a suit filed by Wometco Home Theatre for the unauthorized sale of subscription television decoders.

722. CRT head defends distant signal fees. *Broadcasting*, vol. 104, no. 10 (Mar. 7, 1983), p. 41.

Edward Ray, chairman of the CRT, told a House Subcommittee that the increase in license fees charged cable systems for carrying distant signals was necessary to reflect the marketplace value of the signals. He said that "on the basis of our cable proceedings, we cannot find any public policy justification for now fixing cable copyright royalties below the value of the copyright works in the distant-signal market." He also recommended adoption of a fee schedule that "would provide that the rates for all distant signals now be established at reasonable marketplace rates, and without any discounts to assist the development of the cable industry."

723. DE ARRARTE, ANNE. New law may be the answer: Tape piracy plagues Peru trade. *Billboard*, vol. 95, no. 8 (Feb. 26, 1983), p. 46.

Peru has a new antipiracy law which the local video and music industries hope will put an end to cassette piracy. The statute provides a two-month to six-year jail term for a first offense of "either producing or trafficking in pirated records, cassettes, written works, films or videocassettes."

724. Eastern Microwave wins Supreme Ct. test on WOR-TV. *Variety*, vol. 310, no. 4 (Feb. 23, 1983), p. 40.

The Supreme Court upheld the Second Circuit's reversal of a lower court decision in the New York Mets copyright infringement suit against Eastern Microwave. Defendant is a resale com-

mon carrier and, as such, maintained that it was exempted from copyright liability for its satellite distribution of WOR-TV's (N.Y.) signal. The district court held that Eastern Microwave was not a "passive carrier" and, thus, was not entitled to an exemption.

725. Electronic 'watermark': New antipiracy ploy unveiled. *Billboard*, vol. 95, no. 13 (Mar. 26, 1983), p. 32.

A British video software manufacturer has devised a new antipiracy system. The system entails encoding an electronic watermark on videotapes during the production process. The mark can be read by an electronic reader and traced to its duplicating source.

726. EVANS, ANITA. Copyright protection affirmed: New Thai law targets pirates. *Billboard*, vol. 95, no. 11 (Mar. 19, 1983), p. 9.

Thailand published a decree "confirming the protection given to intellectual creations of Berne Convention territorial signatories." There had been uncertainty about whether foreign works were protected under Thailand's copyright law. The new decree makes it clear that the published and "unpublished works of citizens or permanent residents" of countries belonging to Berne are protected.

727. Flea market raid leads to arrests of 7 people. *Variety*, vol. 310, no. 8 (Mar. 23, 1983), p. 77.

More than 7,000 allegedly illicit tapes and records were seized and seven people arrested in a raid on a Florida flea market. The raid was the culmination of a two-month investigation into the sale of allegedly pirated and counterfeit sound recordings.

728. FOTI, LAURA. ITA seminar talks video: Pricing, first sale stir debate. *Billboard*, vol. 95, no. 11 (Mar. 19, 1983), pp. 1, 68.

The first sale doctrine was among the subjects discussed at a recent International Tape/Disc Assn. seminar. Association members oppose the doctrine; its board of directors voted to support the proposed fair marketing amendment that would repeal the doctrine.

729. GIRARD, TOM. Ballinger seeks aid in gaining c'right to universal leader. *Daily Variety*, vol. 198, no. 62 (Mar. 4, 1983), p. 8.

John Ballinger, a retired film distributor, has asked Senator Alan Cranston to draft a special bill exempting him from the statute of limitations requirement of the Copyright Act. Ballinger claims that he designed "the Society of Motion Picture and Television Engineers Universal Leader" in 1958 and that the limitations provision prohibited him from copyrighting the design in 1965 when it was adopted by the Society.

730. GIRARD, TOM. Cal. war on cable pirates: here come those beepers. *Variety*, vol. 310, no. 4 (Feb. 23, 1983), pp. 44, 74.

Group W Cable and Communicom are taking advantage of California's new cable law to prosecute people who have unauthorized cable hookups. Under the statute, the illegal reception of cable transmissions is a crime punishable by a fine of \$1,000 and a 90-day jail sentence. The law also provides penalties for the sale and installation of unauthorized decoding equipment.

731. GIRARD, TOM. New technologies squeezing c'right laws to the limit. *Daily Variety*, vol. 199, no. 4 (Mar. 10, 1983), p. 12.

The inability of domestic and even international copyright laws to keep up with the new technologies is presenting problems for the world's creative community. This article focuses on instances in Britain and Germany where the inadequacy of the laws, especially in the area of the new program delivery media, is causing "confusion" and "chaos."

732. GOODMAN, FRED. Jem claims CBS overstated scope of import problems. *Cash Box*, vol. XLIV, no. 41 (Mar. 12, 1983), pp. 6, 54.

Importer Jem Records "suggested that CBS (Records) had made an inaccurate assumption" in its policy statement on imports from abroad. The CBS statement said that the Copyright Act prohibits the unauthorized importation, distribution and sale of copies or phonorecords of copyrighted works manufactured outside the U.S. Jem maintained that the law only mentions the act of importing; therefore, CBS' inclusion of retailers in its policy statement was an inaccuracy.

733. HARRIS, PAUL. House in H'wood pocket on antinetwork rules? FCC told to back off. *Variety*, vol. 310, no. 8 (Mar. 23, 1983), p. 42.

A bill is pending in the House of Representatives that would

prohibit the Federal Communications Commission from repealing or amending three of its broadcasting rules. The measure, which was introduced by Representatives Henry Waxman and Tim Wirth, would require retention of the Commission's financial interest, syndication and prime-time access rules.

734. HELOPALTIO, KARI. Finland ratifies Rome convention. *Billboard*, vol. 95, no. 6 (Feb. 12, 1983), pp. 9, 53.

Finland ratified the Rome Convention of 1961. As a result of the ratification, compensatory fees will be paid on foreign records broadcast by Finnish radio and television. The income from those fees, pursuant to agreements negotiated with various international authors groups, "will stay in Finland and be used for furthering Finish record production and music . . ." and "reciprocal payments from abroad . . . will be retained in those territories."

735. HOLLAND, BILL. Senate may bring back copyright subcommittee. *Billboard*, vol. 95, no. 6 (Feb. 12, 1983), p. 3.

The Senate Judiciary Committee is reestablishing the Senate Subcommittee on Patents, Copyrights and Trademarks. Republican members of the subcommittee will be Senators Charles Mathias (chairman), Paul Laxalt, Robert Dole, Orrin Hatch. Democratic members will be announced in the near future.

736. HOLLAND, BILL. Slow start: Senate, House action on rental not expected until May or later. *Billboard*, vol. 95, no. 11 (Mar. 19, 1983), p. 4.

It is anticipated that hearings on the audio and video rental bills will not be held until May, 1983. The late hearing prediction stems from the fact that the "House has not yet scheduled hearings on the calendar" and scheduling by the Senate was delayed due to the re-establishment of the Subcommittee on patents, copyrights and trademarks.

737. Homevideo growing in face of piracy: illicit sales skim the cream. *Variety*, vol. 310, no. 9 (Mar. 30, 1983), pp. 53, 54.

Brazil is one Latin American country that is making progress in its antipiracy fight. Last year the Brazilian government and the local motion picture association signed a protocol agreeing on joint action against the problem. That protocol, supposedly, will

form the basis of a decree or law guaranteeing authors' rights and insuring "that only authorized parties will be able to distribute film product." (See also "Brazil Minister's Negative Decision. . .," p. 55).

738. HOOS, WILLEM. Raid nabs hit cartoon pirate; Dutch theatres ultimately liable. *Variety*, vol. 310, no. 3 (Feb. 16, 1983), pp. 7, 36.

In a raid on a video store, Amsterdam police seized thirty illegal videocassettes of the cartoon feature "Als Je Begrijpt Ik Bedoel." One woman was arrested in connection with the illicit copies.

739. Importance of copyright protection for computer programs. *Information Hotline*, vol. 15, no. 2 (Feb. 1983), pp. 1, 10.

The Association of Data Processing Service Organizations (ADAPSO) submitted an amicus brief in *Apple Computer, Inc. v. Franklin Computer Corporation*. Plaintiff is appealing the trial court's denial of its motion for a preliminary injunction against the unauthorized use of its copyrighted computer operating systems. The court denied the motion after concluding that such "systems inscribed in object code on computer chips might not be protected by copyright." The ADAPSO brief argues "that a computer program is a copyrightable work of authorship, regardless of the language in which it is written" and the medium in which it is fixed. Operating systems, like application programs, "are instructions to a computer and are carried out by the computer in the same manner without regard to the label by which they are described," the brief contends.

740. KIRK, CYNTHIA. Diskeries file civil actions over allegedly pirated tapes. *Daily Variety*, vol. 198, no. 50 (Feb. 15, 1983), pp. 1, 14.

A Recording Industry Assn. of America antipiracy investigation has resulted in the filing of fifty-two suits in North Carolina's Federal district courts. Plaintiffs in the actions include RCA, MCA, Elektra/Asylum, Warner Bros., Atlantic, Polygram, and Capitol Records. The suits accuse the defendants of dealing in pirated and/or counterfeit recordings.

741. KOZAK, ROMAN. CBS demands approval of import flow. *Billboard*, vol. 95, no. 9 (Mar. 5, 1983), pp. 1, 62.

CBS Records is threatening to sue importers or retailers who

import its product into the U.S. Citing the 1976 Copyright Act, the company says that "it has the exclusive rights in the U.S. to recordings released by its subsidiaries abroad." Therefore, anyone wishing to import a CBS recording should first obtain a letter of authorization stating the terms under which the recording may be imported.

742. Kuwait, Nigeria, Ireland targeted by IFPI council. *Billboard*, vol. 95, no. 10 (Mar. 12, 1983), p. 30.

The Motion Picture Assn. of America and the IFPI Video Council approved plans to bring copyright and antipiracy enforcement suits in Kuwait and Nigeria. Ireland was targeted for similar actions.

743. Leader of U.K. liberals endorses blank tape levy. *Billboard*, vol. 95, no. 9 (Mar. 5, 1983), p. 9.

During an awards luncheon in London, David Steel, leader of Britain's Liberal Party, announced his support for a blank tape levy. Steel indicated that piracy and technological advances in the music and film industries make this as well as other copyright revisions necessary.

744. MCMASTERS, THERESA. Bill introduced to repeal compulsory license for cable. *The Hollywood Reporter*, vol. CCLXXV, no. 29 (Feb. 9, 1983), p. 13.

Representative Barney Frank intends to submit a bill to Congress which would repeal the cable compulsory license. Only "systems with less than 2,500 subscribers and which are not tied in with a multisystem organization" would continue to be liable under the compulsory license scheme. Additionally, the measure would eliminate the Federal Communications Commission's must-carry rules for cable.

745. MGM, Crichton named in \$75 mil c'right suit. *Daily Variety*, vol. 199, no. 1 (Mar. 7, 1983), p. 2.

The novel "Coma" is the subject of a copyright infringement suit against motion picture director Michael Crichton. Ted Berkic, the plaintiff in the action, alleges that the book and film version of "Coma" are misappropriations of his screenplay outline entitled "Reincarnation, Inc."

746. MILLARD, BOB. CMA celebs lobby Congress on copyrights. *Daily Variety*, vol. 199, no. 9 (Mar. 17, 1983), p. 26.

The Country Music Association led a lobbying effort for audio-video blank tape levies and record rental controls. The aim of the effort was not only to convince Congress of the need for action in these areas but "to bring a 'personal' element to law-makers about abstract copyright issues."

747. MPAA anti-pirates sue 3 vid retailers. *Variety*, vol. 310, no. 5 (Mar. 2, 1983), p. 268.

The Motion Picture Assn. of America instituted copyright infringement suits against three Oregon video retailers for selling pirated cassettes. The retailers, Maupin Drug Store, Video World and Movie World Corporation of Portland, allegedly pirated the video product of Columbia, Paramount, MGM/UA and others.

748. MPAA official: Bouras gives update on antipiracy battle. *Billboard*, vol. 95, no. 13 (Mar. 26, 1983), p. 30.

During an International Tape-Disc Assn. seminar, James Bouras of the Motion Picture Assn. of America discussed the international video piracy situation. Among the areas focused on were the copyright protection and enforcement policies of Hong Kong, Germany, Sweden, and the United Kingdom.

749. NCTA asks Copyright Office to clarify ambiguities in law. *The Hollywood Reporter*, vol. CCLXXV, no. 45 (Mar. 3, 1983), p. 3.

The National Cable TV Association has asked the Copyright Office to interpret rules concerning "specialty stations, temporary carriage of a previously carried signal and ungranted waiver requests." The questions arose out of the Federal Communications Commission's repeal of certain cable rules and the Copyright Royalty Tribunal's subsequent increase of the cable royalty rates.

750. Neil Diamond in song suit. *Billboard*, vol. 95, no. 8 (Feb. 26, 1983), p. 43.

Thomas Cusick filed a copyright infringement suit against singer Neil Diamond. The complaint alleges that Diamond's "Yesterday's Songs" was copied from a composition written by the plaintiff. It seeks injunctive and other relief.

751. New Jersey theft of services law nets cable pirate. *Variety*, vol. 310, no. 6 (Mar. 9, 1983), p. 44.

Cablevision of New Jersey has lodged a complaint against Omni Electronics for theft of services. The action, which was filed under a new provision of New Jersey law, alleges that defendant sold "descrambling devices for the purpose of bypassing filter equipment" in the homes of plaintiff's subscribers. The devices enable basic cable subscribers to receive pay services without paying for them.

752. NMPA/MPA meet agenda set: U.S., Japan groups prepare for Tokyo gathering. *Billboard*, vol. 95, no. 6 (Feb. 12, 1983), p. 44.

The National Music Publishers Assn. and the Music Publishers Association of Japan will be holding meetings in the end of March 1983 in Tokyo. Topics to be discussed during the sessions include home taping, record rentals, imported records and copyright.

753. Northern Songs sues video firm. *Billboard*, vol. 95, no. 11 (Mar. 19, 1983), pp. 6, 61.

Twenty-First Century Distribution Corp. is being sued for copyright infringement. Northern Songs Ltd., the plaintiff in the action, charges the defendant with the unauthorized use of John Lennon/Paul McCartney copyrights in a video release. Plaintiff seeks \$1 million in damages and injunctive relief.

754. Pay-TV distributor asks court for new ammo against pirates. *Variety*, vol. 310, no. 4 (Feb. 23, 1983), p. 44.

Movie Systems Inc. filed suit against the Citizens For Constitutional TV. Defendant is a group of some fifty people who admittedly are receiving Home Box Office programs without paying for them. Plaintiff seeks damages, injunctive relief and a ruling "on the legitimacy of using an electronically equipped detector van or, alternatively, to accept the fact that anyone with an antenna pointed toward" its transmitter in downtown Minneapolis is receiving the signal.

755. Piracy not only woe in Germany; distribs must watch 'legit' plays. *Variety*, vol. 310, no. 5 (Mar. 2, 1983), p. 310.

Parallel imports from Zurich and Vienna are presenting



problems for homevideo distributors in West Germany. A tactic being used to limit the problem is the purchase of Austrian and Swiss homevideo rights to any acquisitions made for West Germany.

756. Presley bootlegger is sentenced to probation. *Cash Box*, vol. XLIV, no. 41 (Mar. 12, 1983), p. 13.

A Louisiana district court fined convicted pirate Albert Bell \$5,000 and placed him on five years' probation. The court also ordered Bell to "remove himself from the record business . . . for the entire term of the probation." Bell's copyright infringement conviction stemmed from his alleged distribution of bootleg Elvis Presley recordings.

757. Publishers file suit against NYU for copyright infringement. *Information Hotline*, vol. 15, no. 2 (Feb. 1983), pp. 1, 10.

A copyright infringement suit was filed against NYU and others in connection with the school's "unauthorized and unlawful reproduction, anthologizing, distribution, and sale of" plaintiffs' copyrighted works. The action was initiated by the Association of American Publishers' College Division and eight publishers. The complaint seeks various remedies, including injunctive relief and damages.

758. RIAA figures put 1982 illicit sound and vid confiscations at \$65 mil. *Daily Variety*, vol. 198, no. 58 (Feb. 28, 1983), p. 1.

The Recording Industry Association of America released figures showing that its antipiracy efforts resulted in the confiscation of more than \$65 million worth of illicit audio and video recordings and related manufacturing paraphernalia in 1982. The figures also show that numerous law suits, search warrants and arrests stemmed from piracy-related activities.

759. Rights group makes appeal to Dutch gov't. *Billboard*, vol. 95, no. 11 (Mar. 19, 1983), p. 56.

BUMA/STEMRA, the Dutch authors' rights organization, recommended that the Dutch parliament take some action to improve protection for the local music industry. Among the measures suggested were: ratification of the Rome and Geneva Conventions, settlement of authors' rights issue in the areas of photocopying and cable TV programming, and adoption of a

software and/or hardware levy to compensate for home taping.

760. ROBERTSHAW, NICK. By British copyright chief: World action on piracy urged. *Billboard*, vol. 95, no. 13 (Mar. 26, 1983), p. 58.

Denis DeFreitas of the British Copyright Council has written a paper on the international audio and video piracy problem. The paper "details the inadequacies of the existing . . . legislation, and lists the measures needed" to remedy the situation.

761. ROBINSON, RUTH A. BMI's Cramer issues letter to members on Buffalo decision. *The Hollywood Reporter*, vol. CCLXXV, no. 47 (Mar. 7, 1983), p. 4.

As ordered by the court in the Buffalo Broadcasting suit, BMI has written its members concerning their position with respect to works written and published for television. The letter advised the members that the organization could only "continue to license works for syndicated TV shows until Feb. 1, 1984." Thereafter, society members would not be permitted to "grant any performing rights organization the right to license their works for performance" in syndicated shows that are televised by TV stations represented in the suit. They would be permitted, however, to license their works themselves or use some other licensing mechanism.

762. ROGGEVEEN, MIJKE. Bee Gees lose lawsuit over 'How Deep' c'right. *Billboard*, vol. 95, no. 9 (Mar. 5, 1983), pp. 4, 68.

A federal jury decided that the Bee Gees singing group infringed 12 bars of the song "Let It End" by Ronald Selle. Plaintiff's attorney indicated that the determining factor in the jury's decision was expert testimony concerning the striking similarities between the group's "How Deep Is Your Love" and the Selle tune. The Bee Gees is expected to appeal the decision.

763. Rolm sues Plessey over copyright. *New York Times*, vol. CXXXII, no. 45,599 (Feb. 24, 1983), p. D4.

The Rolm Corporation has filed suit against Plessey Telecommunications of Britain, charging misuse of Rolm technology and copyrighted software. The suit, filed in the district court for the Northern District of California, charges that Plessey, as a licensee of Rolm technology, used the technology and software to

develop a private branch exchange telecommunications system called the IDX.

764. ROSEN, BARBARA. U.K. cassette pirates find rich market as more Britons rent video recorders. *The Wall Street Journal* (Jan. 11, 1983), p. 39.

Illegal recording of videotapes is a growing problem in the United Kingdom. This increased illegal activity is attributed to the lenient penalties imposed under the country's copyright laws and to the huge video market—between 16% and 17% of British households have video equipment. Lawsuits have been an effective antipiracy tool, and the industry is awaiting parliamentary action on a pending amendment that would increase penalties for copyright offenses.

765. ROTH, MORRY. Gortikov tells Chi students that home dubbing perils biz. *Variety*, vol. 309, no. 12 (Jan. 19, 1983), pp. 2, 123.

Recording Industry Assn. of America president Stanley Gortikov told students at Columbia University that home taping is personal piracy. Its widespread acceptance is creating a sense of false legitimacy, Gortikov warned, to a trend that could erode the creative and capital resources of the record business. He informed the students that the solution to the problem rests not with stopping home taping but with the Mathias Amendment, which would place a surcharge on blank tapes and taping equipment.

766. ROTHENBERG, STANLEY. Whose idea is it anyway? *Variety*, Seventy-Seventh Anniversary Issue (Jan. 12, 1983), p. 32.

In discussing the protectibility of an idea, the past president of the Copyright Society of America explains that the copyright law protects the author's expression of "ideas, facts and events, albeit not the ideas, facts and events per se." He briefly focuses on the courts' description of expression and interpretation of what constitutes copyright infringement. He then points out instances where ideas are "entitled to protection against wrongful disclosure or use" under unfair competition laws.

767. Roving editor. *The Writer* (April 1983), p. 6.

A discussion of the Public Lending Right in Britain (a right involving the payment to authors when their books are borrowed from Britain's 6000 libraries) and a comment by "Writer" mag-

azine that it "would be unfortunate if this were ever to lead to a basic change in the free public library system."

768. RUSSELL, ELIZABETH. Communications: Betamax a criminal? Supreme Court hears the arguments. *The Washington Post* (Jan. 24, 1983), p. 9B.

This article reviews the home taping issue in light of the Supreme Court's review of the *Betamax* suit. The questions raised by the case include whether videotape recorders are criminal and whether copyright owners should receive additional compensation for the taping of their works via these machines.

769. RUSSELL, ELIZABETH. Thurmond proposing new copyright panel. *The Washington Times* (Jan. 3, 1983), p. 10B.

Senator Strom Thurmond intends to establish a new subcommittee on copyright, trademark and patent law. The subcommittee "would look into questions of ownership rights in nontangible property, such as television programs and computer software." It would also deal with such issues as cable copyright and home taping. Reportedly, Senator Charles Mathias has been asked to head the new subcommittee.

770. SCHNEIDERMAN, JAN R. The descendability of the right of publicity: an analysis. *The Journal of the Arts*, vol. 12, no. 4 (Winter 1983), pp. 49-76.

The author investigates the concept of freedom of the press, the right of privacy, the First Amendment privileges and the following cases: *Paulsen v. Personality Posters, Inc.*; *Factors Etc., Inc. v. Pro Arts*; *Memphis Development Foundations v. Factors Etc. Inc.*; and *Groucho Marx Productions Inc. v. Day and Night Co.*

771. SCHREIBER, MANFRED. Austrian market hit by video piracy wave. *Billboard*, vol. 95, no. 2 (Jan. 15, 1983), p. 46.

The high cost of legitimate videocassettes has resulted in the Austrian market being flooded with pirated product. This increase in illicit videocassettes prompted authorities to join forces with the record and film industries to seek a solution. Their efforts have led to recent confiscations netting approximately 1,000 pirated cassettes.

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