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# Journal

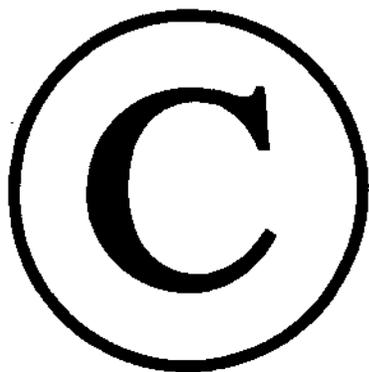
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Announcing the  
CHARLES B. SETON AWARD FOR 1986  
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The First Annual Charles B. Seton Award will be presented at the 1987 Annual Meeting of The Copyright Society of the U.S.A. The award, in the amount of \$250, will be given to the person whose article or other submission published in Volume 33 of the Journal of the Copyright Society of the U.S.A. constitutes the most significant contribution to scholarship in copyright law and displays original and creative ideas not previously published. To be eligible, the author must not have attained 40 years of age during the calendar year preceding the date of the award, i.e., 1986. The judges will be the President of The Copyright Society of the U.S.A. and the Editor-in-Chief of the Journal of the Copyright Society of the U.S.A. If the judges determine for any reason that the award should not be made in any given year, an award of \$500 will be made in the following year.

Articles should be submitted to The Copyright Society of the U.S.A. (Attention: Editor-in-Chief), New York University Law Center, 40 Washington Square South, New York, N.Y. 10012.



PART I  
ARTICLES

- I. NOTE: FACTUAL COMPILATIONS—COPYRIGHT PROTECTION FOR COMPILATION DEPENDS ON DEGREE OF ORIGINALITY INVOLVED IN ASSEMBLING FACTS—*Financial Information, Inc. v. Moody's Investors Service, Inc.*

By DAVID C. STIMSON\*

It is a basic principle of copyright law that facts, like ideas, are not copyrightable subject matter.<sup>1</sup> Equally well settled is the principle that a compilation of facts may be entitled to copyright protection.<sup>2</sup>

The protection given to compilations does not, however, give blanket protection to any compilation or to all subject matter contained in the compilation but extends only "to the material contributed by the author of such work, as distinguished from the pre-existing material employed in the work, and does not imply any exclusive right in the pre-existing material."<sup>3</sup>

A recent case to examine the scope of protection to be given to a factual compilation was *Financial Information, Inc. v. Moody's Investors Service, Inc.*,<sup>4</sup> in which the publisher of a daily called bond service, which was also compiled into an annual cumulative volume, alleged that the copyright in its materials was infringed by defendant's biweekly and annual publications of called bond information. Upon appeal from the district court's dismissal of the complaint based on a finding that plaintiff's publications were copyrightable but that the fair use doctrine operated

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<sup>1</sup> See *Harper & Row Publishers, Inc. v. Nation Enterprises*, 723 F.2d 195, 202 (2d Cir. 1983), *rev'd on other grounds*, 85 L.Ed.2d 588 (1985); *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365, 1368 (5th Cir. 1981); *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 974, 979 (2d Cir.), *cert. denied*, 449 U.S. 841 (1980); I. M. NIMMER, *THE LAW OF COPYRIGHT* §2.11[A] at 2-157 (1984). In addition to copyright considerations, there is the constitutional concern that the granting of a copyright monopoly to facts would place an intolerable limit on First Amendment rights. NIMMER, *supra*, § 2.11[E] and cases cited therein.

<sup>2</sup> See materials cited in note 37 *infra* and NIMMER, *supra* note 1, §§2.04[B] and 2.11[D].

<sup>3</sup> 17 U.S.C. §103(b).

<sup>4</sup> 599 F. Supp. 994 (S.D.N.Y. 1983), 751 F.2d 501 (2d Cir. 1984); 1984 COPYRIGHT LAW DECISIONS (CCH) ¶25,617 (S.D.N.Y. 1984), *remanded*, 751 F.2d 501 (2d Cir. 1984).

as a complete defense for defendant's actions, it was held that the case should be remanded for the district court to determine the copyrightability of plaintiff's materials based on the originality involved rather than on the labor expended in making the works.<sup>5</sup>

## I. STATUTORY COPYRIGHTABILITY OF COMPILATIONS

The Copyright Act of 1976 grants copyright protection to "original works of authorship fixed in any tangible medium of expression."<sup>6</sup> The Act specifically provides that the subject matter of copyright includes compilations,<sup>7</sup> but in two separate sections emphasizes that compilations *per se* are not copyrightable but that there must be originality and that copyright protection extends only to the original components of the compilation.

The definition of "compilation" set forth in the Act is "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."<sup>8</sup>

This requirement of originality, and the distinction between the preexisting material not subject to copyright protection and the original material entitled to protection, is reiterated in Section 103(b) of the Act as follows:

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>9</sup>

The requirement of originality is set forth clearly in the legislative history to the 1976 Act. The House Report specifically states that "[c]opyright does not preclude others from using the ideas or information revealed by the author's work. It pertains to the literary, musical, graphic or artistic form in which the author expressed intellectual con-

<sup>5</sup> See discussion of these cases in THE COPYRIGHT LAW JOURNAL, vol. 1, no. 10 at 99 (March 1985) and Goldberg and Zissu, *Copyrightability, Fair Use: Return to Common Sense*, The New York Law Journal, March 15, 1985, p. 1, col. 1.

<sup>6</sup> 17 U.S.C. §102(a).

<sup>7</sup> 17 U.S.C. §103(a).

<sup>8</sup> 17 U.S.C. §101.

<sup>9</sup> 17 U.S.C. §103(b).

cepts.”<sup>10</sup> The report describes the “two fundamental criteria of copyright protection” as “originality and fixation in tangible form.”<sup>11</sup> Originality, however, is not to be read as requiring any artistic merit for, as the House Report states, “[t]he term ‘literary works’ does not connote any criterion of literary merit or qualitative value: it includes catalogs, directories, and similar factual, reference, or instructional works and compilations of data.”<sup>12</sup>

That this fundamental requirement of originality applies to compilations is made clear by the House Report’s discussion of the “important interrelationship and correlation” between the protection of preexisting and of new material in a compilation:

The most important point here is one that is commonly misunderstood today: copyright in a “new version” covers only the material added by the later author, and has no effect one way or the other on the copyright or public domain status of the preexisting material.<sup>13</sup>

The provisions of the 1976 Act are consistent with those of the 1909 Copyright Act which, at Section 5, set forth as a classification for registration “books, including . . . directories, gazetteers, and other compilations.”<sup>14</sup>

As does the present statute, the 1909 Act made a distinction between the original and the public domain materials contained in a compilation:

Compilations or abridgements, adaptations, arrangements, dramatizations, translations, or other versions of works in the public domain . . . shall be regarded as new works subject to copyright under the provisions of this title; but the publication of any such new works shall not affect the force or validity of any subsisting copyright upon the matter employed or any part thereof, or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works.<sup>15</sup>

The Copyright Office regulations promulgated under the 1909 Act and still applicable under the 1976 Act provide that “[w]orks consisting

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<sup>10</sup> H.R. REP. NO. 94-1476, 94th Cong., 2d Sess., *reprinted in* 1976 U.S. CODE CONG. & AD. NEWS 5659, 5670.

<sup>11</sup> *Id.* at 5664.

<sup>12</sup> *Id.* at 5667.

<sup>13</sup> *Id.* at 5670.

<sup>14</sup> The 1909 Copyright Act, 17 U.S.C. §5(a) (repealed 1978).

<sup>15</sup> *Id.* at §7.

entirely of information that is common property containing no original authorship such as, for example: . . . lists or tables taken from public documents or other common sources" are not subject to copyright and applications for registration of such works will not be entertained.<sup>16</sup>

## II. *FINANCIAL INFORMATION, INC. v. MOODY'S INVESTORS*

### A. *Facts*

Plaintiff Financial Information, Inc. ("FII"), a publisher of financial information, distributed a daily called bond service to approximately 300 subscribers.<sup>17</sup> As part of this service, FII sent to its subscribers notices on 4 by 6 inch index cards of approximately ten called bonds each business day. Each card stated the name of the issuer of the bond, the type and interest rate of the bond, the redemption price, the redemption date, the redemption agent, and the serial numbers of the bonds called. At the end of each year FII published a cumulative volume containing the called bond cards in alphabetical order.

FII received the information contained on its cards by subscribing to newspapers and financial publications and by placing itself on the mailing lists of bond issuers and redemption agents. In this way FII had access to the advertisements and other notices placed by municipalities and other bodies calling bonds for redemption. By subscribing to FII's bond service a party would receive notification of all bonds called for redemption and would not need to itself subscribe to numerous financial publications.

FII placed a copyright notice on each of its daily called bond cards and registered the annual volume with the Copyright Office.

FII alleged that the copyright in its materials was infringed by the action of defendant Moody's Investors Service, Inc. ("Moody's"). Moody's published an annual *Municipal and Government Manual* containing, among other things, a listing of bonds called for redemption. Moody's supplemented this annual publication with a biweekly fact sheet which contained more current information about called bonds.

FII based its allegations of infringement on the similarity between Moody's fact sheets and FII's daily cards. Evidence was presented that errors contained in FII's cards were also found in Moody's fact sheets. Moody's not only denied the copying but attacked the validity of the copyright claimed by FII in its daily bond cards. Moody's did not, how-

<sup>16</sup> 37 C.F.R. §202.1(a).

<sup>17</sup> The facts which follow are set forth in the two opinions of the District Court and the opinion of the Court of Appeals. See note 4, *supra*.

ever, contest the validity of the copyright in FII's annual cumulative volume.

### B. *The District Court Determination of Copyrightability*

When Moody's moved for summary judgment contesting the copyrightability of the daily bond cards, the District Court for the Southern District of New York denied the motion. The "pivotal question" according to the District Court was, "whether FII's daily called bond data can be considered a compilation."<sup>18</sup>

The District Court rejected Moody's assertion that the daily data were merely individual facts which could not be considered a compilation. The court found that by publishing ten or twelve index cards every day for a total of approximately 2500 cards for the yearly volume, FII was unquestionably assembling, connecting and characterizing disparate facts in a copyrightable fashion. The court placed great emphasis on the amount of work expended by FII in collecting the facts and held that "such a laborious, painstaking compilation is certainly the type that the copyright laws aim to protect."<sup>19</sup>

Although the court framed its inquiry in terms of the copyrightability of the daily cards, it is clear from the discussion that its basic concern was protection of the annual volumes. The court felt that whatever protection might be given to the annual volumes would be worthless absent protection of the daily cards, stating that "[t]o accord copyright protection to the annual compilation but deny it to each daily component would negate the value of the protection accorded the yearly compilation."<sup>20</sup>

This concern, however, led the court into confusing the conflicting statements and ultimately into an erroneous decision. On the one hand, the court stated that because the annual compilation is copyrightable its component parts should also be:

Just as an annual aggregation of called bond data should be considered a compilation, so, too, should each serial ingredient—be it the quarterly, monthly, weekly or daily component—be considered a species of compilation.<sup>21</sup>

<sup>18</sup> 599 F. Supp. at 997. For criticism of the "sweat of the brow" theory of copyrightability, see *Miller v. Universal City Studios, Inc.*, *supra*, note 1 at 1369. 1372; NIMMER, *supra* note 1 at § 2.11[E].

<sup>19</sup> 599 F. Supp. at 998.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

If the court was saying that the copyrightability of the individual parts is based upon the copyrightability of the sum of the parts, such a position is clearly not correct and goes against the weight of prior case law. Section 103(b) states that "the copyright in such [compilation] 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>22</sup> It is clear that any copyright protection on the component parts of the compilation must be based on the characteristics of the components and not on their presence in any aggregation.

On the other hand, despite this position, the District Court took pains to say that by so stating "the court is not addressing the question whether a one time only assembling of ten called bond index cards on a given day—not part of a yearlong compilation of such cards—would constitute a copyrightable compilation."<sup>23</sup> The court thus appears to be saying that the copyrightability of a work depends not on the author's originality or the elements of arrangement but rather upon the length of the work.<sup>24</sup> In other words, without passing upon the copyrightability of an individual link to the chain, each link will become copyrightable on its own if it is part of a long enough chain.

The District Court also gave too much weight to the labor allegedly involved in FII's gathering of the called bond data. As stated above, the court was concerned that without copyright protection for the labor, parties such as FII would not find it profitable to perform the necessary work involved in collecting such data. "The court believes that the better rule is that copyright protection should be afforded the compiler's industry, even when his arrangement is not copied, because oftentimes that is the only way that protection will prove meaningful."<sup>25</sup>

The District Court itself seemed to have problems with this approach. It acknowledged that the purpose of the copyright law is "to encourage works of the intellect" and that collections of facts such as those contained in FII's work were not "classic works of the intellect" but were rather "products of painstaking industry."<sup>26</sup> The court, however, persisted in granting protection based solely on the industry of FII without any examination of the originality involved or of whether FII had added anything to the public domain data contained in the publi-

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<sup>22</sup> 17 U.S.C. §103(b).

<sup>23</sup> 599 F. Supp. at 998, n.6.

<sup>24</sup> In this regard see Denicola, *Copyright in Collections of Facts: A Theory for the Protection of Nonfiction Literary Works*, 81 COL. L. REV. 516, 522 (1981): "These results [in some cases denying copyright protection] can be better ascribed to a failure to evince a minimum quantity, rather than quality, of authorship."

<sup>25</sup> 599 F. Supp. at 999, n.7.

<sup>26</sup> *Id.* at 999.

cations from which it assembled its cards. The court's complete reliance on hard work rather than originality is shown by its test (the application of which it deferred) of whether the daily cards constituted copyrightable compilations. The court stated that the question of "[w]hat the minimum amount of labor required is to put together a copyrightable compilation is a question left for another day."<sup>27</sup>

The District Court denied Moody's motion for summary judgment on the issue of copyrightability.

### C. *The District Court Determination of Infringement*

After bench trial of the action, Judge Carter reiterated his prior holding that FII's cards were copyrightable. His determination of copyrightability was based more on the relationship of the daily cards to the annual volume than on a weighing of the merits of the copyrightability of the daily cards themselves:

Defendant raises no issue about the annual cumulative volume being copyrightable. However, to accord copyright protection solely to the annual cumulative bond volume and deny it to the 2,500 index cards produced daily over each year's span would surely negate the protection accorded the yearly compilation.<sup>28</sup>

After confirming the copyrightability of plaintiff's cards, the court found that the fair use doctrine applied to Moody's actions and operated as a complete defense.<sup>29</sup>

Strangely, the court weighed considerations in its determination of the fair use issue that it should have used as well to deny copyrightability to the FII materials. In finding that FII had failed to establish a substantial use of its work by Moody's, the court relied on the finding that "[t]he simple facts on the index card—name of issuer, coupon number, redemption date, redemption price and redemption agent—would have to be the same or similar in any event where both parties are reporting on the same redemption bonds."<sup>30</sup> In determining the copyrightability of plaintiff's cards, the court should have focused on a comparison of this "simple" information and format used in the cards with the information and format of the newspaper notices calling the bonds for redemption. Such a comparison demonstrates that there is not sufficient originality in FII's work to justify the holding of copyrightability.

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<sup>27</sup> *Id.* at 998, n.6.

<sup>28</sup> 1984 COPYRIGHT LAW DECISIONS, *supra* note 4 at 18,764.

<sup>29</sup> *Id.* at 18,766.

<sup>30</sup> *Id.*

#### D. Appeal

On appeal, the Second Circuit remanded on the issue of copyrightability and, incidentally to this discussion, held that Moody's work was not protected by fair use.

At the outset, weighing the factual basis for the District Court's concern of protecting FII's hard work, the Second Circuit stated that there was little editorial skill or creative discussion involved in FII's creation of the index cards and that the cards were "essentially a compilation of financial facts collected from various sources."<sup>31</sup>

Stating that "the whole of a compilation is thus greater than the sum of its parts"<sup>32</sup> the Court of Appeals accepted the proposition that a compilation may be entitled to copyright protection although none of the individual facts which make up the compilation are copyrightable. The court then weighed the District Court's "pivotal question" as to whether the daily bond data can be considered a compilation.

Although the Court of Appeals sympathized with the District Court's concern about protecting the annual volume by prohibiting the copying of the daily component parts, it remanded for a determination whether FII's work met the requisite Second Circuit standards of originality. Specifically, the court ordered that on remand

questions to be addressed will include whether the data used on the FII cards involved a modicum of selection, coordination, or arrangement on FII's part, sufficient to meet the rather broad copyrightability standard of originality which is phrased in terms of "independent creation" rather than the narrower, inapplicable standards of "uniqueness" or "novelty" or "ingenuity."<sup>33</sup>

The Second Circuit thus directed the District Court's attention to the originality of the daily bond cards and directed that copyrightability be determined on the basis of such originality rather than on the labor involved in making the cards or the necessity for protecting the annual volume by means of protecting the daily cards.

The Second Circuit, however, was clearly as bothered as the District Court by the relationship between the daily cards and the annual volume. The court stated that it hoped that the remand would give further clues to "resolving a conundrum in the copyright law," *i.e.*:

If "facts" are not copyrightable but a "compilation" of them is,

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<sup>31</sup> 751 F.2d at 502.

<sup>32</sup> *Id.* at 505.

<sup>33</sup> *Id.* at 507.

does utilization of the facts by another as they are collected constitute an infringement of the "compilation" . . . or does the law of copyright only become operative when the compilation is complete?<sup>34</sup>

A concurrence by Judge Newman focused on the originality requirement. Disagreeing with the majority's view that the whole of a copyrightable compilation is greater than the sum of its parts, Judge Newman correctly noted that the compilation is entitled to copyright protection only if something has been added to the basic data: the "authorship" of the compiler in making the requisite selection, coordination or arrangement of the data. He further stated that the "sweat of the brow" rationale for extending copyright protection is no substitute for the statutory requirement of an "original work of authorship" contained in the 1976 Act.<sup>35</sup> Judge Newman also rejected the argument that each daily card was entitled to protection simply because denial of protection would impair the value of the copyright in the annual volume, correctly categorizing such an argument as "boot-strapping."<sup>36</sup>

### III. PRIOR CASE LAW

Both the District Court and the Second Circuit cited five cases decided over the last hundred years in which copyright protection had been granted to trade directories and other compilations of facts.<sup>37</sup> A brief review of these cases is instructive as to the thinking of the *FII v. Moody's* courts in granting copyright protection to FII's compilation.

The earliest of the five cited cases, *List Publishing Co. v. Keller*,<sup>38</sup> decided in 1887, is also one of the earliest of the directory cases. In that case, the plaintiff had compiled a social directory of some 6,000 names and addresses of "people of fashion." The defendant, the publisher of the *Social Register*, published a social directory containing 3,500 names

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<sup>34</sup> *Id.*

<sup>35</sup> *Id.* at 510.

<sup>36</sup> *Id.* at 511.

<sup>37</sup> For discussions of these and other "trade directory" cases and histories of the copyright protection granted to factual compilations see Patry, *Copyright in Collections of Facts: A Reply*, 6 COM. & THE L. 11 (1984); Gorman, *Fact or Fancy? The Implications for Copyright*, 29 J. COPR. SOC'Y 560 (1982); Denicola, *supra* note 24; Gorman, *Copyright Protection for the Collection and Representation of Facts*, 76 HARV. L. REV. 1569 (1963); NIMMER, *supra* note 1, §2.11[D]; *Financial Information, Inc. v. Moody's Investors*, *supra*, note 4, 751 F.2d at 504-06; *Jeweler's Circular Publishing Co. v. Keystone Publishing Co.*, 281 Fed. 83, 85-98 (2d Cir. 1922).

<sup>38</sup> 30 Fed. 772 (C.C.S.D.N.Y. 1887).

and addresses, of which 2,800 appeared in plaintiff's directory. In upholding the copyrightability of plaintiff's work and in finding infringement by defendant, the court used broad language which was to be reflected nearly one hundred years later by the district Court in the *FII v. Moody's* decision. The *List Publishing* court stated:

[I]t is safe to say that the compiler of a general directory is not at liberty to copy any part, however small, of a previous directory to save himself the trouble of collecting the materials from original sources. Otherwise, as the matter of rival publications of this kind is identical, there would be practically no copyright in such a book.<sup>39</sup>

This is an early articulation of the argument that the copyright in a compilation entitles the holder to copyright in each part of the compilation. Otherwise, the reasoning goes, the protection afforded the whole will be worthless without protection granted to the part. However, it is instructive to note that the *List Publishing* court did examine whether plaintiff's directory involved sufficient originality to be entitled to copyright protection. The court found that plaintiff's publication was original because of the selection involved in choosing the "people of fashion" to be placed in the directory and that the commercial value of plaintiff's publications "depends upon the judgment and knowledge of the author respecting the social standing and society relations in a limited class of the general public."<sup>40</sup> The *List Publishing* court therefore did examine the originality, not just the hard effort and labor, used by plaintiff before holding that the work was entitled to copyright protection. Subsequent cases were not to be as faithful to the requirement of originality in weighing the copyrightability of a work.

The second directory case relied up by the *FII v. Moody's* courts was *Jewelers Circular Publishing Co. v. Keystone Publishing Co.*,<sup>41</sup> decided by the Second Circuit. In that action, the plaintiff had compiled a publication, entitled "Trademarks of the Jewelry and Kindred Trades," listing numerous trademarks which it alleged was infringed by defendant's publication entitled "The Jewelers' Index." In determining that plaintiff's work was copyrightable under Section 5 of the 1909 Act, the court did not focus on the public domain nature of the work but seemingly relied solely on the fact that it was a compilation. The court held as follows:

The plaintiff's publication, being clearly a directory, was unques-

<sup>39</sup> *Id.* at 773.

<sup>40</sup> *Id.*

<sup>41</sup> 281 Fed. 83 (2d Cir. 1922).

tionably copyrightable, and the plaintiff's copyright was a valid copyright. The fact is not material that it contains a compilation of trade-marks, and that a single trade-mark is not the subject of copyright.<sup>42</sup>

The court went on to say that a compilation is copyrightable as a whole notwithstanding the fact that the separate parts of which it is composed are not copyrightable. Thus plaintiff's work containing trade-mark illustrations was copyrightable despite the fact that each individual trademark making up the compilation taken alone might not be copyrightable.<sup>43</sup> The court based its conclusion largely on the theory of the effort expended by a party in gathering a compilation and the court's distaste for allowing a defendant to save itself the labor and trouble of getting information by relying on another's publication. As the court stated: "[Y]ou must not copy matter copyrighted. No one can legally take the results of the labor and expense which another has incurred in the publishing of his work, and thereby save himself 'the expense and labor of working out and arriving at those results by some independent road.'"<sup>44</sup>

A better conclusion was reached by the dissent's consideration of the issue of originality. Assuming that a party may copyright a directory or compilation comprised of matters which, in themselves, are incapable of copyright, the dissent asked what such a copyright protected. It answered that there was no protection in copyright of the individual matters themselves, in this case the trademarks, but "it does protect the selection, ordering and arrangement of the pictured or printed material; an infringement of such copyright consists, and consists only, in the copying of a material part of such selection."<sup>45</sup> The dissent concluded that in the case presented there was no such material copying.

The *FII v. Moody* courts also relied on two 1937 cases. In *Leon v. Pacific Telephone & Telegraph Co.*,<sup>46</sup> the Ninth Circuit upheld the copyrightability of plaintiff's San Francisco telephone directory. The court held that plaintiff's directory, which was arranged in alphabetical order based on the names of customers, was infringed by defendant's directory, which placed the listings in numerical order based on the telephone numbers. The court did not discuss the public domain nature of plaintiff's work but relied upon the earlier cases holding that directories

<sup>42</sup> *Id.* at 85.

<sup>43</sup> *Id.* at 87.

<sup>44</sup> *Id.* at 94-95.

<sup>45</sup> *Id.* at 96.

<sup>46</sup> 91 F.2d 484 (9th Cir. 1937).

may be copyrighted. It held that because of the hard work and skill used by compilers of directories they are entitled to copyright protection.

*Hartfield v. Peterson*,<sup>47</sup> also decided in 1937, involved a finding by the Second Circuit that plaintiff's cable and telegraphic code, first published in 1912, was infringed by defendant's compilation of the code in 1929. The defendant had not challenged the validity of plaintiff's copyright. The court upheld the copyright on the basis of the plaintiff's independent contribution to the compilation: "the right protected by Hartfield's copyright was not to the use of the words found in the phrases, but to the 'arrangements \*\*\* which the author selected to express his ideas.'"<sup>48</sup> The plaintiff had originated and introduced many of the phrases contained in the code and had arranged the sequence and form of the text, all of which had been copied by defendant. The Second Circuit also expressed the view, as did the *FII v. Moody's* court nearly fifty years later, that if an author cannot secure protection for a compilation against the copying of any substantial part of it, then the copyright is worth little.<sup>49</sup> Although there appeared to be copying of the original creative contribution of plaintiff, the court, by focusing on the individual parts making up the whole and by basing the protection of the parts on the need to protect the whole, did not examine whether the original portions of plaintiff's compilation, rather than the public domain matters, had been copied.

The most recent case in the directory line relied upon by the *FII v. Moody's* court was *Schroeder v. William Morrow & Co.*,<sup>50</sup> decided by the Seventh Circuit in 1977. In that action, plaintiff published a book containing the names and addresses of suppliers of gardening materials and plant societies along with information about each supplier and society.

The defendants had copied the names and addresses in plaintiff's book, all of which were publicly available, but not the other information. Citing the *Leon* and *Jewelers* cases, the court stated that an original compilation of names and addresses is copyrightable even though the individual names and addresses are in the public domain and not copyrightable.<sup>51</sup> The court held that the copyright protects not the individual names and addresses, but the compilation as the product of the compiler's industry.<sup>52</sup> The court went on to find somewhat inconsistently that another party is entitled to make his own compilation of the same names and addresses using information in the public domain but is not

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<sup>47</sup> 91 F.2d 998 (2d Cir. 1937).

<sup>48</sup> *Id.* at 999.

<sup>49</sup> *Id.* at 1000.

<sup>50</sup> 566 F.2d 3 (7th Cir. 1977).

<sup>51</sup> *Id.* at 5.

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

entitled merely to copy plaintiff's copyrighted list.<sup>53</sup> Such a finding ignores the court's own decision that the names and addresses were in the public domain. If the defendants were entitled to use information in the public domain, they should have been able to use the public domain portions of plaintiff's book.

Plaintiff's gardening directory contained many original elements such as a summary description of the goods and services provided by various gardening suppliers as well as a system of categorizing the suppliers. The court held that this originality of arrangement protected plaintiff's work even though defendants had copied only the names and addresses:

Defendants are not exonerated by the fact that the compilers of their book copied only the names and addresses and not the accompanying descriptive material that appeared in plaintiff's book. The copyright protected not merely the descriptive material but also "the selection, the ordering and arrangement" of the names and addresses. . . . Plaintiff's catalog would have been copyrightable without the descriptive material. The inclusion of the material, which was also copyrightable, did not destroy the protection the law affords the compilation of names and addresses.<sup>54</sup>

Thus it may be seen from an examination of the cases relied upon by the *FII v. Moody's* courts that three of the five cases, *List Publishing*, *Hartfield v. Peterson* and *Schroeder v. William Morrow*, involved compilations for which the compilers had added original elements comprising commentary, independent analysis or arrangement to the public domain material. In such cases, the defendant's work should be examined to see if it has utilized any of the original material. If it consists only of the public domain material in plaintiff's work, which the courts acknowledged was not subject to copyright protection, there should be no finding of infringement. The other two cases, *Jewelers Circular* and *Leon*, are straight directory cases in which plaintiff's work consisted solely of a listing of public domain material, trademarks in the former and names and addresses and telephone numbers in the latter. To the extent that these cases relied upon the labor of plaintiff rather than the originality and non-public domain character of its work, it is submitted that the findings of infringement in these cases are not justified by the copyright law. The proper interpretation of these cases should be that protection

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<sup>53</sup> *Id.*, at 5-6.

<sup>54</sup> *Id.*, at 6.

is not provided for the pre-existing facts themselves but for the author's original articulation and presentation.<sup>55</sup>

The proper analysis, with due consideration to the originality of the plaintiff's work, is set forth in two recent cases. In *Wainwright Securities Inc. v. Wall Street Transcript Corporation*,<sup>56</sup> the plaintiff's in-depth analytical reports about various corporations were abstracted in defendant's weekly financial newspaper. Stressing the difference between factual development and the author's analysis or interpretation of events, the Second Circuit found that defendant had appropriated the creative and original aspects of plaintiff's research reports.

Similarly in *Eckes v. Card Prices Update*,<sup>57</sup> the Second Circuit found infringement of plaintiff's guide to 18,000 different baseball cards and the going market price for each card. The guide gave prices for each card according to its condition and placed the cards into two groups, premium cards and common cards. The Second Circuit found that plaintiff's compilation of prices was based on his "extensive knowledge of trading in baseball cards and his background in statistics".<sup>58</sup> Defendant published a monthly "update" of baseball card prices listing substantially the same 5,000 cards which plaintiff's guide listed as premium cards. Noting that copyright law and compilations are "uneasy bedfellows" because copyright law is ill-suited to analyzing property rights in works of non-fiction, and recognizing that the plaintiff's hard work, "the sweat of a researcher's brow," did not by itself merit copyright protection absent perhaps wholesale appropriation, the Second Circuit went on to find that the plaintiff's guide exercised selection, creativity and judgment in choosing the cards and setting the prices and that it was entitled to protection under the copyright laws.<sup>59</sup>

#### IV. DISCUSSION

There has been much theorizing about the legal genealogy of the requirement of originality. The Copyright Clause of the U.S. Constitution<sup>60</sup> has been cited as the earliest ancestor under two theories. One theory holds that the phrase "To promote the Progress of Science and

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<sup>55</sup> See *Harper & Row Publishers, Inc. v. Nation Enterprises*, *supra* note 1 at 202, n. 8.

<sup>56</sup> 558 F.2d 91 (2d Cir. 1977).

<sup>57</sup> 736 F.2d 859 (2d Cir. 1984).

<sup>58</sup> *Id.* at 860.

<sup>59</sup> *Id.* at 863.

<sup>60</sup> ART. I, § 8, cl. 8 grants to Congress the power "[t]o 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."

useful Arts" requires that a work contain some substantial originality in order to receive copyright protection.<sup>61</sup> The second theory holds that the use of the term "authors" requires a modicum of originality, at least more than the mere copying of public domain materials.<sup>62</sup> Whatever its genealogy, it is beyond question that an "original work of authorship" is required by the 1976 Act.<sup>63</sup>

Despite the language by the Supreme Court in the recent *Sony* case that copyright "is intended to motivate the creative activity of authors and inventors,"<sup>64</sup> "originality" is not the same as "novelty" or "creativity" as measured by some subjective artistic or aesthetic standard.<sup>65</sup> In the case of a compilation, the requisite originality may be provided by the selection or arrangement of the public domain materials.<sup>66</sup> Such selection or arrangement would be an "original work of authorship" entitled to copyright protection, but the protection should not be extended to the underlying public domain materials themselves.<sup>67</sup>

Both the District Court and the Court of Appeals in *FII v. Moody's* erred by focusing on the connection between FII's daily fact cards and its annual compilation. The important difference is not between these two works but rather it is between the facts contained in the annual compilation and the original works of authorship, if any, in the annual volume.

The error in the District Court's reasoning is shown by the fact that although it acknowledged that it was not addressing the question whether the individual daily cards were copyrightable and although the annual compilation was held to be nothing more than an aggregation of the daily cards, it nonetheless found both the annual volume and the daily cards to be copyrightable.

Although the Second Circuit's remand is welcome as a direction to focus on the originality of the cards rather than the effort involved in producing them, it does not address the basic issues involved. The ultimate question is not only the originality of the daily cards but also that of the annual compilation. An examination of the originality of the annual volume cuts through the Second Circuit's "conundrum" as to whether the copying of facts as they are being compiled constitutes

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<sup>61</sup> NIMMER, *supra* note 1 at § 1-30.3.

<sup>62</sup> See *Miller v. Universal City Studios, Inc.*, *supra* note 1 at 1368, 1370; Denicola, *supra* note 24 at 520-21.

<sup>63</sup> See notes 6-13, *supra*.

<sup>64</sup> *Sony Corp. v. Universal City Studios, Inc.*, 104 S.Ct. 774, 782 (1984).

<sup>65</sup> H.R. REP. NO. 94-1476, *supra* note 10 at 522; Denicola, *supra* note 24 at 522.

<sup>66</sup> *Harper & Row Publishers, Inc. v. Nation Enterprises*, *supra* note 1 at 203; NIMMER, *supra* note 1 at §3.04.

<sup>67</sup> Denicola, *supra* note 24 at 523.

infringement of the copyrightable compilation before that compilation is complete.

If the daily cards contain sufficient originality and thus are copyrightable, there is no difficulty. A copying of the daily cards would be infringement without any reference to the annual volume.

On the other hand, if the daily cards are not copyrightable, the focus must be on the copyrightability of the annual volume. Although the failure of the District Court and the Court of Appeals to examine the copyrightability of the annual volume may be due to the fact that the copyright on the annual volume was not contested by Moody's, such an examination must be made. If neither the daily cards nor the annual volume is copyrightable, the copying of the daily cards cannot constitute infringement because there is no copyright to be infringed either on the daily cards or on the annual volume.

If, however, the cards are not copyrightable but the annual volume is subject to copyright protection, the copyrightability of the annual volume must be based on some degree of originality added to the annual volume. A mere collection of the uncopyrighted facts contained in the daily cards would not be sufficient to grant copyright protection to the annual volume. In such a situation, the focus of inquiry must be on the nature of the material copied from the annual volume. If it is the information contained in the daily cards, there is no infringement. If it is the original material added to the annual volume, whether by means of analysis, commentary, selection or arrangement, there will be infringement of the annual volume but not of the daily cards. Viewed in this manner, the "conundrum" disappears. The law of copyright becomes operative only when the compilation is complete, and only when originality is added to the compilation. Without the addition of some original material the whole is no greater than the sum of the parts in such a compilation.

Applying this analysis to the *FII v. Moody's* situation compels the conclusion that there is no copyrightable subject matter involved. The daily cards are not copyrightable. They consist entirely of facts; whatever independent work may have been performed by FII in arranging these facts is not sufficiently original and does not go beyond the public domain publications to the extent necessary to entitle the daily cards to copyright protection. The elementary nature of the information conveyed by FII's daily cards was deliberate. FII wanted the cards to be in a "simple and straightforward format" and if, at times, FII felt more complicated information should be conveyed, it attached the redemption notice, which was in the public domain and not copyrighted, to the card.<sup>68</sup>

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<sup>68</sup> *Financial Information, Inc. v. Moody's Investors Service, Inc.*, 1984 COPY-  
RIGHT LAW DECISIONS, *supra* note 4 at 18,762.

The public domain nature of FII's work, as well as that of Moody's materials, is emphasized by the fact that FII subscribed to Moody's bi-weekly fact sheets and to Moody's annual publication as a check on the accuracy of FII's bond information.<sup>69</sup> Thus, not only were both parties relying upon the same newspapers and publications, but they also subscribed to and relied upon each other's publications to obtain information.

Further, although not contested by Moody's, the annual volume should be examined to determine if it is copyrightable. Although the annual volume clearly is a compilation, the sufficient degree of originality may be lacking. The fact that FII placed its daily records in alphabetical order to compile the annual volume should not meet the degree of originality required by the copyright laws. As only original subject matter is copyrightable, if there was not originality present the FII annual works would not be entitled to copyright protection.

## V. CONCLUSION

The Copyright Act is explicit in extending the protections of copyright to "original works of authorship." Only by separating the original from the pre-existing material in a factual compilation, or in any other work, and by examining whether the original material has been copied can there be a balanced system of copyright protection which safeguards the legitimate copyright rights of authors as well as the rights of the public and subsequent authors. Absent such originality, the hard work of the author is not enough to fulfill the statutory requirements. As the Second Circuit recently held: "The issue is not whether granting copyright protection to an author's research would be desirable or beneficial, but whether such protection is intended under the copyright law."<sup>70</sup> It is submitted that protection of a factual compilation, without originality, is not intended and that the granting of such protection creates more problems, or conundrums, than it solves.

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<sup>69</sup> 1984 COPYRIGHT LAW DECISIONS, *supra* note 4 at 18,763.

<sup>70</sup> *Miller v. Universal City Studios, Inc.*, *supra* note 1 at 1369.

## PART II

## LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

## 1. United States of America and Territories

## 2. U.S. CONGRESS. HOUSE.

H.R. 1837. A bill to amend the Communications Act of 1934 to eliminate the requirement for the carrying of certain out-of-state broadcast signals by any cable system under the must-carry rules of the Commission. Introduced by Mr. Tallon on March 28, 1985; and referred to the Committee on Energy and Commerce. (99th Cong., 1st Sess.).

This bill would exempt cable systems serving an area not within any major television market from carrying the broadcast signal of any television station if 1) the community of license is neither in the state served by the cable system nor in a major television market, and 2) the programming of such station is substantially duplicated by the programming of another station carried by the cable system.

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

H.R. 1840. A bill to amend the Communications Act of 1934 to clarify policies regarding the right to view satellite-transmitted television programming, and for other purposes. Introduced by Mr. Tauzin on March 28, 1985; and referred to the Committee on Energy and Commerce. (99th Cong., 1st Sess.).

Entitled the "Satellite Television Viewing Rights Act of 1985," this bill would allow the FCC to regulate the prices paid by satellite dish owners to receive scrambled satellite programming services if access to those services has been impeded or denied.

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

H.R. 1900. A bill to amend the copyright law, title 17 of the United States Code, to provide for protection of ornamental designs of useful articles. Introduced by Mr. Moorehead on April 2, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

This bill would add a new "Chapter 10—Protection of Industrial Designs of Useful Articles" to Title 17. Protection would be for a term of ten years for designs fixed in a useful article. The bill is similar to the Semiconductor Chip Protection Act enacted in November 1984 in that it creates a new class of works subject to copyright protection.

5. U.S. CONGRESS. HOUSE.

H.R. 2752. A bill to terminate the Copyright Royalty Tribunal and transfer its functions to the Register of Copyrights. Introduced by Mr. Synar on June 12; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

Entitled the "Copyright Royalty Tribunal Sunset Act of 1985", this bill would abolish the Copyright Royalty Tribunal (CRT) and transfer the functions to the Register of Copyrights. In addition, the bill would freeze the cable royalty rates until January 1, 1988 and authorize the Copyright Office to distribute the 1983 cable royalties now pending before the CRT and to act on the Turner Broadcasting System petition. The Turner petition asked the CRT to reconsider its 3.75% royalty rate decision.

6. U.S. CONGRESS. HOUSE.

H.R. 2784. A bill to amend title 17, United States Code, to create a Copyright Royalty Court, and for other purposes. Introduced by Mr. Kastenmeier on June 18, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

Entitled the "Copyright Dispute Resolution and Royalty Court Act of 1985" this bill would create a three-judge court to settle disputes and controversies over distribution of copyright royalties.

7. U.S. CONGRESS. HOUSE.

H.R. 2911. A bill to amend title 17 of the United States Code with respect to home audio recording devices and media and for other purposes. Introduced by Mr. Moorehead on June 27, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

Entitled the "Home Audio Recording Act," this bill would impose a royalty fee on the manufacturers and importers of blank audio tape and audio recording equipment to be distributed to copyright owners of music recorded on tape. Provisions are also

included to exempt those persons who use blank tapes or audio recording equipment for purposes other than taping copyrighted music from paying the royalty fee. The Copyright Office would be charged with the collection and distribution of the royalty fee.

8. U.S. CONGRESS. HOUSE.

H.R. 3108. A bill to amend title 17, United States Code, to clarify the definition of the local service area of a primary transmitter in the case of a low power television station. Introduced by Mr. Kastenmeier on July 30, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

U.S. CONGRESS. SENATE.

S. 1526. A bill to amend title 17, United States Code, to clarify the definition of the local service area of a primary transmitter in the case of a low power television station. Introduced by Mr. Mathias on July 30, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

These two bills, which are identical, would amend section 111 of Title 17 of the U.S. Code to allow nearby cable television systems to carry low power television signals as local broadcasts, rather than as remote or distant signals, for which the copyright law requires cable operators to pay royalties. Section 111(f) relating to definition would be amended to include the following language: "In the case of a low power television station, as defined by the rules and regulations of the Federal Communications Commission, the local service area of a primary transmitter comprises the area within 35 miles of the transmitter site, except that in the case of such a station located in a standard metropolitan statistical area which has one of the 50 largest populations of all standard metropolitan statistical areas (based on the 1980 decennial census of population taken by the Secretary of Commerce), the number of miles shall be 20 miles."

9. U.S. CONGRESS. HOUSE.

H.R. 3124. A bill to amend the Internal Revenue Code of 1954 with respect to the treatment of computer software royalties for purposes of the personal holding company provisions. Introduced by Mr. Zschau on July 30, 1985; and referred to the Committee on Ways and Means.

U.S. CONGRESS. HOUSE.

H.R. 3146. A bill to amend the Internal Revenue Code of 1954 with respect to the treatment under the personal holding company provisions of computer software royalties earned by active businesses and the treatment under the minimum tax provisions of research or experimental expenditures of personal holding companies, and for other purposes. Introduced by Mr. Stark on July 31, 1985; and referred to the Committee on Ways and Means.

These two bills would remedy the tax liability which results from the "shrink wrap" licensing of computer software. Shrink wrap licensing of computer software is a marketing technique whereby computer software is not sold, but transferred by way of a paid-up license, to which the consumer consents when he tears open the package. The consumer becomes the owner of the tape, disk or cartridge; however, he is only a licensee of the software and remains subject to the conditions of use provided in the license agreement.

10. U.S. CONGRESS. HOUSE.

H.R. 3163. A bill to amend title 17, United States Code, to clarify the derivative works exception to the termination of a copyright grant. Introduced by Mr. Berman on August 1, 1985 and referred to the Committee on the Judiciary.

This bill would amend the Copyright Act of 1976 to clarify the "derivative works exceptions" to the termination provisions of sections 203 and 304.

11. U.S. CONGRESS. SENATE.

S. 1384. A bill to amend the Copyright Act of 1976 to clarify the operation of the derivative works exception. Introduced by Mr. Specter on June 27, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

Cited as the "Copyright Holder Protection Act of 1985," this bill will clarify the provisions of Section 304(c)(6) of the Copyright Act of 1976 by adding at the end the following: "(7). Notwithstanding any other provisions of law, where an author or his successor, as defined in subsection (c)(2), has exercised a right of termination pursuant to subsection (c)(6)(A) of this section, any right to royalties from the utilization of the derivative work shall revert to the person exercising the termination right." The purpose of this provision is to allow an author or his heirs a right to

reclaim a copyright he previously had bargained away, along with any rights under that copyright, and to extend the term of such copyright an additional 19 years.

12. U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE.

37 CFR 201 and 202. Office organization and procedures in providing information. Final regulations. *Federal Register*, vol. 50, no. 142 (July 24, 1985), pp. 30169-72.

The Copyright Office has amended its regulations to (1) update the statutory authority under which Parts 201 and 202 were promulgated; (2) give the addresses to which certain kinds of requests should be directed; (3) clarify the Office's position concerning its authority to interpret the Copyright Act; (4) reflect the Office's policy regarding the public inspection and copying of in-process files, correspondence directly relating to rejected applications for registration, and documents for which recordation was refused; and (5) specify more precisely the information to be given when requests for copies of records are made.

13. U.S. COPYRIGHT OFFICE.

37 CFR 201. Compulsory license for cable systems; notice of inquiry. *Federal Register*, vol. 50, no. 72 (Apr. 15, 1985), pp. 14725-26.

On January 17, 1985, the Federal Communications Commission amended the list of major television markets in Section 76.51 of its rules to include Melbourne and Cocoa, Florida within the Orlando-Daytona Beach hyphenated market. This amendment and comparable changes made in a California major market have raised "questions concerning the interplay between the FCC 'must' carry rules for cable systems in major television markets, the calculation of royalties under the cable compulsory licensing system in Sec. 111 of the Copyright Act of 1976, and the role of the Copyright Royalty Tribunal in adjusting royalty rates for cable systems following certain FCC rule changes." Consequently, the Copyright Office has agreed to commence a public proceeding to address these and related issues emanating from the FCC's action.

14. U.S. COPYRIGHT OFFICE.

37 CFR 202. Registration of claims to copyright. Notice of inquiry concerning registration and deposit of databases. Notice

of inquiry. *Federal Register*, vol. 50, no. 111 (June 10, 1985), pp. 24240-41.

In relation to its proposed deposit regulations, the Copyright Office is inviting comments on issues concerning the deposit and registration of databases. Specifically, the comments should address the "feasibility of a single group registration for databases; deposit based on reasonable portions of output, rather than raw data; and deposit based on description of content and its relation to prior deposits, instead of data content." Submissions also should present views on the deposit requirements for machine-readable databases, including revisions and derivative works based upon previous registered databases; and use of the special relief provisions—proposed deposit regulation 37 CFR Section 202.20(d)(iv)—to ease the registration deposit requirements for databases.

15. U.S. COPYRIGHT OFFICE.

37 CFR 211. Mask work protection implementation of the Semiconductor Chip Protection Act of 1984. Final regulation. *Federal Register*, vol. 50, no. 125 (June 28, 1985), pp. 26714-21.

The Copyright Office has issued final regulations to implement certain provisions of the Semiconductor Chip Protection Act. The Act establishes a system for registering mask works. It authorizes the Copyright Office to administer the system and to adopt regulations governing certain relevant matters. The regulations set forth specific requirements for filing applications for registration of mask work claims and for the recordation of documents. They also provide examples of methods of affixation and placement of the mask work notice.

16. U.S. COPYRIGHT ROYALTY TRIBUNAL.

37 CFR 308. 1985 inflation adjustment for cable copyright royalty rates. Final rule. *Federal Register*, vol. 50, no. 84 (May 1, 1985), pp. 18480-82.

The Copyright Royalty Tribunal has adopted the proposed cable royalty rate adjustments published on March 19, 1985. Accordingly, Section 308.2 of the Tribunal's rules is amended to reflect the revised royalty rates, gross receipts limitations and cutoffs for determining a cable system's status as a Form 1, Form 2 or Form 3 system.

17. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Adjustment of cable copyright royalty rate. Notice of inquiry. *Federal Register*, vol. 50, no. 106 (June 3, 1985), pp. 23349-50.

The Copyright Royalty Tribunal has published a notice of inquiry concerning a petition filed by Turner Broadcasting Systems, Inc. (TBS). The filing requests the adjustment of the cable royalty rate "for carriage of newly added distant broadcast signals as it is applied to carriage of WTBS, Atlanta, Georgia in certain circumstances." Comments should address TBS's standing to petition, the scope of the TBS petition and the procedures to be followed in considering the petition as well as any other issue that is believed to be important.

18. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Clarification of order directing partial distribution of 1983 cable royalty fees. *Federal Register*, vol. 50, no. 115 (June 14, 1985), p. 24929.

On June 3, the Copyright Royalty Tribunal (CRT) published an order directing a partial distribution of the 1983 cable royalty fund. The distribution was to be based on the final determination of Phase I of the 1982 cable distribution proceeding. The National Association of Broadcasters challenged the use of the 1982 Phase I percentage awards as the basis for the 1983 partial distribution, arguing that the 1982 Phase I figures would result in overpayments to some claimants. The NAB maintained that the partial distribution should be based on 1982 Phase II percentages. Accordingly, the Tribunal has clarified its partial distribution order to make 1982 Phase II percentage awards the basis for the 1983 partial distribution.

19. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Distribution of the 1982 and 1983 jukebox royalty funds; order consolidating proceedings and setting future procedural dates. Consolidation. *Federal Register*, vol. 50, no. 150 (Aug. 5, 1985), pp. 31645-46.

A portion of the funds in the 1982 and 1983 jukebox royalty distribution proceedings is in dispute. In both instances, the controverted funds represent Spanish language musical works and concern substantially the same parties and issues. Therefore, the Copyright Royalty Tribunal has ordered the consolidation of the two proceedings with respect to the disputed funds.

20. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Distribution of 1983 cable copyright royalty fund. Notice of prehearing conference. *Federal Register*, vol. 50, no. 98 (May 21, 1985), p. 20922.

The Copyright Royalty Tribunal is holding a prehearing conference in the matter of the distribution of the 1983 cable copyright royalties. The purpose of the conference is to discuss certain procedural matters.

21. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Notice commencing 1983 cable distribution proceeding. Notice of commencement of proceeding; notice of adoption of procedures. *Federal Register*, vol. 50, no. 67 (Apr. 8, 1985), pp. 13845-47.

The Copyright Royalty Tribunal has concluded that a controversy exists concerning the distribution of the 1983 cable royalty funds. It therefore has adopted and herein announces the schedule and procedures for the filing of prehearing statements and evidentiary documents and for the presentation of direct cases in the hearing under Phase I of the distribution proceeding.

22. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Order directing partial distribution of 1983 cable royalty fees. *Federal Register*, vol. 50, no. 106 (June 3, 1985), pp. 23350-51.

Pursuant to a motion filed by Phase I claimants in the 1983 cable royalty distribution proceeding, the Copyright Royalty Tribunal has ordered the disbursement of 50% of the 1983 cable royalty fund. The partial distribution will be based upon percentage allocations in the 1982 proceeding and will allow for the retention of what Phase I claimants agree is a sufficient amount to satisfy all claims with respect to which a controversy exists.

23. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Order granting motion for distribution of 1983 cable royalty fund awarded to National Public Radio. *Federal Register*, vol. 50, no. 161 (Aug. 20, 1985), pp. 33617-18.

The Copyright Royalty Tribunal (CRT) has issued an order authorizing the distribution to National Public Radio (NPR) of a portion of the 1983 cable copyright royalty fund. In July, the CRT approved a settlement calling for NPR to receive 0.18 percent of the fund. The order grants NPR's motion for distribution of the award.

## 24. U.S. DEPARTMENT OF DEFENSE.

48 CFR 227 and 252. Department of Defense federal acquisition regulation supplement; technical data. Proposed rule and request for comment. *Federal Register*, vol. 50, no. 175 (Sept. 10, 1985), pp. 36887-36907.

The Department of Defense is revising its regulations governing contracts for the acquisition of technical data, computer software, and construction and architect-engineer services, including copyrights and other rights arising therefrom. The proposed revision is intended to effect the regulations' compliance with the Defense Procurement Reform Act of 1984 and the Small Business and Federal Procurement Competition Enhancement Act.

## 25. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 73 and 76. Multiple and cross-ownership of AM, FM, TV, and CATV systems. Final rule. *Federal Register*, vol. 50, no. 128 (July 3, 1985), pp. 27438-51.

The Federal Communications Commission has modified "the standards for exempting from attribution limited partnership interests in broadcast, cable television, and newspaper properties in the application of the media multiple ownership rules." Additionally, the Commission clarified certain matters concerning the aggregation of ownership interests and revised certain reporting requirements. The changes are intended to eliminate ambiguities and inconsistencies in the attribution standards, to simplify the regulatory structure relating thereto, and to provide additional guidance to those subject to the standards.

## 26. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 73 and 76. Radio and television broadcasting; regulatory flexibility review; list of additional rules to be reviewed during 1985-1986. *Federal Register*, vol. 50, no. 124 (June 27, 1985), pp. 26593-94.

The Federal Communications Commission is continuing to review its rules to determine whether they should be amended or rescinded for regulatory flexibility purposes. The agency, therefore, has invited public comment concerning any significant economic impact that its broadcasting and cable rules have or will have upon a substantial number of small entities.

## 27. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Cable television service; suspension of certain rules. Suspended enforcement of certain sections of 47 CFR 76. *Federal Register*, vol. 50, no. 182 (Sept. 19, 1985), pp. 38003-04.

The Federal Communications Commission (FCC) has suspended enforcement of Sections 76.7(g), 76.55(a)(2) and (3), (c) and (d), and 76.57-64 of its rules. The sections, which relate to the agency's mandatory signal carriage rules for cable television, are being suspended because of the appellate decision in *Quincy Cable TV, Inc. v. FCC*. That decision held that the signal carriage rules violated cable operators' First Amendment rights.

28. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Frequency channeling requirements and restrictions and to require monitoring for signal leakage from cable television systems; amendment. Final rule. *Federal Register*, vol. 50, no. 139 (July 19, 1985), pp. 29394-402.

The Federal Communications Commission has amended its rules to allow cable television systems "to operate in the aeronautical radio bands if they meet uniform aeronautical channel frequency offset requirements, annual basic signal leakage performance criteria, and routine monitoring requirements."

29. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Implementation of the equal employment opportunity provisions of the Cable Communications Policy Act of 1984; order extending time for filing comments and reply comments. Proposed rule; extension of comment and reply comment period. *Federal Register*, vol. 50, no. 84 (May 1, 1985), pp. 18538-39.

The Federal Communications Commission has extended the comment and reply comment period for the amendment of rules to implement the equal employment opportunity provisions of the Cable Communications Policy Act of 1984. The deadline for filing comments is extended to May 20 and June 19, 1985 for reply comments.

30. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Oversight of the radio and TV broadcast rules; correction. Correction to final rule. *Federal Register*, vol. 50, no. 188 (Sept. 27, 1985), pp. 39113-14.

Correction of Alphabetical Index to the Federal Communi-

cations Communication's radio and television broadcast rules to add the listing of the "Must Carry requirements."

31. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Review of technical and operational requirements of the cable television service rules; order extending time for filing reply comments. *Federal Register*, vol. 50, no. 76 (Apr. 19, 1985), pp. 15592-93.

The FCC has granted a 30-day extension for filing reply comments in the matter of review of technical and operational requirements of the cable television service rules.

32. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 1, 63, 76, and 78. Implementation of the provisions of the Cable Communications Policy Act of 1984. Final rule. *Federal Register*, vol. 50, no. 85 (May 2, 1985), pp. 18637-62.

The Federal Communications Commission has amended its rules to conform to the Cable Communications Policy Act of 1984. As revised, the rules implement those provisions of the Act concerning cable ownership, channel usage, franchise requirements and pole adjustments. They also establish regulations and guidelines governing the regulation of basic cable service rates by franchising authorities.

33. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 73 and 76. Oversight of the radio and TV broadcast rules. *Federal Register*, vol. 50, no. 68 (Apr. 9, 1985), pp. 13972-74.

The Federal Communications Commission has amended Parts 73 and 76 of its rules to delete, update, clarify or correct broadcast regulations. The amendment to Part 76 involves the deletion of cross references to sections that have been eliminated from the rules.

34. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of nationals, domiciliaries, and sovereign authorities of Australia. Proceeding for issuance of interim order. *Federal Register*, vol. 50, no. 113 (June 12, 1985), pp. 24665-66.

The government of Australia has submitted a diplomatic note requesting that it be accorded mask work protection under the

Semiconductor Chip Protection Act (SCPA). The note requests protection by Presidential Proclamation under Section 902 or an interim order under Section 914. Because the factors to be considered are complex and the time element a matter of concern, the Patent and Trademark Office has opted to consider protection under Section 914 and, consequently, has initiated a proceeding thereunder.

35. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of nationals, domiciliaries, and sovereign authorities of Australia, the United Kingdom of Great Britain and Northern Ireland, and The Netherlands. Issuance of interim orders. *Federal Register*, vol. 50, no. 125 (June 28, 1985), pp. 26818-20.

The Patent and Trademark Office has determined that Australia, the United Kingdom and The Netherlands have legal systems allowing for protection of mask works. In the interest of promoting international comity in the protection of mask works, the Office has issued orders extending interim protection to mask works of nationals, domiciliaries and sovereign authorities of each of these nations. The interim order for the United Kingdom will terminate November 8, 1987, and the orders for Australia and The Netherlands will expire June 21, 1986.

36. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of nationals, domiciliaries, and sovereign authorities of Canada. Issuance of interim order. *Federal Register*, vol. 50, no. 129 (July 5, 1985), pp. 27649-50.

The Patent and Trademark Office has determined that Canada has been making good faith efforts towards providing effective protection for mask works in compliance with Section 902(a)(2) of the Semiconductor Chip Protection Act. Accordingly, the agency has issued a one-year interim order extending the privilege of obtaining U.S. mask work protection to nationals, domiciliaries and sovereign authorities of Canada.

37. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of nationals, domiciliaries, and sovereign authorities of Canada. Notice of initiation of proceeding. *Federal Register*, vol. 50, no. 117 (June 18, 1985), pp. 25288-92.

Several Canadian business associations have petitioned the Patent and Trademark Office (PTO) for the issuance of an interim order under Section 914 of the Semiconductor Chip Protection Act. The PTO has determined that the petitions, supplemented by information from the government of Canada, are sufficient to permit the initiation of a proceeding under the Guidelines for such submissions. Therefore, a proceeding has been initiated to consider the issuance of interim mask work protection to nationals, domiciliaries, and sovereign authorities of Canada.

38. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of nationals, domiciliaries, and sovereign authorities of the European Economic Community. Notice of initiation of proceeding. *Federal Register*, vol. 50, no. 125 (June 28, 1985), pp. 26821-23.

The Commission of the European Communities petitioned the Patent and Trademark Office for issuance of an interim order under 17 U.S.C. 914. The PTO is considering issuing the interim order and has initiated a proceeding to receive written comments and to hear testimony concerning the petition.

39. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of Japanese nationals, domiciliaries, and sovereign authorities. Issuance of interim order. *Federal Register*, vol. 50, no. 113 (June 12, 1985), pp. 24668-70.

The Patent and Trademark Office (PTO) has found that, in the matter of the request of the Electronic Industries Association of Japan for the issuance of an interim order under Section 914 of the Semiconductor Chip Protection Act, "Japan has demonstrated good faith efforts and reasonable progress in respect to providing protection for mask works of U.S. nationals and domiciliaries." The PTO, therefore, has issued an order extending for a term of one year interim protection to mask works owned by nationals, domiciliaries and sovereign authorities of Japan.

40. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of nationals, domiciliaries and sovereign authorities of The Netherlands. Notice of initiation of proceeding. *Federal Register*, vol. 50, no. 114 (June 13, 1985), pp. 24795-24808.

The PTO has announced its initiation of a proceeding to consider a petition by the Government of The Netherlands for the issuance of an interim order under Section 914 of 17 U.S.C. Section 914 provides that, under certain conditions, the Secretary of Commerce may extend the privilege of obtaining interim protection for mask works owned by nationals, domiciliaries and sovereign authorities of foreign nations.

41. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of nationals, domiciliaries, and sovereign authorities of Sweden. Issuance of interim order. *Federal Register*, vol. 50, no. 119 (June 20, 1985), pp. 25618-19.

The Commissioner of Patents has issued an interim order extending mask work protection to the nationals, domiciliaries and sovereign authorities of Sweden. The order was issued pursuant to the Commissioner's finding that Sweden had demonstrated good faith efforts and reasonable progress toward providing protection for mask works of U.S. nationals and domiciliaries. The term of the order is one year.

42. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of Swedish nationals domiciliaries and sovereign authorities. Notice of initiation of proceeding. *Federal Register*, vol. 50, no. 85 (May 2, 1985), pp. 18720-18723.

The Patent and Trademark Office has initiated a proceeding with respect to a petition by the Federation of Swedish Industries for issuance of an interim order under Section 914 of the Semiconductor Chip Protection Act. Section 914 sets out conditions under which interim protection may be extended to foreign owners of mask works.

43. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of nationals, domiciliaries and sovereign authorities of the United Kingdom of Great Britain and Northern Ireland. Proceeding for issuance of interim order. *Federal Register*, vol. 50, no. 113 (June 12, 1985), pp. 24666-68.

The government of the United Kingdom of Great Britain and Northern Ireland (UK) has submitted a request for mask work protection by Presidential proclamation under Section 902 of the Semiconductor Chip Protection Act (SCPA). Because of the

complexity of the issues and the time limit involved, the Patent and Trademark Office has decided to move for consideration of protection by issuance of an interim order under Section 914 instead of Section 902 of the SCPA. Accordingly, a proceeding under Section 914 has been initiated.

## 2. Foreign Nations

### 44. FINLAND.

Act amending the act on rights in photographic pictures. (No. 443, of June 8, 1984). *Copyright*, vol. 21, no. 3 (March 1985), p. 108.

Effective June 15, 1984, this amendment provides penalties and damages for the violation of rights in a photographic picture.

### 45. FINLAND.

Act amending the act relating to copyright in literary and artistic works. (No. 442, of June 8, 1984). *Copyright*, vol. 21, no. 3 (March 1985), p. 105.

Effective on June 15, 1984, this Act repeals the third paragraph of section 62 of the Act (404/61) Relating to Copyright in Literary and Artistic Works, issued on July 8, 1961. Sections 17, 45, 46, 48, 54, 55, 56, 57 and 62 are amended, and new chapter 2a and new sections 56a and 56b are added. Under section 17 the recording for educational activities and for scientific research of protected broadcast materials was organized on the basis of a system of contractual licenses. The remaining sections deal with penalties for piracy as well as the establishment of a Copyright Council.

### 46. FINLAND.

Act amending the Copyright Act. (No. 578, of July 27, 1984). *Copyright*, vol. 21, no. 3 (March 1985), p. 108.

Section 45, third paragraph, and Section 46, second paragraph, of the Copyright Act (404/61), issued July 8, 1961, are amended to provide for the exemption from deposit of foreign films in archives whose deposit in archives and copying have been left to be arranged on a contractual basis.

### 47. ICELAND.

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Act amending the copyright act no. 73, of May 29, 1972. (No. 78, of May 30, 1984). *Copyright*, vol. 21, no. 5 (May 1985), pp. 190-191.

This act imposes a levy on equipment for the recording of works on audio and video tapes for private use as well as unrecorded audio and video tapes and other tapes which may be considered to be intended for such use. The levy shall be paid on equipment and tapes imported into or manufactured in Iceland and the duty to effect payment of this levy is imposed upon the importers and manufacturers. Monies will be distributed to authors of works which have been broadcast or published on audio or video tape.

48. IRELAND:

Copyright amendment bill. *EIPR*, vol. 6, no. 11 (Nov. 1984), p. D-234.

The Copyright Amendment Bill passed in May 1984 has several amendments in the field of design protection. The bill introduces as a criminal offense having in one's possession any article which one knows to be an infringing copy and also new powers of the District Court "to permit search and seizure so that cinematograph films may now be seized." These measures have been brought about to aid copyright owners against piracy and to make the Irish law similar to the Copyright Amendment Act of 1983 in Great Britain.

49. SPAIN.

Royal decree—film piracy. *EIPR*, vol. 6, no. 11 (Nov. 1984), p. D-236.

The Council of Ministers approved a Royal Decree in August 1983 which regulates the sale, distribution and public showing of audio-visual materials in Spain. The main purpose of this new decree is to control "the piratical circulation of cinematographic films on video cassette."

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## PART III

## CONVENTIONS, TREATIES AND PROCLAMATIONS

## 50. BERNE UNION.

Group of Experts on the Copyright Aspects of Direct Broadcasting by Satellite. (Paris, March 18 to 22, 1985). Report. *Copyright*, vol. 21, no. 5 (May 1985), pp. 180-189.

This report by the Group of Experts examines the legal problems in the field of copyright raised by direct broadcasting by satellites. The report concludes that the direct broadcasting of works by means of a satellite is broadcasting in the sense of both the Berne and Universal Copyright Conventions.

51. GROUP OF EXPERTS ON COPYRIGHT ASPECTS OF THE PROTECTION OF COMPUTER SOFTWARE. (Geneva, February 25 to March 1, 1985). Report. *Copyright*, vol. 21, no. 4 (April 1985), pp. 146-157.

Report of the Group of Experts on the Copyright Aspects of the Protection of Computer Software held in Geneva February 25 to March 1, 1985. Although the main subject of the meeting was computer "software," the discussions concerned only computer "programs." The consensus of the group of experts was that there is a pressing need for adequate protection for computer programs both nationally and internationally. However, delegates from countries where computer programs are protected by copyright said that, in general, copyright provided an effective means of protection.

52. SEMINAR ON COPYRIGHT AND NEIGHBORING RIGHTS FOR CENTRAL AMERICAN AND CARIBBEAN STATES. (Mexico City, February 19 to 22, 1985). Report. *Copyright*, vol. 21, no. 4 (April 1985), pp. 142-145.

A report of the activities of the Seminar on Copyright and Neighboring Rights for Central American and Caribbean States held in Mexico City, February 19 to 22. The report calls for the enactment of legislation on copyright and neighboring rights in Latin and Central American countries where none exist to reflect the traditional aspects of the countries involved as well as to protect creators and performing artists from exploitation. The report also calls for urgent accession to the Berne Convention for the Protection of Literary and Artistic Works of those countries not yet members.

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53. WORLD INTELLECTUAL PROPERTY ORGANIZATION IN 1984. Copyright and neighboring rights activities. Report. *Copyright*, vol. 21, no. 4 (April 1985), pp. 136-141.

This article is the second part of a report on the main activities of WIPO in general and in the fields of copyright and neighboring rights.

54. WORLD INTELLECTUAL PROPERTY ORGANIZATION. Accession by Bangladesh. *Copyright*, vol. 21, no. 3 (March 1985), p. 104.

The Government of the People's Republic of Bangladesh deposited its instrument of accession to the Convention Establishing the World Intellectual Property Organization (WIPO) on February 11, 1985. The accession becomes effective on May 11, 1985.

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## PART IV

JUDICIAL DEVELOPMENTS IN LITERARY AND ARTISTIC  
PROPERTY

## A. DECISIONS OF U.S. COURTS

## 55. SELECTED ANNOTATED U.S. CASES

By DAVID GOLDBERG,  
MARY L. KEVLIN AND  
BARBARA S. GINSBERG\*

## I. JURISDICTION AND RELATED ISSUES

## A. Jurisdiction

*Atari, Inc. v. JS&A Group, Inc.*, 747 F.2d 1422 (C.A.F.C. 1984).

The CAFC rules that where the district court's jurisdiction is based in part on a non-frivolous, continuing patent infringement claim under 28 U.S.C. § 1338, the CAFC has jurisdiction over all appeals from final district court judgments in the case, even if the patent claim has been severed and the issue decided by district court was of copyright infringement. (The jurisdictional statute at issue, 28 U.S.C. § 1295, provides for CAFC jurisdiction over appeals in cases where the district court's jurisdiction arose "in whole or in part under 28 U.S.C. § 1338," but excepts cases "involving a claim arising under any Act of Congress relating to copyrights or trademarks and no other claims under Section 1338(a).") In appeals involving other than patent law issues, on which the CAFC is charged with bringing uniformity to the law, applicable law will be that of the circuit in which the district court sits.

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*Friedman, Eisenstein, Raemer & Schwartz v. Afterman*, 599 F. Supp. 902 (N.D. Ill. 1984).

Following the Second Circuit's lead, the Northern District of Illinois invokes the more liberal of two tests outlined by the Seventh Circuit for determining whether a district court has jurisdiction over a copyright owner's state unfair competition claims. 28 U.S.C. § 1338(b) provides for such jurisdiction when state claims are joined with a "substantial and related" copyright claim. Under the more liberal test, claims are related if they have the same "factual nucleus"; the restrictive test, which the court rejected, requires showing that claims "rest upon substantially identical facts."

## II. COPYRIGHTABILITY

### A. Fact-Based Works

*Merritt Forbes & Co., Inc. v. Newman Investment Securities, Inc.*, 604 F. Supp. 943 (S.D.N.Y. 1985).

Bond underwriting documents used in marketing municipal bonds are held copyrightable literary works. The defendant's summary judgment motion is denied and an argument that protection should be refused on public policy grounds rejected. Defendant argued that the standardization of such documents based on the use of precedents, disclosure requirements, the use of boilerplate forms and industry consensus permits lower-cost bond offerings, thereby benefiting municipalities and the investing public. The court reasoned such public policy considerations go to the question of infringement rather than copyrightability, the issue addressed in defendant's summary judgment motion. Additionally, the court found a genuine factual issue concerning the originality of plaintiff's documents in light of evidence that precedents were not relied upon and that much of the language was original. The court did note, however, that defendant ultimately might be able to show that bond documents cannot be original because their expression is dictated by the function of meeting legal requirements.

### B. Compilations

*Rand McNally & Co. v. Fleet Management Systems, Inc.*, 600 F. Supp. 933 (N.D. Ill. 1984).

Road mileage data in plaintiff's "Mileage Guides" held copyrightable

as a compilation and infringed by defendant's inputting the data into a computer data base. Plaintiff's mileage data include distances between towns and junctions and other selected points (red and black segments) and between key cities. The court reasoned that sufficient effort was involved in calculating the red and black segment mileages through a process of breaking down distances initially taken from public domain maps and generating new mileages, and through continually updating data as roads change. Key city mileages were held copyrightable based on the effort involved in compiling the red and black segment mileages from which key city mileages are derived. The fact that defendant rearranged the mileage data when inputting it into the computer was held irrelevant to a finding of infringement, because the basis of copyright protection was the effort by plaintiff in compiling the data.

*Financial Information, Inc. v. Moody's Investors Service, Inc.*, 751 F.2d 501 (2d Cir. 1984).

The court remanded on the issue of copyrightability of a compilation of plaintiff's "Daily Called Bond Cards." Plaintiff distributes daily packets of index cards containing information about municipal bonds called by the issuer. Plaintiff compiles all the material into a bound volume annually. Defendant allegedly copied information from plaintiff's daily bond cards. The court characterized the pivotal question as whether or not cards could be considered a protected compilation. The record suggested plaintiff culled its information chiefly from newspapers and that little if any editorial skill was required. The court remanded for further factual findings in light of *Eches v. Card Prices Update*, 736 F.2d 859 (2d Cir. 1984), as to whether data on the cards involved "selection, coordination, or arrangement" on plaintiff's part. [See the Note on page 1 of this issue.]

*Southern Bell Telephone & Telegraph Co. v. Associated Telephone Directory Publishers*, 756 F.2d 801 (11th Cir. 1985).

Plaintiff's telephone yellow pages directory is held copyrightable as a compilation and infringed by defendants. Sufficient originality is held to exist in the selection and arrangement of the materials. The fact that underlying materials may be in the public domain is held irrelevant. Although not necessary to the decision, the court indicated that it did not believe the industry of collecting underlying public domain data in a compilation should be protected by copyright law. Where defendants copied pages of the directory and sent copies of pages or parts of pages to businesses listed in plaintiff's directory, infringement is held to occur

because of substantial similarity of renderings of arranged artwork, listings and category headings.

*Hutchinson Telephone Co. v. Frontier Directory Co. of Minnesota, Inc.*, 586 F. Supp. 911 (D. Minn. 1984).

Telephone white pages required to be produced by plaintiff as part of its state-granted monopoly are held not copyrightable. Although recognizing other decisions have protected telephone white pages as compilations, the court reasoned that those cases did not consider the mandatory nature of publication as existed in this case. As a result the court believed protection would not serve the Copyright Act's purpose of encouraging creative works and of securing the benefit of such works to the public. The court distinguished another case which protected telephone yellow pages in that plaintiff had no legal requirement to publish yellow pages in that case. Consequently, this case is probably not inconsistent with the decision in *Southern Bell Telephone & Telegraph v. Associated Telephone Directory Publishers, supra*.

### C. Pictorial, Graphic and Sculptural Works

*Carol Barnhart, Inc. v. Economy Cover Corp.*, 594 F. Supp. 364 (E.D.N.Y. 1984).

Granting summary judgment on defendant's claim that plaintiff's mannequins were not copyrightable, the court found the utilitarian aspects of plaintiff's works both physically and conceptually inseparable from the artful design of the works themselves. The belt buckles at issue in *Kieselstein-Cord v. Accessories By Pearl, Inc.*, 632 F.2d 989 (2d Cir. 1980), were distinguished on the ground that they involved a "superfluous sculptured design that serves no function and that can be identified apart from the useful article."

*Poe v. Missing Persons*, 745 F.2d 1238 (9th Cir. 1984).

The Ninth Circuit reverses the lower court's grant of summary judgment, finding that a genuine issue of material fact existed as to whether plaintiff's "artwork in the medium of soft sculpture entitled 'Aquatint No. 5'" was a copyrightable work of art or a noncopyrightable functional swimsuit. Evidence adduced by both sides proved plaintiff attempted to create "a work of art which portrayed an article of clothing." There was no evidence, however, showing that plaintiff's article could in fact func-

tion as clothing, notwithstanding the district court's belief that the work looked like a swimsuit.

#### D. *Derivative Works*

*Sherry Mfg. Co., Inc. v. Towel King of Florida, Inc.*, 753 F.2d 1565 (11th Cir. Feb. 27, 1985).

Defendant's direct copying of a beach towel design created by plaintiff was excused on the ground that plaintiff's design was not copyrightable. The copied design was a modification of an earlier design by plaintiff which had fallen into the public domain due to plaintiff's failure to secure copyright protection. Plaintiff made minimal changes in the earlier design and obtained a copyright registration for the derivative work, but the court found the alterations too trivial and insubstantial to warrant copyright protection.

### III. OWNERSHIP

#### A. *Work for Hire*

*Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir.), cert. denied, 105 S. Ct. 387 (1984).

Statuettes prepared by commissioned artisans at the insistence of plaintiff and under plaintiff's close supervision and direction are held works for hire prepared by employees within the scope of their employment. Noting that regular or formal employment was not required under the 1909 Act in order to find an employer/employee relationship, the Second Circuit stated that Congress, in defining work made for hire in § 101 of 1976 Act, did not intend to overturn prior law applying concepts of "employee" and "scope of employment" for purposes of interpreting subdivision (1) of the definition. Instead, Congress meant to change prior law only with respect to specially ordered or commissioned works that are prepared by outside contractors who are *not* sufficiently supervised and directed to be considered employees acting within the scope of employment. Subdivision (2) of the definition "is a carefully drafted change in this aspect of the prior law."

*Peregrine v. Lauren Corp.*, 601 F. Supp. 828 (D. Colo. 1985).

Pictures taken by a photographer commissioned by defendant's advertising agency are held works for hire. Granting summary judgment

to defendant, the court ruled that an employment relationship exists when a work is prepared at the hiring party's insistence and such party has the right to supervise creation of the work. Court implied that the alleged employer's actual exercise of right of supervision is not a prerequisite to finding work for hire.

*Boulez v. Commissioner of Internal Revenue*, 84 T.C. No. 31 (October 16, 1984).

The issue before the U.S. Tax Court was whether certain payments received by petitioner in 1975 were taxable by the U.S. as compensation for personal services rendered here, or were "royalties" within the meaning of the tax treaty between the U.S. and the Federal Republic of Germany and therefore exempt from U.S. taxation. Petitioner, an orchestra conductor resident in Germany in 1975, received what his agreement with CBS Records referred to as "royalties" on sales of records made under agreement. In deciding that the payments were not royalties under the treaty and therefore were taxable by the U.S., the court weighed various provisions of the agreement and found that, on balance, the parties intended a personal services contract. Additionally, even though payments under the agreement were called "royalties," the court concluded that royalty income can exist under the treaty only when the payee has an ownership interest in the underlying property on which the income is paid. Because the agreement did not reserve to petitioner any property rights in the recordings, under the work made for hire provisions of 1909 Act petitioner had no ownership interest in the recordings.

#### B. *Joint Ownership*

*Schmid Brothers, Inc. v. W. Goebel Porzellanfabrik KG*, 589 F. Supp. 497 (E.D.N.Y. 1984).

The court finds Sister Hummel was a joint author under the 1909 Act of five copyrighted works, i.e., two plaques and three figurines based on drawings done by her. Plaintiff, as assignee of the mother and sole heir of Sister Hummel, is entitled to joint ownership with defendant of the renewal rights. Court relied on the prima facie validity of the copyright certificates which stated that Sister Hummel was the author of the works, on evidence that Sister Hummel had contributed to the works and on admissions by the defendant over the years that she had so participated. Notwithstanding that Sister Hummel could be considered an employee of a convent, she was not an "employee for hire" under

the 1909 Act because she exercised artistic control over her works and the convent did not have the right to direct and supervise the actual performance of her work.

*Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.*, 225 U.S.P.Q. 156 (E.D. Pa. 1985).

The court rejects defendant's claim of co-authorship in a computer program designed to control operations of a dental laboratory. The fact that defendant provided to the program's author information concerning the dental laboratory business and the information defendant wanted from the computer is held insufficient to constitute co-authorship. Defendant's work-for-hire argument is also rejected in light of the independent contractor status of the program's author and the absence of special circumstances in which some commissioned works can be considered works for hire under the second part of the works-for-hire definition in section 101. *Cf. Aldon Accessories Ltd. v. Spiegel Inc.*, 738 F.2d 548 (2d Cir.) (independent contractor can be considered an "employee" under the first part of the section 101 definition), *cert. denied*, 105 S.Ct. 387 (1984).

*Oddo v. Ries*, 743 F.2d 630 (9th Cir. 1984).

A co-owner of a copyright is not liable to another co-owner for infringement but must account for any profits earned. This rule applies not only where the co-owners are joint authors but also, as here, where the copyright is a partnership asset co-owned by partners.

### C. *Transfer of Ownership*

*Harris v. Emus Records Corp.*, 734 F.2d 1329 (9th Cir. 1984).

A bankrupt recording company, Jay-Gee, had been licensed by plaintiffs to manufacture and distribute recordings of certain compositions owned by plaintiffs. Defendants purchased master tapes of these recordings from Jay-Gee's trustee in bankruptcy. Claiming they had acquired whatever rights Jay-Gee once had in the tapes, defendants manufactured and distributed records embodying the tapes without obtaining a new mechanical license from plaintiffs. The court concluded that, as a matter of law, "copyright licenses cannot be transferred without explicit authorization in the agreement." Interpreting a provision of the Bankruptcy Act, the court also concluded that a license is not an "interest" in copyright which can vest in the bankruptcy trustee. The court

held accordingly that defendants obtained only bare legal title to the tapes themselves.

*Trust Company Bank v. MGM/UA Entertainment Co.*, 593 F. Supp. 580 (N.D. Ga. 1984).

In a contract dispute involving two general grants of motion picture rights in Margaret Mitchell's "Gone With the Wind," the court followed the Sam Spade case (*Warner Bros. Pictures, Inc. v. Columbia Broadcasting System, Inc.*, 216 F.2d 945 (9th Cir. 1954)) and held that neither grant carried with it an implied grant of sequel rights. The court considered plaintiffs' substantial evidence demonstrating the parties' mutual understanding that sequel rights were not conveyed.

#### D. *Termination of Transfers*

*Mills Music, Inc. v. Snyder*, 105 S. Ct. 638 (1985).

The Supreme Court reversed the Second Circuit, 5-4, in a case pitting the heirs of the author of a musical composition against a music publisher licensed by the author to exploit the composition. Interpreting the termination provision in § 304(c)(6)(A), the Court held that the publisher may continue to receive royalties earned on phonograph records manufactured under a sublicense granted by the publisher before the heirs terminated the publisher's extended renewal term rights in the composition. Since an obligation to pay royalties exists only under the record companies' agreements with the publisher, and not under the terminated grant, the majority found no statutory or contractual basis for recasting that obligation as one running from the record companies directly to the heirs. Further, in sharp disagreement with the Second Circuit and dissenting Justices, the majority concluded that this result was intended by Congress.

Believing the Second Circuit to be correct, the dissent argued that Congress did not consider a "multiple grant" situation when it enacted § 304(c)(6)(A), and that the Court's holding is contrary to the Congressional purpose underlying the Copyright Act's termination provisions. The dissent criticized the majority's reliance on the publisher's contractual right to receive royalties, calling it "a surprisingly weak reed on which to rest a judgment of this Court."

#### E. *Common Law Copyright*

*Brewer v. Hustler Magazine*, 749 F.2d 527 (9th Cir. 1984).

Sufficient evidence existed from which a jury could conclude that a pre-1978 use of a photograph on a business card given to approximately 200 people from whom plaintiff was seeking work constituted a limited rather than a general publication. The court reasoned that the publication was to a select group for the very narrow purpose of obtaining employment. Defendant's argument that such publication divested plaintiff of its common law copyright in the photograph was rejected.

#### IV. FORMALITIES

##### A. Notice

*Canfield v. Ponchatoula Times*, No. 84-3431 (5th Cir. May 6, 1985).

The court affirmed summary judgment for defendant, holding the copyright notice on the front cover of plaintiff's newspaper was inadequate to give notice of the newspaper's claimed copyright in an advertisement prepared by it for an advertiser. Advertisements inserted on behalf of someone other than the copyright owner of the collective work are an exception to the rule in § 404(a) that a separate contribution to a collective work may be covered by a single notice applicable to the collective work as a whole. Furthermore, the court held plaintiff submitted no proof indicating a "reasonable effort" under § 405(a) to cure omission of notice from the over 2000 copies which were published in plaintiff's newspaper.

*Koontz v. Jaffarian*, 30 P.T.C.J. 121 (E.D. Va. May 14, 1985).

Defendants' electrical estimating manual infringed plaintiff's copyrights in its electrical estimating manual and data compilation. The data compilation which was stored on computer tapes contained information taken from the manual. Although the manual contained a copyright notice, the software did not. Applying the unit publication doctrine, court held the single notice covered both the manual and the data compilation where the two were sold as a unit and where the average customer could not use the software without the manual.

*Flora Kung, Inc. v. Items of California, Inc.*, 29 P.T.C.J. 515 (S.D.N.Y. Nov. 16, 1984).

Omission of copyright notice from nine percent of garments bearing

original print designs is held excused under § 405(a)(1) as omission from "a relatively small number of copies."

### B. Registration

*Techniques, Inc. v. Rohn*, 592 F. Supp. 1195 (S.D.N.Y. 1984).

Plaintiff's claim of ownership of copyright in greeting cards created pursuant to an oral agreement is dismissed and the case remanded to state court. An alleged transfer of copyright in greeting cards is held invalid where no written evidence of the transfer existed. Furthermore, the court lacks subject matter jurisdiction where the alleged transfer was not recorded. Moreover, the fact that defendants' registration was claimed to be invalid did not excuse plaintiffs' failure to obtain a registration, a jurisdictional prerequisite to an infringement action. Completely ignoring § 411(a), the court incorrectly held the proper course for plaintiffs was to apply for registration and then seek a writ of mandamus if the Register denied their application.

### C. Recordation

*Wildlife Internationale, Inc. v. Clements*, 591 F. Supp. 1542 (S.D. Ohio 1984).

An artist who reacquired from defendant's bankruptcy trustee certain rights in the artist's own works was not required to record an instrument of transfer in the Copyright Office in order to obtain jurisdiction to sue. Section 501(b) provides that an infringement suit may be brought by the "legal or beneficial owner" of an exclusive right under copyright. Because the artist at all times had retained a royalty interest in the works, he remained the beneficial owner of the rights in question throughout the term of his agreements with defendant.

*The Patch Factory v. Broder*, 586 F. Supp. 132 (N.D. Ga. 1984).

An allegation that a copyright transfer was recorded in the Copyright Office is a jurisdictional prerequisite and failure to so allege leads to dismissal of complaint. The court rejected a proposed amendment alleging receipt by Copyright Office of the transfer document. The court reasoned that the Copyright Office may find irregularities in a transfer recordation application and therefore deny the application.

*Fabric Confirmer North America Ltd. v. Sassouni*, 30 P.T.C.J. 57 (S.D.N.Y. 1985).

Copyright infringement suit based on an assigned copyright is dismissed for lack of subject matter jurisdiction where the transfer was not recorded prior to hearing defendant's motion to dismiss.

#### D. *Deposit*

*Ladd v. Law & Technology Press*, No. 84-5847 (9th Cir. June 7, 1985).

The court affirms summary judgment for the Register of Copyrights, who sought statutory penalties against defendant for refusal to deposit published issues of *The Scott Report*. The court upholds the constitutionality of § 407, rejecting defendant's challenges that the deposit requirement was an unconstitutional taking under the Fifth Amendment and an unconstitutional burden on the press under the First Amendment.

#### E. *Renewal*

*Capano Music v. Myers Music, Inc.*, CCH Copyright L. Dec. ¶ 25,757 (S.D.N.Y. Feb. 5, 1985).

The deceased co-author of the song "Rock Around the Clock" (Max Freedman) willed his interest in the renewal term to his wife, who died before renewal rights vested. Plaintiff, claiming ownership of the renewal rights through Freedman's surviving next of kin, brought a declaratory judgment action against a party claiming renewal rights through the wife's estate. The court held for plaintiff. Under § 304(a), if a deceased author's spouse dies before the renewal interest vests and there are no surviving children, the renewal interest passes to the author's executors or, "in the absence of a will," to the next of kin. Even though Freedman had a will, there was no executor in office at the time the renewal interest vested because his wife had been the executor. Under *Silverman v. Sunrise Pictures Corp.*, 290 Fed. 804 (2d Cir.), *cert. denied*, 262 U.S. 758 (1923), the renewal interest therefore passed to the next of kin. The *Silverman* court reasoned that if there is no executor, there is "a complete absence of any will affecting [the] renewal copyright." Moreover, the result would have been the same had there been an executor. Since the wife died before the renewal interest vested and Freedman named only his wife but no residuary legatees, the interest would have passed to the next of kin as if by intestacy.

### V. *INFRINGEMENT*

### A. Substantial Similarity

*Litchfield v. Spielberg*, 736 F.2d 1352 (9th Cir. 1984), cert. denied, 105 S. Ct. 1753 (1985).

Grant of defendants' motion for summary judgment is held proper where defendant's motion picture "E.T.—The Extra-Terrestrial" was not substantially similar to plaintiff's musical play "Lokey from Malde-mar" as a matter of law. The court applied the bifurcated substantial similarity test articulated in *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977), whereby a plaintiff must show substantial similarity in both idea (extrinsic test) and expression (intrinsic test). The extrinsic test compares plot, theme, dialogue, mood, setting, pace and sequence. The intrinsic test focuses on the response of the ordinary reasonable person to the concept and feel of the works. Neither test was met in this case.

*Overman v. Universal City Studios, Inc.*, 224 U.S.P.Q. 838 (C.D. Cal. 1984).

Defendant's movie "Bustin' Loose" is held not substantially similar as a matter of law to plaintiff's screenplay "Easy Money." Although both works involved a "black man involuntarily thrown together with a black woman and children on a journey," substantial differences between the plots, characters, sequences, themes and dialogues existed. The court characterized the latter work as an earthy, ethnic story with scenes of anger, violence and death, whereas the former was "generally light-hearted" and more "prankish." The female characters were totally different and to the extent the male protagonists were rogues with redeeming virtue, the characters were not protectible. The court found no substantial similarity in sequence, mood, dialogue or characters and only non-protectible similarities in plot. Furthermore, the court found the concept and feel of the works were completely different.

*Anderson v. Paramount Pictures Corp.*, Copyright Law Dec. ¶ 25,767 (CCH) (C.D. Cal. 1985).

Defendants' motion picture "Trading Places" is held not substantially similar to plaintiffs' screenplay "High Stakes" as a matter of law where there were no significant similarities in plot, theme, dialogue, mood, setting, pace and sequence and where the ordinary observer would not find the total concept and feel of the works to be substantially similar.

*Pellegrino v. American Greetings Corp.*, 592 F. Supp. 459 (D.S.D. 1984).

Defendant's cartoon character "Ziggy" did not infringe plaintiff's story and book featuring a character named Ziggy as a matter of law. Not only was there no showing of access, but the court found there was no similarity at all between the two Ziggy characters except for the name.

*Perma Greetings, Inc. v. Russ Berrie & Co.*, 598 F. Supp. 445 (E.D. Mo. 1984).

Defendant's motion for summary judgment was granted on a copyright infringement count where the comparison of defendant's and plaintiff's mug coasters established a striking lack of substantial similarity. The court noted that the idea of mug coasters is unprotected as are stereotyped phrases such as "Hang in there." Only the plaintiff's renderings of various themes in the artwork on its mugs were held protectible; but these were not infringed in view of the different renderings by defendant.

*Pendleton v. Acuff-Rose Publications, Inc.*, 225 U.S.P.Q. 935 (M.D. Tenn. 1984).

Summary judgment for plaintiff was granted where defendants' lyrics were not substantially similar to the lyrics of three of plaintiff's country and western songs. The court noted summary judgment is appropriate where the alleged similarity relates only to non-copyrightable elements or where no reasonable jury could find substantial similarity. Any similarity in lyrics in two of the songs was found to stem from the underlying theme. The words "smoke," "drink" and "dirty jokes" in the third song were common words in the context of country and western songs and were not protectable in copyright where they were differently arranged in the two song lyrics.

#### B. *Public Performance*

*Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*, 749 F.2d 154 (3d Cir. 1984).

The Third Circuit affirmed the lower court's holding that in-store exhibition of motion picture video cassettes on television screens in individual viewing booths occupied by a maximum of four relatives or social acquaintances at a time constitutes "public" performances under

§ 101. Agreeing with the district court, the Court of Appeals found defendant's "showcasing" operations comparable to conventional movie theaters, since any member of the public may see a movie in defendant's stores by paying an appropriate fee. The court reasoned that the relevant place for determining whether defendant's premises are "open to the public" (under the first part of the definition of "public" in § 101) is not each individual booth within the stores, but each store itself. The court also found the performances "public" under the second part of the § 101 definition, since they constitute repeated transmission of a performance to members of the public who receive the transmissions "in separate places and . . . at different times."

### C. Computer Programs

*Rand McNally & Co. v. Fleet Management Systems, Inc.*, 224 U.S.P.Q. 246 (N.D. Ill. 1984).

In an earlier opinion in this case, 223 U.S.P.Q. 1200 (N.D. Ill. 1984) (*see* II.B., *supra*), the court decided that defendant's inputting of plaintiff's copyrighted data into a computer data base constituted infringement. Left unanswered in the earlier decision was the question whether § 117, prior to its amendment in 1980, was intended to preserve the status quo only with respect to computer programs, and not with respect to the definition of "copy." The significance of this question is that if former § 117 preserved the meaning of "copy" under the 1909 Act for the purpose of determining whether a computer program has been infringed, then the machine readable copies at issue in this case would not constitute "copies," and pirating of works stored in such copies would be permissible. Following *Midway Mfg. v. Artic International, Inc.*, 704 F.2d 1009 (7th Cir.), *cert. denied*, 104 S. Ct. 90 (1983), the court held that former § 117 does not preserve the 1909 definition of "copy." Accordingly, defendant's data base was found to constitute copying under the 1976 Act even before the 1980 amendment of § 117.

*Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.*, 225 U.S.P.Q. 156 (E.D. Pa. 1985).

Defendant's computer program infringed plaintiff's copyrighted applications program designed to perform the same function, where defendant had improperly obtained access to the source code of plaintiff's program and where substantial similarities existed in the expression of the two programs. Protectible expression in a program was defined by the court as "the manner in which the program operates, controls

and regulates the computer in receiving, assembling, calculating, retaining, correlating and producing useful information either on a screen, print-out or by audio communication." The fact that the programs' source codes were written in different computer languages and defendant's was not a direct translation did not negate a finding of copying where evidence indicated such direct translating is a highly inefficient copying method. Instead the court looked to the similarities in the way the computer received, assembled, calculated, held, retrieved and communicated data in concluding that defendant copied plaintiff's program.

*SAS Institute, Inc. v. S & H Computer Systems, Inc.*, Nos. 82-3669; 82-3670 (M.D. Tenn. March 6, 1985).

Broad injunctive relief was granted where defendant's computer program was found to infringe plaintiff's copyrighted computer program. Defendant licensed plaintiff's SAS computer system for performing statistical analyses which at the time could only be run on IBM-compatible computers. In violation of the license agreement, defendant loaded the source code for the statistical operations onto a VAX computer with the intention of developing a similar program which would run on a VAX computer. Substantial similarity between the source codes of plaintiff's program and defendant's program was found where: there was evidence of 44 instances of copying (total program length was 186,000 lines of code); there was evidence that copying had been more extensive before the defendant destroyed and masked evidence; there were unexplained non-functional elements in defendant's program; and copying of the organizational and structural details of plaintiff's program pervaded defendant's product. Furthermore, the court found defendant's program was an unauthorized derivative work in that it was substantially and pervasively based upon plaintiff's program. The court rejected defendant's contention that only the specifically copied lines of source code should be excised and instead granted broad injunctive relief against defendant's entire program. The court reasoned that the extent of copying was unknown in light of defendant's obfuscatory efforts.

#### *D. Importation*

*Cosmair, Inc. v. Dynamite Enterprises, Inc.*, 30 P.T.C.J. 25 (S.D. Fla. April 5, 1985).

A preliminary injunction under § 602(a) was denied against importation of fragrances bearing the copyrighted polo player design of Ralph Lauren. Plaintiff was the exclusive distributor of Ralph Lauren

fragrances in the United States and sought to bar importation of genuine goods manufactured in the United States and exported. The court distinguished *CBS, Inc. v. Scorpio Music Distributors, Inc.*, 569 F. Supp. 47 (E.D. Pa. 1983), *aff'd mem.* (3d Cir. 1984), and found a serious question raised by defendants' argument that the first sale doctrine of § 109(a) limits application of § 602(a). The facts were unclear as to whether plaintiffs' sale of the fragrance products manufactured in the United States for export was completed in the United States. Defendants argued that § 602(a) is limited to the situation where a party licensed only to manufacture and distribute abroad attempts to import such goods into the United States.

#### E. *Contributory Infringement*

*RCA Records v. All-Fast Systems, Inc.*, 594 F. Supp. (S.D.N.Y. 1984) (September 7), and No. 84 631-CSH (S.D.N.Y. December 10, 1984).

Defendant operated a "Rezound" machine, which copies recorded audio cassette tapes onto specially designed "Rezound" blank tapes. In the September opinion, the court found defendant a contributory infringer since it could prevent customers from committing infringing acts by withholding sale of the Rezound cassette. Defendant was preliminarily enjoined from selling the cassette to customers it knew or had reasonable cause to believe intended to use the machine to copy plaintiffs' copyrighted sound recordings.

The parties thereafter attempted to enter into a permanent injunction on consent, but were unable to agree on whether an affirmative duty should be imposed on defendant to insure that the machine would not be used for infringing purposes. In the December opinion, the court said defendant should be required to inspect each tape its customers plan to copy on the machine. Because the injunction was consensual, court declined to draft such language itself "at this point," but said this is the type of injunction it would enter on these facts.

*RSO Records, Inc. v. Peri*, 596 F. Supp. 849 (S.D.N.Y. 1984).

Production of color separations reproducing the graphics of twenty-seven of plaintiffs' sound recordings was held actionable as contributory infringement not only of the copyrighted graphics but also of the copyrighted sound recordings. The court reasoned that such color separations which are a series of negative or positive photographs of the graphics, albeit not exact copies, have little use other than as a step

toward printing exact copies of the graphics. Furthermore, because reproduction of record and tape cover graphics is essential to the process of record and tape counterfeiting, those making such color separations may be liable for infringing the sound recording itself.

#### F. *Criminal Infringement*

*U.S. v. Drum*, 733 F.2d 1503 (11th Cir.), cert. denied sub nom. *Cooper v. U.S.* 105 S. Ct. 543 (1984).

The Eleventh Circuit affirmed convictions for, *inter alia*, criminal copyright infringement under § 506(a) and interstate transportation of stolen property under the National Stolen Property Act, 18 U.S.C. § 2314, ("NSPA") based on defendants' manufacture and distribution of pirated eight-track and cassette tapes. Defendants argued that copyrighted works are not "goods, wares or merchandise" subject to protection by the NSPA. Attempting to distinguish *U.S. v. Gottesman*, 724 F.2d 1517 (11th Cir. 1984), in which a similar argument was rejected, defendants noted that *Gottesman* involved reproduction of stolen copies, whereas the copies reproduced in the present case were acquired lawfully. The court held that lawful acquisition of copies of a copyrighted work does not justify illegal reproduction and distribution of the work.

*United States v. Dowling*, 739 F.2d 1445 (9th Cir.), cert. granted, 105 S. Ct. 901 (1984).

The Ninth Circuit affirmed convictions under the National Stolen Property Act, 18 U.S.C. § 2314 ("NSPA") and the mail fraud statute, 18 U.S.C. § 1341, for interstate transportation of bootleg Elvis Presley records and for use of the mails to advertise records. (Defendant did not appeal copyright infringement convictions.) Reaffirming its opinion in *United States v. Belmont*, 715 F.2d 459 (9th Cir. 1983), cert. denied, 104 S. Ct. 1275 (1984) (regarding motion picture videocassettes), the court held that defendant's unauthorized sale of copies of copyrighted material involved "goods, wares or merchandise" within the meaning of the NSPA. The court also ruled that if the requisite elements for mail fraud conviction are present, the criminal infringement provisions of the 1976 Copyright Act do not bar prosecution under the mail fraud statute.

The Supreme Court granted certiorari on the question whether defendant's conduct violates the NSPA. Thus, the court will consider for the first time whether unauthorized use of copyrighted material may be prosecuted under both the NSPA and the 1976 Act's criminal infringement provisions.

*U.S. v. Minor*, 756 F.2d 731 (9th Cir. 1985).

The co-defendant of Dowling (see preceding summary) appealed from, *inter alia*, his conviction under the National Stolen Property Act for interstate transportation of bootleg records. Defendant's argument that the NSPA does not cover intangibles such as copyrighted works was dismissed by reference to *U.S. v. Dowling*. Defendant also argued that the value of the "goods" in question was less than \$5,000, the jurisdictional minimum under the NSPA. Claiming the government erred in relying on the market value of records, instead of the musical works themselves, defendant measured the value of these works by computing the compulsory license fees payable under § 115(c)(2). The court rejected this approach by noting that what defendant stole was not the value of the compulsory licenses, but the right of copyright owners to control reproduction of their works. The value of this right is reflected in the market price of the records, the court concluded.

*U.S. v. McCool*, 751 F.2d 1112 (9th Cir. 1985).

Defendants were convicted of copyright infringement and mail fraud in connection with their unauthorized distribution of twenty-one copyrighted motion pictures to various overseas military clubs. They argued on appeal that a civil statute, 28 U.S.C. § 1498(b), bars their prosecution. Section 1498(b) provides that a suit against the government is the exclusive remedy for copyright owners who claim their works are infringed either by the government or by one acting for the government. Observing that the statute applies by its terms to copyright owners (barring them, not the government, from proceeding against individuals for government-related acts of copyright infringement), the court held that the statute has no application in a criminal proceeding.

*G. Preliminary Injunction/Temporary Restraining Order*

*Belushi v. Woodward*, 598 F. Supp. 36 (D.D.C. 1984).

A motion for a temporary restraining order was denied notwithstanding a showing of likelihood of success on a claim that defendants infringed the copyright in a photograph they used in the book, "Wired: The Short Life & Fast Times of John Belushi". Although irreparable harm normally can be presumed when a copyright is infringed, the court held that plaintiff still failed to meet its diminished burden of showing that the legal remedy would not adequately compensate for the infringement. The court also found that the harm defendants would suffer to

their marketing plans outweighed the harm to plaintiff. Finally, while recognizing that the public interest favors upholding copyright laws, the court noted the adequacy of plaintiff's legal remedy and concluded that the competing public interest in free expression is more compelling in this case.

#### H. *Derivative Works*

*Lone Ranger Television, Inc. v. Program Radio Corp.*, 740 F.2d 718 (9th Cir. 1984).

The Ninth Circuit affirmed the lower court's summary judgment award of injunctive relief and statutory damages under the 1909 Act based on defendants' post-1978 reproduction and distribution of pre-1972 audio tapes embodying episodes of "The Lone Ranger". Even though copyright protection is not available for recordings fixed prior to 1972, the court held that defendants' conduct infringed plaintiff's right to prepare derivative works based on copyrighted scripts embodied in the tapes.

## VI. DEFENSES/EXEMPTIONS

#### A. *Fair Use*

*Harper & Row, Publishers, Inc. v. Nation Enterprises*, 53 U.S.L.W. 4562 (Sup. Ct., May 20, 1985).

Defendants' use in a magazine article of approximately 300 words consisting of verbatim quotes from ex-President Ford's memoirs was held not a fair use in a 6-3 decision. The unpublished nature of the memoirs at the time of defendants' use was held key because "under ordinary circumstances, the author's right to control the first public appearance of his undissemated expression will outweigh a claim of fair use." Additionally, the Court reasoned that analysis of the four statutory fair use factors favored plaintiffs. Though recognizing that the news reporting purpose of defendants' publication is a typical kind of fair use, the Court also noted the applicability of the presumption in *Sony Corp. v. Universal City Studios*, 104 S. Ct. 774 (1984), namely, that a commercial use is presumptively unfair. The Court defined a commercial use as one where the user stands to profit from exploitation of the copyrighted material. Although the Court noted the greater latitude granted to use of factual works, the unpublished nature of the memoirs was stressed. The fact that the quantitative taking was insubstantial did

not matter where the material was qualitatively significant. Finally, the Court characterized the impact on the potential market for the copyrighted work as the most significant element and noted plaintiffs here had shown actual rather than potential impact because the magazine which had been scheduled to publish excerpts from the memoirs cancelled in light of defendants' publication.

*Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142 (2d Cir. 1984).

Publication of excerpts from plaintiff's letter by the magazine *The American Lawyer* was held to be permissible fair use as a matter of law in a pre-*Harper & Row* decision by the Second Circuit. In response to plaintiff's complaint concerning a story about a dispute between plaintiff and his client, *The American Lawyer* invited plaintiff to write a clarifying letter to the magazine. Plaintiff's responsive letter stated that authorization was granted to publish the letter only in its entirety. The magazine instead published excerpts. The court found defendant's use of the letter fair because the use fell within news reporting, the letter itself was avowedly informational and thus entitled to less protection than it would be if it were a creative work, plaintiff complained that defendant published too little rather than too much of his letter, and the value of the letter to plaintiff had not been compromised. It is unclear, however, whether the Second Circuit's analysis would hold after the Supreme Court's *Harper & Row* decision, which stressed the author's right to control the timing and circumstances of first publication of his work.

*Financial Information, Inc. v. Moody's Investors Service, Inc.*, 751 F.2d 501 (2d Cir. 1984).

The district court's finding of fair use was reversed. Defendant used data from plaintiff's "Daily Called Bond Cards," a series of index cards issued daily containing information about called municipal bonds, in defendant's own publication entitled "Municipal and Government News Reports". Applying *Sony Corp.* (see *supra*), the court held the commercial nature of defendant's use created a presumption of unfair use. The district court's characterization of the use as serving a public function by providing information was rejected. None of the other three statutory fair use factors served to rebut the presumption. The factual nature of plaintiff's work did not weigh in defendant's favor because defendant's work was similarly a non-creative use. The substantiality of defendant's copying and the somewhat competing nature of the parties' publications tipped the scales toward the plaintiff. [See the Note on page 1 of this issue.]

*Pacific and Southern Co. v. Duncan*, 744 F.2d 1490 (11th Cir. 1984), cert. denied, 105 S. Ct. 1867 (1985).

Taping of television news broadcast by defendant and selling portions to those featured in the broadcasts was held not a fair use. Consideration of all four statutory fair use criteria was held mandatory. Fair use did not exist where, although the work was a news program which is often more susceptible to fair use: the use was commercial, triggering a *Sony* presumption of unfair use; the entire feature story was taken; the TV station's potential market to sell such copies, though not actively exploited, was affected; and the TV station had fulfilled its duty as a government licensee by allowing access to programs by interested members of the public.

*DC Comics Inc. v. Unlimited Monkey Business, Inc.*, 598 F. Supp. 110 (N.D. Ga. 1984).

The Superman and Wonder Woman copyrighted characters were held infringed by singing telegrams involving skits featuring Super Stud and Wonder Wench. Defendants' characters donned similar costumes to those used by plaintiff's characters and uttered suggestive lines such as "It's a nurd! It's insane! It's Super Stud!" and (being too "mild-mannered" to perform the singing telegram) "This must be a job for "Super Stud!" The court rejected defendants' fair use parody defense. The court analyzed the four statutory fair use factors and found defendants' use was in commerce; plaintiff's works were creative; the parody drew from the most recognizable expressions of the characters and the copying exceeded that necessary to conjure up the object of the parody; and the potential market for plaintiff's works was adversely affected because plaintiff might decide to offer genuine Superman singing telegrams and because defendants' parody implicitly disparaged the "all-American" image associated with plaintiff's characters. Cf. *Warner Brothers Inc. v. ABC*, 720 F.2d 231 (2d Cir. 1983) (holding "Greatest American Hero" television character not substantially similar to Superman character).

*Radji v. Khakbaz*, 30 P.T.C.J. 65 (D.D.C. 1985).

Translation of excerpts from plaintiff's copyrighted memoirs concerning the period plaintiff served as the Shah's Ambassador to Great Britain was held not fair use in a case concluded before the Supreme Court's *Nation* decision. Defendant copied 86 percent of the excerpts from plaintiff's memoirs which appeared in a series of newspaper articles, translated them into Farsi and published them in a series of news-

paper articles in the "Iran Times." In finding no fair use, the court noted: the commercial purpose of defendant's use, rejecting a newsworthiness argument; the subjective nature of plaintiff's account; the substantiality of defendant's copying and the potential adverse impact on plaintiff's work.

*Opinion of Louisiana Attorney General*, No. 84-436, 29 P.T.C.J. 480 (Jan. 1, 1985).

In direct conflict with an opinion of the California Attorney General, the Louisiana Attorney General finds that showing rented video-cassettes of copyrighted movies to institutionalized juveniles and adults is permissible fair use. The Attorney General stresses that such showing does not threaten authors' creative incentives, nor does it have an effect on the video-cassette rental market.

### B. Copyright Estoppel

*Houts v. Universal City Studios, Inc.*, 224 U.S.P.Q. 427 (C.D. Cal. 1984).

An author who presented a book to the public as factual is held estopped from asserting that the book is partly fictional as the basis for a suit against parties charged with infringing the allegedly fictional elements. Statements on plaintiff's book jackets that the book contains "real life detective stories," that it is non-fiction, and that "[h]ere is a book that shows that truth can be more brutal than fiction," imply that the entire book, not just a portion of it, is true. That stories in book may be intrinsically unbelievable is held irrelevant to the "single, dispositive" question whether the book was held out to the public as factual.

### C. Sovereign Immunity

*Mihalek Corp. v. Michigan*, 595 F. Supp. 903 (E.D. Mich. 1984).

The court declines to follow the Ninth Circuit's decision in *Mills Music v. State of Arizona*, 591 F.2d 1276 (9th Cir. 1979), and instead holds that the Eleventh Amendment bars an action for damages against individual state officials and the state for copyright infringement. Enactment of the Copyright Act by Congress did not abrogate the states' Eleventh Amendment immunity.

*Johnson v. University of Virginia*, No. 84-0036-C (W.D. Va. March 27, 1985).

Plaintiff's copyright infringement action against the University of Virginia and two of its employees is held not barred by the Eleventh Amendment. The court finds the reasoning of *Mills Music, supra*, with respect to the 1909 Act persuasive in the context of the 1976 Act. The court reasons that Congress' sweeping language in § 501(a) defining "anyone" who violates a copyright owner's exclusive rights as an infringer, waived the states' Eleventh Amendment immunity.

#### D. *Res Judicata*

*Cortner v. ABC Sports, Inc.*, CCH Copyright L. Dec. ¶ 25,775 (N.Y. Sup. Ct. April 9, 1985).

An earlier adverse judgment on a copyright infringement claim did not constitute *res judicata* with respect to plaintiffs' contract claims brought in state court. Plaintiffs had assigned the copyright in theme music for the television show "Monday Night Football" to defendants in exchange for royalties. Defendants subsequently had the theme music revised by another. The federal district court, affirmed by the Second Circuit, granted summary judgment to defendants on the copyright claim, holding that an owner of copyright cannot be an infringer of that copyright. In this subsequent state action, the court held plaintiffs' contract claims were not barred by the earlier decision, noting that the federal court lacked jurisdiction over the common law claims due to an absence of diversity.

#### E. *Miscellaneous Exemptions*

##### 1. *Section 117*

*Micro-Sparc, Inc. v. Amtype Corp.*, 592 F. Supp. 33 (D. Mass. 1984).

The court granted summary judgment to plaintiff in a case involving both exemptions contained in § 117, i.e., permissible copying of computer programs for inputting and archival purposes only. Plaintiff published a monthly magazine containing printed versions of its copyrighted computer programs which readers could type into their computers and use. Defendant provided a "typing service" whereby it would input onto one master disk all programs contained in a particular issue of plaintiff's magazine and then copy the master disk onto blank disks for sale to the magazine's readers upon their request. The court ruled that the first exemption in § 117 is strictly limited to a copy that is made whenever a computer program is placed into a computer. Because defendant's

service was not part of an actual inputting process, this exemption was held inapplicable.

Following the CONTU Report and *Atari, Inc. v. JS&A Group, Inc.*, CCH Copyright L. Dec. ¶ 26,613 (N.D. Ill. Dec. 6, 1983), the court also found the § 117 archival exemption inapplicable, because plaintiff's computer programs as printed in the magazine were not susceptible to destruction or damage by mechanical or electrical failure.

*Apple Computer v. Formula International*, 594 F. Supp. 617 (C.D. Cal. 1984).

Defendant copied plaintiff's computer programs onto silicon chips that were to be inserted by defendant's customers into computers purchased from defendant. Defendant claimed that the "inputting" exemption in § 117 excused this otherwise clear contempt of an earlier preliminary injunction order issued against it. As the lawful owner of disk copies of plaintiff's programs (which it had purchased), defendant argued that it had the right to create new copies for the purpose of utilizing the programs. Holding for plaintiff, the court ruled that this exemption applies only to "owner-users" of computers who make copies for their own internal use, and not to parties who make copies accessible to others. The court also ruled that the copies must be destroyed when the original copy owned by the owner-user is resold.

## 2. Section 110(5)

*Springsteen v. Plaza Roller Dome, Inc.*, 602 F. Supp. 1113 (M.D.N.C. 1985).

Defendants received radio programs on a single receiver and transmitted them via six speakers interspersed over a 7,500 square foot miniature golf course. In defense of a suit brought by ten copyright owners (all members of ASCAP), defendants invoked § 110(5), the exemption applicable to public reception of transmissions. The court discussed *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975), the basis of § 110(5), in which the owner of a fast food restaurant was exempt from liability for playing music to customers over four speakers in an area one-twelfth the size of defendants' course. Although the 1976 House Report states that *Aiken* represents "the outer limit of the exemption," the court held for defendant. The House Report indicates Congress was concerned with commercial-type sound systems, and defendant's shoddy system produced sound scarcely audible without distortion. Further, the court relied on that portion of legislative history indicating that the

exemption applies if the establishment in question is not of sufficient size to justify subscription to a commercial background music service. Defendants' operation had gross revenues of about \$4000 per year.

### 3. Section 111

*Hubbard Broadcasting, Inc. v. Southern Satellite Systems, Inc.*, 593 F. Supp. 808 (D. Minn. 1984).

A Minnesota broadcaster with the exclusive right to transmit certain copyrighted TV programs to particular territories brought a copyright infringement action against an Atlanta broadcaster ("WTBS") (as contributory infringer) and secondary cable transmitter ("Southern") based on defendants' transmission of the programs to plaintiff's broadcast areas. On cross motions for summary judgment, the court found *prima facie* copyright liability, but held defendants' conduct exempt under § 111. On the *prima facie* liability issue, defendants claimed they did not perform the works publicly because Southern's retransmissions were to cable systems, not directly to cable subscribers. The court held a transmission is a public performance whether made directly or indirectly to the public.

Regarding the § 111 exemptions, the court noted that secondary transmissions within § 111(b) cannot qualify for the § 111(a)(3) passive carrier exemption (applicable to intermediate carriers) or § 111(c) compulsory license (applicable to carriers' cable system customers). Under § 111(b), a secondary transmission is actionable if the primary transmission was not made for reception by the public at large. WTBS originated simultaneous "off-the-air" and microwave signals, but substituted different commercials in the microwave signal. Southern transmitted the microwave signal. Plaintiff argued that the microwave signal was a separate primary transmission which, by virtue of commercial substitution, was not made for the public at large. The court said § 111(b) seems to apply to particular works embodied in the signal, not the signal itself or the signal's nonprogramming content (e.g., commercials). Since works in the microwave signal were intended for the public at large, the signal passed the § 111(b) hurdle. Moreover, commercial substitution does not convert the entire primary transmission into one "not made for reception by the public at large."

The Section 111(a)(3) passive carrier exemption was held applicable because (1) § 111(a)(3) applies not just to common carriers, but to all carriers, including those like Southern which are available only to one customer; (2) Southern's transmission was a "secondary transmission of a primary transmission," notwithstanding commercial substitution; (3)

Southern had no control over the content or selection of the primary transmission; (4) Southern had no control over the recipients of the secondary transmission; and (5) Southern's activities with respect to the secondary transmission consisted solely of providing communications channels, even though Southern also engaged in active marketing and promotional efforts and inserted its own material in blank spots in WTBS's signal.

Plaintiff argued that if cable systems are not eligible for § 111(c) compulsory license, both defendants would be liable as contributory infringers. Cable systems are found eligible, however, notwithstanding § 111(c)(3)'s prohibition against commercial substitution. The prohibition applies to a secondary transmitter; here, the primary transmitter WTBS was responsible for substitution. Also, it is immaterial that § 111(c) by its terms is not applicable to retransmission of a "non-broadcast" primary transmission. The legislative history indicates that a "direct interconnection" (e.g., microwave) primary transmission, even though "non-broadcast," is covered if made by a broadcast station such as WTBS.

## VII. REMEDIES

### A. Damages

*Kamar International, Inc. v. Russ Berrie and Co.*, 752 F.2d 1326 (9th Cir. 1984).

The court held that the \$5,000 ceiling on statutory damages under the 1909 Act can be exceeded in the discretion of the trial court where some infringing sales are made after service of process or other written notice. The fact that defendant had possession of its entire stock of infringing copies before that time did not mean the infringement was complete prior to suit being commenced. In addition, overhead may be deducted from the alternative measure of defendant's profits from infringing sales only when defendant demonstrates the overhead item was of "actual assistance in the production, distribution or sale of the infringing product."

*F.E.L. Publications, Ltd. v. Catholic Bishop of Chicago*, 754 F.2d 216 (7th Cir. 1985).

Although noting the propriety under § 101(b) of the 1909 Act of awarding statutory damages to deter wrongful conduct, the Seventh Circuit held the district court had not abused its discretion by denying a statutory damages award where actual damages of \$190,400 were as-

certainable and awarded, where the defendant gained no profits because the copied music at issue was used for ecclesiastical and not commercial purposes, and where the district court had considered the circumstances of the infringement, including the fact that the plaintiff had delayed commencement of the suit for several years after gaining knowledge of the copying.

*Cream Records, Inc. v. Jos. Schlitz Brewing Co.*, 754 F.2d 826 (9th Cir. 1985) (per curiam).

Where the jury found defendants' use in an advertisement of a ten-note portion of "The Theme from Shaft" was an infringement, the trial court erred in calculating actual damages as 15 percent of a normal annual license fee for the composition. The court reasoned that there was evidence that defendants' use ended plaintiff's opportunity to license the music to other advertisers and that there was no evidence plaintiff would grant a pro-rated license or that use of a portion of the composition was less damaging to plaintiff's ability to license to others. The court affirmed the trial court's calculation of defendant advertiser's profits due to the infringing use as .01 percent of defendant's total profit. Evidence of profit attributable to non-infringing factors was held not necessary where it was clear that profit was not entirely due to the infringement and the evidence suggested a rational means of apportionment. The trial court erred, however, in not separately assessing defendant advertising firm's profit attributable to use of the infringing music.

*Abeshouse v. Ultragraphics, Inc.*, 754 F.2d 467 (2d Cir. 1985).

Where plaintiff could not have made the sales made by defendant because plaintiff was contractually bound to sell only to its exclusive distributor, an award of both actual damages and defendant's profits was not prohibited as double-counting under § 504(b). The court also reads § 504(b) to continue the predecessor rule that a co-infringer "ordinarily may be held jointly liable only for the actual damages suffered by a plaintiff copyright holder, not for the illegal profits of his fellow infringers."

*RSO Records, Inc. v. Peri*, 596 F. Supp. 849 (S.D.N.Y. 1984).

Plaintiffs in this record and tape counterfeiting case were permitted to make a § 501(c)(1) election between actual damages plus defendants' profits and statutory damages after the court calculated both, where

defendants' Fifth Amendment privilege claims rendered the quality of actual damages evidence uncertain. Statutory damages were calculated at a maximum of \$50,000 each for 29 infringements totalling \$1,450,000, in view of the large-scale and willful nature of the infringements as well as the probable size of actual damages. Multiple statutory awards for both copyrighted sound recordings and associated copyrighted graphics, however, are not permitted, and the court accordingly counted the infringement of the sound recording and graphics for "Saturday Night Fever" as infringement of one work. The court also directed plaintiffs to destroy all previously impounded recordings, graphics, masters etc. which contained copies of copyrightable material and to sell previously seized machinery which was used substantially for unlawful purposes. The machinery sale proceeds were to be applied against the assessed damages.

*BMI v. L.R. Corp.*, CCH Copyright L. Dec. ¶ 25,741 (N.D. Ohio 1984).

The court awarded maximum statutory damages under § 504(c)(1) of \$10,000 each for 16 willful infringements plus attorneys' fees where defendant consistently refused to enter into a license agreement with BMI and threatened BMI's vice president with physical violence if plaintiff commenced legal action.

*United Feature Syndicate, Inc. v. Spree, Inc.*, 600 F. Supp. 1242 (E.D. Mich. 1984).

The court awards attorney's fees and maximum statutory damages under § 504(c)(2) of \$50,000 each for willful infringement of the Garfield and Odie copyrighted cartoon characters. The award is warranted where actual damages and profits are difficult to ascertain, where copyrighted characters represented a valuable property in light of plaintiff's large-scale and carefully controlled licensing program and where defendants were repeat infringers, having been unsuccessful defendants in four previous copyright infringement suits.

*Kenbrooke Fabrics, Inc. v. Holland Fabrics, Inc.*, 602 F. Supp. 151 (S.D.N.Y. 1984).

The court awarded maximum statutory damages of \$50,000 under § 504(c)(2) as well as attorney's fees where defendant not only had willfully infringed plaintiff's floral fabric design but also had previously been involved in other such infringement actions. The court noted that

the "defendant cannot be permitted to continue as one of the 'bad boys' of the textile industry."

### B. *Impoundment*

*RCA Records v. All-Fast Systems, Inc.*, 594 F. Supp. 335 (S.D.N.Y. 1984).

Defendant was preliminarily enjoined from operating a "Rezound" machine, which copies recorded audio cassette tapes onto specially designed blank tapes. Plaintiffs' request for impoundment of the machine was denied, however. Defendant offered evidence that the primary use made of the machine was to copy non-copyrighted cassettes, and the court found no reason to prevent this legitimate use.

## VIII. *PREEMPTION*

*Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F. Supp. 1523 (S.D.N.Y. 1985).

An artist who failed to secure copyright protection for an ornamental design created before 1978 brought a diversity suit for state law conversion and misappropriation against defendant who, after rejecting artist's design in 1979, reproduced and distributed it. Plaintiff's claims are held preempted. The causes of action arose "from undertakings commenced" after January 1, 1978, § 301(b)(2), and the design was within the subject matter of copyright. Further, plaintiff's claims asserted rights equivalent to copyright. A state claim must possess at least one extra element that renders the claim qualitatively different from a copyright claim, not merely different in scope. No extra elements were asserted with respect to the conversion claim. The added element asserted with respect to the misappropriation claim was "commercial immorality," which the court called a "judgmental label," not an "extra element."

Based on the legislative history, the court suggested that non-preempted conversion claims are limited to those involving possessory rights in chattels.

*P.I.T.S. Films v. Laconis*, 588 F. Supp. 1383 (E.D. Mich. 1984).

The owner of rights in the television series "All In the Family" and "Archie Bunker's Place" asserted claims for, *inter alia*, copyright infringement, unjust enrichment and quantum meruit based on defend-

ant's use of plaintiff's slogans and characters in connection with a business called "Archie Bunker's Junkers." Defendant's motion to dismiss the state claims was granted because the subject matter at issue was within the subject matter of copyright and because these claims did not contain any element rendering them "different in kind" from a copyright infringement claim.

*Oddo v. Ries*, 743 F.2d 630 (9th Cir. 1984).

Claims for conversion of tangible property and breach of fiduciary duty in connection with defendant partner's alleged infringement of a manuscript and book are held not preempted.

*Burnett v. Warner Bros. Pictures, Inc.*, 29 P.T.C.J. 466 (Sup. Ct. N.Y. Co. January 18, 1985).

In 1942 plaintiffs sold defendant all rights in a play that became the basis of defendant's movie "Casablanca". Defendant later produced five episodes of a "Casablanca" television series, which aired on NBC in 1983. Plaintiffs' claims for breach of contract, misappropriation, unfair competition, unjust enrichment and fraud based on use of the play's characters in the television series were held preempted. The subject matter concerned was within the subject matter of copyright and, under § 301(b)(2), the causes of action arose "from undertakings commenced" after January 1, 1978. Plaintiffs' claims were equivalent to claims under copyright because they were based on the notion that rights in the play were never surrendered and were infringed by defendant.

## IX. MISCELLANEOUS

### A. Cable

*Hubbard Broadcasting, Inc. v. Southern Satellite Systems, Inc.*, 594 F. Supp. 808 (D. Minn. 1984).

(See VI.E., *supra*.)

### B. Antitrust

*Buffalo Broadcasting Co. v. ASCAP*, 744 F.2d 917 (2d Cir. 1984), *cert. denied*, 105 S. Ct. 1181 (1985).

Blanket licensing of non-dramatic music performing rights to local

television stations by BMI and ASCAP was held not to be an unlawful restraint of trade in violation of section 1 of the Sherman Antitrust Act. The fact that ASCAP and BMI possess only a non-exclusive license of such rights was stressed. The court reasoned that plaintiffs had failed to prove lack of realistic opportunities to obtain performance rights from individual copyright holders and in particular found failure to prove that the program license offered by BMI and ASCAP, direct licensing from copyright holders and source licensing from the producers of programming were not realistic alternatives to the blanket license.

### C. *Copyright Royalty Tribunal.*

*ACEMLA v. Copyright Royalty Tribunal*, No. 84-4136 (2d Cir. May 30, 1985).

The Copyright Royalty Tribunal's ("CRT") procedure in distributing jukebox performance funds was held in error. Claimants to the fund were performing rights societies (ASCAP, BMI, SESAC and the Italian Book Company (IBC)) which voluntarily agreed to the allocation except for the petitioning societies (collectively referred to as LAM) which claimed 5 percent. CRT made partial distribution of 90 percent of the fund to other societies and, after finding LAM had not demonstrated an entitlement to funds, distributed the remaining 10 percent of the fund to the other societies in accord with their voluntary agreement. The court held that distribution of the final 10 percent of the fund violated § 116(c)(4)(B). Because there was a controversy, the same standards of proof of entitlement should have been applied to all the societies, not just to LAM, and resort to allocation in accord with the other societies' voluntary agreement was held improper. The case was remanded to require all societies to prove their entitlement to the 10 percent of the fund in controversy.

### D. *Legislation*

*Record Rental Amendment of 1984 (P.L. 98-450) (S.32)*

This amends the 1976 Act's first sale doctrine, § 109(a). Phonorecords may no longer be rented, leased or loaned for purposes of direct or indirect commercial advantage without the consent of the owner of the sound recording copyright. Nonprofit libraries and educational institutions are exempt. Violators are subject to the Act's civil remedies only. Under the amendment to the mechanical license provisions, the owner of a sound recording copyright decides whether a record may be

rented, but compensation is guaranteed to that owner and the owner of copyright in the underlying musical composition. The legislation contains a five-year sunset provision, i.e., it is inapplicable to rentals, leases or loans occurring five years after enactment of the amendment.

*Semi-Conductor Chip Protection Act of 1984 (P.L. 98-620) (H.R. 6163)*

A Chapter 9 is added to the 1976 Act to provide a ten-year term of *sui generis* protection for semiconductor chips ("mask works"). The Copyright Office is to administer registrations under the Act. Mask works are ineligible for protection if they are not original or consist of designs that are "staple, commonplace, or familiar" in the semiconductor industry. It is not an infringement to reproduce a mask work solely for purposes of teaching, analysis or evaluation. Innocent purchasers of infringing products are not liable for acts committed prior to receiving notice that the works are protected. Mask works exploited before July 1, 1983 are not affected by the legislation. Chips marketed after July 1, 1983 are subject to a two-year compulsory license but can then be accorded full protection. Full protection is available for chips marketed as of the enactment date (November 8, 1984). A state law preemption provision is applicable to works first exploited after July 1, 1983; the provision is effective January 1, 1986. Protection is available to foreigners if their works are first commercially exploited in the U.S. or if the Secretary of Commerce finds, *inter alia*, "that the foreign nation is making good faith efforts and reasonable progress" toward effecting a chip protection system similar to that under the U.S. law.

*International Trade and Investment Act (P.L. 98-57)*

This Act continues the duty-free benefits under the Generalized System of Preferences. The Act makes the provision of adequate intellectual property protection for United States goods a condition of certain benefits for foreign countries. The United States Trade Representative reports adverse barriers to Congress and has already reported the following: lack of copyright protection for foreign works, lack of protection for three-dimensional representations of two-dimensional works, burdensome registration requirements, and absence of certain enforcement rights such as access to courts and inadequate penalties.

*Convention on Programme-Carrying Satellites (Brussels Satellite Convention). Ratified October 12, 1984; effective date March 7, 1985.*

The Senate ratified this Convention which obligates the United

States to prevent unauthorized interception and distribution of program signals transmitted by satellite within the United States. Means of prevention are left to each signatory of the Convention and the United States ratified on the basis that the obligation is fulfilled by our existing communications and copyright law. Exempted from the Convention are signals intended for direct reception by the general public from satellites and the individual reception of signals for private viewing purposes.

## B. DECISIONS OF FOREIGN COURTS

### 1. Brazil

By HENRY SHERRILL\*

56. Decision of the 28th Civil Court of the State of Rio de Janeiro, of August 8, 1985, published in the DIÁRIO OFICIAL DO ESTADO DO RIO DE JANEIRO of August 16, 1985, p. 27.

The defendant, VHS Video Cassete Special Rent Clube Ltda., also operating under the name VHS Video Center Locadora de Filmes, was engaged in unauthorized rental of original video cassettes produced by the plaintiffs Walt Disney Productions and Universal City Studios.

The stated objective of the suit was to obtain a declaratory judgment to the effect that

“rental on the part of the defendant, of video cassettes containing cinematographic works owned by the plaintiffs without express authorization of the same, constitutes a violation of their copyright, in accordance with Articles 29, 38 and 123 of the Brazilian Copyright Law.”

In the complaint, the plaintiffs stated that unauthorized reproduction, copying or other forms of use of copyrighted works, for the purpose of enrichment, constitutes what is commonly called “piracy,” and argued that the unauthorized rental of an original copy of a video cassette by the defendant constituted a “piracy of circulation” as defined in a paper by Professor Antonio Chaves published in the February 5, 1985 edition of the newspaper O Estado de São Paulo, page 47. In that article, Prof. Chaves stated that piracy of circulation exists “when legitimate works are

given uses not envisaged by the author when he grants permission for their realization, that is, piracy can exist without the creation of new specimens: a 'piracy of circulation' can mean that the material is legitimate in itself, but has not been put to its intended use."

The defendant held in rebuttal that tapes purchased from the original producers and legally imported into Brazil could be rented or sold without authorization because, in their country of origin, said use was valid under the "first sale doctrine" of Article 109 of U.S. Copyright Law. He further held that a foreign copyright owner could not expect in Brazil to have a right to more protection than in his country of origin. The defendant also argued that the work contained in the video cassettes had fallen into the public domain under Article 48 Paragraph III of the Brazilian Copyright Law. Said article states:

In addition to those works with respect to which the term of copyright protection has expired, the following pertain to the public domain . . .

III—Those published in countries which do not participate in treaties to which Brazil has adhered, and (those) which do not confer upon the authors of works published here the same treatment which is dispensed to authors under its own jurisdiction.

Finally, the defendant stated that rental did not constitute an act of commerce, but an act of "private usage" which does not depend on permission from the author of a work.

The plaintiffs countered by stating that the first sale doctrine was inapplicable, because under the principle of reciprocity the matter was to be decided exclusively under Brazilian Law. *Ad argumentandum*, they added that, under American law, the use made by the defendant could not be considered fair use, as VHS Video Cassete Special Rent Clube Ltda. was acting for the exclusive purpose of obtaining profit. They added further that a Brazilian company would be subject to reciprocal treatment in the U.S.A.

The judge began his analysis by stating that the rights invoked by the defendant are contained in the Federal Constitution and Brazilian Copyright Law, which grants protection to copyright and related rights, in accordance with agreements, conventions and treaties ratified by Brazil, and further, that said rights merit the shelter of national law, by reason of the principle of reciprocity. In this manner, the judge appeared

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to discard the arguments of the defendant based on the first sale doctrine, and on Article 48, Paragraph III of the Brazilian Copyright Law.

The unauthorized reproduction of a video phonogram (the Brazilian law uses this term rather than video cassette), the judge added, constituted an infringement under Article 4 Paragraph V of Brazilian Copyright Law. He further affirmed that the legally made purchase and importation of an original video cassette did nothing to remove the illicit nature of the use made by the defendant. The authorization for reproduction or rental of the tapes, he added, could not be held implicit. Rental, he concluded, was without a doubt a form of commercialization in which the defendant had engaged "animus lucrandi", in violation of Article 29 of the Brazilian Copyright Law. This article states that:

The right to use and dispose of a literary, artistic or scientific work, or any of its benefits, as well as the right to authorize its use or fruition by third parties, in whole or in part, belongs to the author of the work.

The judge further explained that the right to use the tape directly was obtained by a member of the public, in a contract where the party renting the tape did not possess the right to dispose of the right to its use, without authorization from the author. In this judgment, the judge, implicitly, was referring to Article 38 of the Brazilian Copyright Law, which provides:

The acquisition of the original of a work, or a reproduction of a work in the material instrument or vehicle in which it is reproduced, does not confer to the party acquiring said work or reproduction any of the patrimonial rights of the author.

The judge stated that the plaintiffs were authorized to restrain the use by the defendant, who was acting in infringement of Article 123 of the Brazilian Copyright Law. This article states:

The author, whose work is fraudulently reproduced, divulged or otherwise utilized, can, insofar as he is aware of said fraud, request the apprehension of all reproductions, or the suspension of the divulging of the work, without prejudice to the right to obtain an indemnification for loss and damages.

The judge found for the plaintiffs, expressly declaring that rental by VHS Video Cassete Rent Clube Ltda. of cinematographic works

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owned by Walt Disney Productions and Universal City Studios, Inc., without express authorization from the same, constitutes violation of copyright in accordance with Articles 29, 38 and 123 of Law 5.988/73 (Brazilian Copyright Law).

The decision has been appealed to the Tribunal of Justice of the State of Rio de Janeiro.

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## PART V

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This publication is from the Practising Law Institute Course Handbook Series. It is intended as an educational supplement to the program, and as a reference source for attorneys and other interested professionals unable to attend the sessions.

58. BORSARI, GEORGE F., JR. Cable communications policy act of 1984. PLI, N.Y. (1985), 448 p.  
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59. DUBOFF, LEONARD D. The deskbook of art law 1984 Supplement. Federal Publications, Inc. (1984).

*The 1984 Supplement* (the "Supplement") to *The Deskbook of Art Law* (the "Deskbook") contains the most recent jurisprudential and legislative developments in the rapidly changing field of art law. These developments demonstrate a heightened respect for artistic and cultural heritage, and reflect the increasingly important role of art in contemporary American society. The *Supplement* maintains the high quality of the *Deskbook* and bears the mark of a careful craftsman. It should be commended as highly readable and authoritative.

The *Deskbook* and *Supplement* address traditional art law concepts such as authentication, insurance, contracts, internal museum governance, copyright and moral rights. They also span a broad range of issues not ordinarily discussed in art law books:\* art as a victim of war, customs procedures, and artistic expression as symbolic First Amendment speech. Many timely issues are discussed in the *Supplement* including questionable auction practices, art tax shelters, landmark preservation and ownership issues. In light of the recent discoveries of the Titanic and the sunken treasure found off the Florida coast from a seventeenth century Spanish galleon, DuBoff's treatment of such ownership issues provides much needed guidance to potential claimants.

DuBoff's authoritative text provides excellent casebook material for law students as well as a useful guide for the practitioner. The books contain a well-organized index and table of contents, case decisions and notes, annotative text and commentary, treaties, statutes and forms. A practicing lawyer seeking advice for clients may be mildly disappointed by the lack of sufficient forms and lack of exhaustive legal references and citations. Yet, DuBoff does not purport to have his reference book serve as a treatise or as a form book. His stated focus is on practical legal problems and as such he does a commendable job.

Professor DuBoff provides an informative and comprehensive reference book which successfully integrates both legal and non-legal source material. The *Supplement* reflects the substantial enlargement of the scope of art law, and should be useful to gallery owners, auction houses, and art consumers as well as law students and legal practitioners.

KAREN GANTZ

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\*J. H. MERRYMAN AND A. E. ELSÉN, LAW, ETHICS AND THE VISUAL ARTS, 1979; R. DUFFY, ART LAW, REPRESENTING ARTISTS, DEALERS AND COLLECTORS, 1978; The Visual Artist and the Law, Associated Council of the Arts, Volunteer Lawyers for the Arts and Committee on Art of the Bar Association of the City of New York; T. CRAWFORD, LEGAL GUIDE FOR THE VISUAL ARTIST: A HANDBOOK FOR PAINTERS, SCULPTORS, ILLUSTRATORS, PRINTMAKERS, PHOTOGRAPHERS AND ALL THE VISUAL ARTISTS, Hawthorne Books, New York 1977; F. FELDMAN AND WEIL, ART WORKS: LAW, POLICY, PRACTICE, 1974.

of television programming across national borders. It focuses on the international regulatory and legal issues associated with delivery of programming by satellite, cable television and fiber optics.

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This book is from the Practising Law Institute Course Handbook Series. It is intended as an educational supplement to the program and as a reference source for attorneys and other interested professionals unable to attend the sessions.

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The author devotes this study to analyzing the concept of design protection and problems of design piracy. Patent and copyright protection for designs is discussed along with a look at the development in protection after the 1909 Copyright Act. The 1976 Copyright Act and the "modified separability test" are discussed. Section VI deals with new design legislation, including a look at British and French design law.

70. COLBY, RICHARD. The first sale doctrine—The defense that never was? *Copyright*, vol. 21, no. 5 (May 1985), pp. 192-205.

This article reviews the case law and applicable statutory provisions under both the 1909 and 1976 Copyright Acts, and concludes that, even before the Record Rental Amendment Act of 1984, neither Act would permit the rental to the public of video cassettes or phonorecords purchased by a retailer. [See also 32 J. COPR. SOC'Y 77 (Dec. 1984).]

71. COURSEN, DAVID. The FCC and "pay cable": promoting diversity on television. *Comm/Ent.*, vol. 6, no. 4 (Summer 1984), pp. 773-796.

This article focuses on the nonregulation of basic cable services and the harmful growth of vertical integration in the cable industry. It concludes that the FCC's pay cable policy to increase television diversity through deregulation has backfired. One of the problems has been the rise of basic services, which, unlike subscription services, support themselves with advertising revenues.

72. GULLER, MARY PATRICIA. Copyright protection for video games: the courts in the Pac-Man maze. *Cleveland State Law Review*, vol. 32, no. 3 (1983-84), pp. 531-567.

The author reviews the 1909 and 1976 Copyright Acts, copyright in computer programs, and CONTU's recommendations

concerning copyrightability in computer programs, and discusses copyright protection for videogames.

73. DAVIDSON, DUNCAN M. Protecting computer software: a comprehensive analysis. *Arizona State Law Journal*, vol. 1983, no. 4 (1983), pp. 611-785.

The analysis delves into the "Nature of Software," including copyrights and patents. Software-related works, including videogames, ROM chips and chip masks and firmware (microcoded), are reviewed. Trade secrets and the copyright registration problem along with the techniques to retain secrecy in trade secrets are also discussed.

74. DWYER, KEVIN CONDRIN and PETER GLATZ RUSH. Developments under the Freedom of Information Act 1983. *Duke Law Journal*, vol. 1984, no. 2 (April 1984), pp. 377-421.

An analysis of the Freedom of Information Act and the Reagan administration's attempt to restrict governmental disclosure. The authors discuss the "Hatch Bill" and the case of *Chrysler Corp. v. Brown* along with the Freedom of Information Act of 1983 and Executive Order 12,356, which exempts from disclosure information classified as "secret in the interest of national defense or foreign policy."

75. FISCHER, MARK A. Dealing with consumer copying: technological reality & copyright. *Copyright Management*, vol. 8, no. 6 (June 1985), pp. 2-5.

A discussion of the erosive effect the new technologies have had on copyright. Various approaches towards protection of copyright—legal, marketplace and public education—are explored.

76. HAUHART, ROBERT C. Origin and development of the British and American copyright laws. *Whittier Law Review*, vol. 5, no. 4 (1983), pp. 539-565.

This study is divided into the histories of British and American copyright, beginning with Britain's royal grants of protection and monopoly and the state of copyright in England before the Statute of Anne. Sections V and VI deal with the modern era in Great Britain and patents and copyrights in the United States.

77. HILLMAN, NOEL LAWRENCE. The fair use of free broadcast tel-

evision: the Betamax case and the distinction between marketable and disposable software. *Seton Hall Law Review*, vol. 15, no. 1 (1984), pp. 52-95.

*Sony Corporation v. Universal City Studios* is the case that is discussed in detail in this article by Mr. Hillman. The author delves into the history of copyright beginning with the Statute of Anne and analyzes cases from the 1841 case of *Folsom v. Marsh* to the *Sony* case of the 1980's. The concept of "fair use" is discussed in detail.

78. HOCHBERG, PHILIP R. and ROBERT ALAN GARRETT. Sports broadcasting and the law. *Indiana Law Review*, vol. 59, no. 2 (1983-1984), pp. 155-193.

Tracing the history of sports broadcasting and the beginning of "play by play" broadcasting, the authors provide a background on the industry. Leading cases are analyzed, including the case of *Pittsburgh Athletic Co. v. KQU Broadcasting Co.* A discussion of the concept of property rights in sports broadcasting along with an overview of broadcasters' claims and players' claims are also included.

79. HOFF, KENNETH M. H. Two-way cable television and informational privacy. *Comm/Ent.*, vol. 6, no. 4 (Summer 1984), pp. 797-836.

Mr. Hoff discusses the inadequacy of present laws to protect the consumer from possible invasion of privacy with the advent of interactive cable television which allows subscribers to avail themselves of various services, such as catalog shopping and electronic funds transfers, within their own homes. He also proposes a "Model Act" that would establish a standard to uphold the privacy of subscribers.

80. IIA finds copyright registration solutions for database publishers. *Copyright Management*, vol. 8, no. 4 (Apr. 1985), pp. 1-2.

The Information Industries Association (IIA) has proposed short-term and long-term solutions to the problem of the deposit requirements for copyright registration of databases. The short-term solution calls for original database proprietors to have the option of depositing "paper copies of only the first and last 25 pages of the databases, or other representative portions of the data records." Database owners would have the same deposit op-

tion when registering revised versions or derivative works. As a long-term answer, the IIA recommends that the Copyright Office consider an automated filing system for the registration and deposit of machine-readable databases.

81. JOHNSON, ERIC T. International copyright: domestic barriers to the U.S. participation in the Rome Convention on Neighboring Rights. *The Georgia Journal of International and Comparative Law*, vol. 13, no. 1 (1983), pp. 83-111.

A discussion of neighboring rights in sound recordings including the provisions in the Rome Convention of 1961. Section II deals with "the battle in the United States over Neighboring Rights in the 1976 Copyright Enactment." The author also discusses the rights of composers and performers' rights by contractual negotiations.

82. KEATING, WILLIAM J. Copyright protection and the information explosion. *Dickinson Law Review*, vol. 88, no. 2 (Winter 1984), pp. 268-279.

Mr. Keating documents the history of the copyright law, especially its early development. He discusses copyright in areas as diverse as copyright during the advent of the printing press, copyright protection of news reporting, the fine arts, classical literature created by individuals, and commercial art and literature.

83. KENNEDY, MARY KATHERINE. Blanket licensing of music performing rights: possible solutions to the copyright-antitrust conflict. *Vanderbilt Law Review*, vol. 37, no. 1 (Jan. 1984), pp. 183-216.

A look at performing rights societies, their organization and operation. The "CBS" case is analyzed (*CBS, Inc. v. ASCAP*), including the opinions of the district court, the court of appeals and the Supreme Court.

84. KEPLINGER, MICHAEL S. Authorship in the information age. Protection for computer programs under the Berne and Universal Copyright Conventions. *Copyright*, vol. 21, no. 3 (March 1985), pp. 119-128.

This article discusses some of the domestic and international means of computer software protection. It also focuses on the development of computer software, what it is, and how it is distributed in domestic and international commerce. Mr. Keplinger

also gives a brief overview of the Berne Convention relative to computer software.

85. KLINE, MICHAEL J. Requiring an election of protection for patentable/copyrightable computer programs. Part 1. *Journal of the Patent and Trademark Office Society*, vol. 67, no. 6 (June 1985), pp. 280-314.

This article explores and uncovers the overlapping territory for patent and copyright protection of computer programs. It suggests that where a program is patentable as well as copyrightable, the programmer should be required to elect one form of protection over the other.

86. MAHAN, JEFFREY B. Federal copyright law in the computer era: protection for the authors of videogames. *University of Puget Sound Law Review*, vol. 7, no. 2 (Winter 1984), pp. 425-440.

A look at piracy in the videogame industry and the similarities in the computer programs for these games. The author analyzes the copyright protection afforded computer videogames and the means now available to protect the underlying computer programs.

87. MCKENZIE, EVAN. Computer programs and copyright law: the object code controversy. *San Fernando Valley Law Review*, vol. 11 (1983), pp. 1-20.

An analysis of the copyrightability of an object code along with definitions of computer programs, codes, language, source code, compilation and object code. An "object code" is "the original program broken down into its simplest form and the only form in which the program's commands are directly understood by the machine and carried out." The author also discusses the *Baker-Taylor* doctrine and the case of *White-Smith Music Publishing Co. v. Apollo Co.*

88. MICHAELSON, PETER L. and MICHAEL B. EINSCHLAG. Legal defenses against piracy. *Electronics Week* (March 4, 1985), pp. 53-56.

The authors give a comparison of three avenues of protection for computer software, i.e., patent, copyright and trade secret. The extent and limitations of each type of protection and the methods generally adopted by U.S. industry are some of the points illuminated.

89. MOSSINGHOFF, GERALD J. The importance of intellectual property protection in international trade. *Boston College International, and Comparative Law Review*, vol. VII, no. 2 (Summer 1984), pp. 235-251.

This article is primarily a discussion of patents and patent protection. The author addresses the topics of patents as an incentive for innovation, as a means of providing technological and market information, and as a barometer for revealing trends in trade competition. Sections 4 and 5 point out how patents protect domestic markets and how they help entry into foreign markets.

90. PARRY, JOHN. Computer program protection: Great Britain's proposed legislation. *Copyright Management*, vol. 8, no. 5 (May 1985), pp. 5-6.

The British Parliament is considering a legislative proposal to extend copyright protection to computer programs and to include infringement of computer software copyrights under the criminal provisions of the Copyright Act. The measure has bipartisan support and is expected to be adopted this summer. It was introduced by Parliament member William Powell.

91. PATTON, WARREN L. and JOHN C. HOGAN. The copyright notice requirement—deliberate omission of notice. *Comm/Ent. L.J.*, vol. 5, no. 2 (Winter 1982-83), pp. 225-240.

This article discusses the effect under the current Copyright Act of deliberate omission of the copyright notice from a published work. The author also discusses the conflict between Professor Nimmer's opinion on the issue and the decision of a federal district court in *O'Neill Development, Inc. v. Galen Kilburn, Inc.* The author concludes that a notice added to copies within five years should validate a copyright, even where the omission of notice was deliberate.

92. RE, JOSEPH R. The stage of publication as a "fair use" factor: *Harper and Row Publishers, Inc. v. Nation Enterprises*. *St. John's Law Review*, vol. 58, no. 3 (Spring 1984), pp. 597-616.

Copyright protection of an unpublished work is analyzed in this study. The concept of "fair use" and the case of *Harper and Row Publishers, Inc. v. Nation Enterprises* is reviewed by the author.

93. Right of publicity choice of law. *Copyright Management*, vol. 8, no. 5 (May 1985), pp. 8-9.

The First Circuit has ruled that the domicile of licensing agents for British rock groups will dictate the applicable law in resolving disputes over publicity rights. The decision was handed down in an appeal of a preliminary injunction against defendant in *Duran, Duran v. Bruce Miner Company, Inc.* The case involved defendant's unauthorized distribution in the U.S. of posters made in Europe. Defendant had argued that British law, which does not recognize the right of publicity, should apply.

94. RODAU, ANDREW G. Protecting computer software: after *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (3d Cir. 1983); does copyright provide the best protection? *Temple Law Quarterly*, vol. 57, no. 3 (1984), pp. 527-553.

The author discusses the existing patent and trade secret law with regard to computer software, analyzes the "Apple Computer" case, and reviews the "copyrightability of software." Section II is devoted to a discussion of maintaining computer software as a trade secret, and Section III analyzes combining trade secret and copyright law to protect computer software.

95. ROOT, HOWARD. Copyright infringement of computer programs a modification of the substantial similarity test. *Minnesota Law Review*, vol. 68, no. 6 (June 1984), pp. 1264-1302.

A look at the technology of computer software and computer language such as FORTRAN and COBOL. Section II investigates the scope of copyright protection for computer programs and what constitutes infringement. Section III is devoted to the use and non-use of the substantial similarity test.

96. SADLER, CAROLE P. Federal copyright protection and state trade secret protection: The case for partial preemption. *The American University Law Review*, vol. 33, no. 3 (Spring 1984), pp. 667-701.

A discussion of copyrightable subject matter, section 301 and its legislative history, the Supreme Court and the concept of preemption. Section II is devoted to a discussion of trade secrets, the rights of proprietors, the principles of trade secret law and the rights of use and disclosure.

97. SHIPLEY, DAVID E. and JEFFREY S. HAY. Protecting research: copyright, common law alternative and federal preemption. *North Carolina Law Review*, vol. 63, no. 1 (Nov. 1984), pp. 125-183.

Mr. Shipley points out that an author's expression is protected under copyright law but his ideas are not. He discusses the problems non-fiction authors have protecting their research, and both state law and federal remedies. Cases discussed include *Toksvig v. Bruce Publishing Co.* and *Holdredge v. Knight Publishing Corp.*

98. SMITH, SARAH ANN. The New York artists' authorship rights acts: increased protection and enhanced status for visual artists. *Cornell Law Review*, vol. 70, no. 1 (November 1984), pp. 158-181.

A look at the doctrine of "droit moral." Section II is devoted to "artists and the common law," property rights, and contract claims. Section III analyzes property and contract rights versus authorship rights, and the New York artists' authorship rights act.

99. Software protection in Australia. *Copyright Management*, vol. 8, no. 6 (June 1985), pp. 6-7.

Australia's Copyright Act of 1968 was amended in 1984 to protect computer software. This writing presents a summary of the new copyright provisions and a brief report on other efforts undertaken by the Australian government to promote computer and other technology.

100. ST. CLAIR, JAMES F. Copyright infringement—the Betamax controversy: *Universal City Studios, Inc. v. Sony Corporation of America*. *Creighton Law Review*, vol. 17, no. 3 (1983-84), pp. 993-1021.

A discussion of copyright, exclusive rights, and the home-video phenomena. The author provides the background of the case *Universal City Studios v. Sony Corp. of America* and investigates the doctrine of "fair use" and the issue of contributory infringement.

101. STRAUSS, JULIE ALEXA. The performance exemption under section 110(5): time for a change. *Duquesne Law Review*, vol. 22, no. 3 (Spring 1984), pp. 699-683.

An overview of the Copyright Act of 1909 and the history of copyright. A legislative history of the 1976 Act is given with a review of several cases, including *Sailor Music v. Gap Stores, Inc.*, *Broadcast Music, Inc. v. U.S. Shoe Corp.*, and *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*

102. TANNENBAUM, FREDERIC D. The future of municipal regulation

of cable television: plugged in or tuned out? *Loyola University Law Journal*, vol. 15, no. 1 (Fall 1983), pp. 33-61.

The author discusses federal and state regulation of cable television in Illinois. The article provides a history of the regulation of the cable television industry by the FCC and local authorities, and points out the "vulnerability of Illinois municipalities to anti-trust liability."

103. TARBET, DAVID W. Use of American broadcast signals by Canadian cable networks: the CANCOM decision. *Buffalo Law Review*, vol. 32, no. 3 (Fall 1983), pp. 731-759.

A discussion of the Canadian Radio & Television Communications Commission's (CRTC) approval of the application by the Canadian Satellite Communications Inc. (Cancom) for "an alteration in its network license which would allow Cancom to distribute the television signals of the major U.S. networks to remote areas of Canada." An analysis of broadcasters' property rights concerning radio frequencies and signals is provided in Section II.

104. UK Green Paper levy on blank tapes. *International Media Law*, vol. 3, no. 4 (April 1985), pp. 29, 30.

The British Government has published a Green Paper entitled "The Recording and Rental of Audio and Video Copyright Material." The Green Paper calls for a levy on blank recording tapes. The government suggests a levy of 5 percent of the retail price of video tape and 10 percent of the retail price of audio tape. Exemptions are provided for audio tapes with a playing time of less than 35 minutes as well as a special proposal for a blank tape levy to be paid in return for the right to record broadcasts for educational purposes.

105. WEBSTER, JON O. Copyright protection of systems control software stored in read-only memory chips: into the world of Gulliver's travels. *Buffalo Law Review*, vol. 33, no. 1 (Winter 1984), pp. 193-224.

The author traces the history and the scope of protection for computer programs under the 1909 Copyright Act and also reviews the 1976 Copyright Act and the 1980 computer software Act. Cases discussed include *Data Cash Systems, Inc. v. JS&A Group, Inc.*, *Tandy Corp. v. Personal Micro Computers, Inc.*, and *GCA Corp.*

*v. Chance*. Also discussed is the topic of copyrightability of object code computer programs in ROMs.

106. YAMBRUSIC, EDWARD S. The status of U.S. copyright relations with Taiwan. *International Journal of Legal Information*, vol. 13, nos. 1-2 (Feb.-Apr., 1985), pp. 1-16.

An examination of the status of copyright relations between the U.S. and the Republic of China (Taiwan) as established under the 1948 Treaty of Friendship, Commerce and Navigation. Mr. Yambrusic discusses questions raised by America's acknowledgment of the government of the People's Republic of China as the sole *de jure* government of China and withdrawal of recognition and severing of diplomatic relations with Taiwan in 1978. He provides a chronology of normalization of relations with China and an analysis of the Taiwan Relations Act. He also offers a historical background of the situation and recommends practical applications of the new Taiwan status to copyright registration.

107. Yes Virginia, there is copyright liability . . . for now. *Copyright Management*, vol. 8, no. 5 (May 1985), p. 2.

The District Court of Western Virginia has construed the word "anyone" in Section 501 of the Copyright Act to be a "permissible Congressional waiver of states' rights under the Eleventh Amendment" not to be sued for damages. The construction was proffered in a decision holding that "the State of Virginia acting through its University can be held liable in a federal court for damages for copyright infringement." The ruling was rendered in the case of *Johnson v. University of Virginia*.

## 2. Foreign

108. COLEMAN, ALLISON. An intellectual property law primer, 2d ed. Clark Boardman Co. Ltd., N.Y. 1983. 556 p. *EIPR*, vol. 7, no. 3 (Mar. 1985), p. 88.

Review of a book for the "non-specialist" in U.S. intellectual property law. Chapters include discussions on patents, trade secrets, franchising, copyrights, rights of privacy, public performance, publicity and federal tax areas in intellectual property.

109. Computers and copyright. *Bulletin No. 49, Australian Copyright Council Ltd.* (1984), pp. 1-20.

This booklet written by the Australian Copyright Council addresses the problem of the application of computer technology to copyright law. Areas discussed include the scheme of copyright protection, the protection of computer programs, the *Apple* decisions, the Copyright Amendment Act of 1984, works created with assistance of computers and computer storage and retrieval of copyright material.

110. DAVIES, GILLIAN. New technology and copyright reform. *EIPR*, vol. 6, no. 12 (Dec. 1984), pp. 335-340.

This article states that developments in technology have deeply affected the rights of authors and owners to receive adequate remuneration for their works and derivative uses of their works. The author discusses the function of copyright and related rights, limitation on copyrights, and alternatives to copyright.

111. DAVIES, GILLIAN. Piracy of phonograms. ESC Publishing Ltd., Oxford (1981), p. 150. *EIPR*, vol. 6, no. 11 (Nov. 1984), p. 328.

A review of a report providing a detailed study of the nature of piracy and the existing laws used to combat it. The report makes proposals for the improvement of such laws. Both record piracy and "product" piracy are addressed in this publication.

112. DAVIES, GILLIAN and HANS HUGO VON RAUSCHER AUF WEEG. Challenges to copyright and related rights in the European Community. ESC Publishing Ltd., Oxford (1981), p. 271. *EIPR*, vol. 6, no. 11 (Nov. 1984), p. 328.

A review of a publication on the current state of copyright in the European Community. Special attention is given to the problems of producers and performers.

113. FELLNER, CHRISTINE. *British Leyland v. Armstrong*, Court of Appeals, London. *EIPR*, vol. 6, no. 11 (Nov. 1984), pp. 317-320.

This is a comment on the case of *British Leyland v. Armstrong*, which involves a set of drawings which plaintiff states were copied by defendant. These drawings are plans for exhaust pipes for an automobile. The points argued before the court of appeals concerned the issue of "substantiality" in the drawing and the duration of copyright in drawings of functional articles.

114. GAUBIAC, YVES. The new technical means of reproduction and

copyright. *Revue Internationale du Droit d'Auteur*, no. 122 (Oct. 1984), pp. 23-145.

An overview of the principles behind the right of reproduction and copyright, including the exceptions to the right of reproduction and the problems of the validity of the private copy made at home by a private person. Chapter Two is devoted to a discussion of the right of remuneration.

115. International federation of television archives: seminar on copyright and use of television archival material. *EBU Review*, vol. XXXVI, no. 2 (March 1985), pp. 36-37.

Report on the 5th General Assembly of the International Federation of Television Archives. The papers delivered during the Assembly focused on the use of television archives, copyright, neighboring rights and other program rights. The subject of the broadcaster's right of TV use in the field of cable and satellites was also addressed.

116. International news—folklore—WIPO commentary. *EIPR*, vol. 7, no. 4 (Apr. 1985), p. D-72.

A joint committee of UNESCO/WIPO approved a model law to "give protection of 'folklore' separate from any protection afforded under copyright laws." Further legislation for an international regulation of industrial property protection for folklore was examined.

117. JEHORAM, HERMAN COHEN. Legal issues of satellite television in Europe. *Revue Internationale du Droit d'Auteur*, no. 122 (Oct. 1984), pp. 147-178.

Direct broadcast via satellites, and the "copyright question of which organization is to be held liable for the broadcasting of television programmers via point to point" is discussed in this study. Media law in Europe is also investigated.

118. KINGSTON, WILLIAM. Who should protect intellectual property. *EIPR*, vol. 7, no. 3 (Mar. 1985), pp. 75-77.

Mr. Kingston questions whether intellectual property rights are "best protected in their present form." He also argues that states should be more involved in the enforcement of these rights. A discussion concerning monopolies and patents is also included.

119. LADD, DAVID. Securing the future of copyright: a humanist endeavor. *IIC*, vol. 16, no 1 (1985), pp. 76-83.

The former Register of Copyrights discusses the problems of reprography, electronic libraries, piracy, and the problem of protecting authors' and publishers' rights. He also surveys the new technologies and the role of copyright in areas of photocopying, cable television, satellite transmissions, computers and videotaping.

120. LAHORE, JIM. *Plix Products Ltd. v. Winstone*. *EIPR*, vol. 7, no. 3 (Mar. 1985), pp. 83-86.

In this case comment, Mr. Lahore analyzes a recent copyright case in New Zealand involving a design for kiwi fruit trays. He states that the High Court of New Zealand has recently given protection for the trays for packing kiwis even though defendants did not directly copy the plaintiff's drawings "but had their own trays ('pocket packs') designed independently by following 'specifications laid down by the Kiwifruit Marketing Authority.'" Professor Lahore analyzes copyright infringement by direct copying and the copying of a design concept.

121. LESTANC, CHRISTIAN. Comparative advertising in French law. *EIPR*, vol. 7, no. 2 (Feb. 1985), pp. 35-39.

This article provides an analysis of comparative advertising campaigns in France and the views of those who believe comparative advertising is illegal on grounds of unfair competition and trademark infringement.

122. LEVIN, MARIANNE. Design protection in the Nordic countries, winners and losers in a system of equal protection for functional and ornamental designs. *EIPR*, vol. 6, no. 12 (Dec. 1984), pp. 340-344.

A discussion of the Nordic countries' design law which protected functional as well as ornamental designs. The main purpose of this Act was to stimulate creative efforts in the design field although the author doubts whether, in fact, this actually did occur. Conditions for protection, including the novelty requirement, are also investigated.

123. MCCANN, JOSEPH D. The U.S. Supreme Court views copyright on videotape. *IIC*, vol. 15, no. 4 (1984), pp. 493-500.

A review of the facts of the case of *Sony Corp. of America v. Universal City Studios* and a comment on contributory infringement, authorized time-shifting, unauthorized time shifting and the fair use doctrine.

124. MCCOUCH, GRAYSON. The public lending right in German copyright law. *IIC*, vol. 15, no. 5 (1984), pp. 605-636.

The author analyzes the legal basis and background of German copyright law and the public lending right. He states that the public lending right represents something of an anomaly in German copyright law. "Technically it is viewed as a *droit de suite* and as a special compensation right. . . . Analytically it is treated as a form of distribution right." Section II deals with a recent German copyright amendment and its implementation.

125. PHILLIPS, JEREMY. Prince Albert and the etchings. *EIPR*, vol. 6, no. 12 (Dec. 1984), p. 329.

The article analyzes a 19th century British intellectual property decision, *Prince Albert v. Strange*, dealing with copyright in an artistic work. This case had an effect on what was to be the law of breach of confidence. The author discusses the facts, the legal background and the motivation for the litigation of this 1849 case, in which the Prince Consort had "instituted proceedings in the Royal Courts of Justice and before judges who had sworn their loyalty to the Queen."

126. PHILLIPS, JEREMY. The visual artist's copyright handbook, artlaw guide No. 1, Artlaw Services, Ltd. London, 1983, 66 pp. *EIPR*, vol. 6, no. 11 (Nov. 1984), p. 327.

A review of a handbook for artists in which Mr. Phillips points out this publication's shortcomings. One shortcoming involves the omission of a discussion concerning protection of works created and published before the 1956 Copyright Act. This reviewer also states that the problems of fact and opinion are intertwined in the publication.

127. SCOTT, MICHAEL D. Computers and liberty. *EIPR*, vol. 7, no. 3 (Mar. 1985), pp. 59-62.

A look at computers and their impact on freedom of speech and the press. Areas discussed include computer records, search and seizure, warrants and law enforcement.

128. STOJANOVIC, MIHAÏLO. Term of protection of copyright: present position and trends. *Revue Internationale du Droit d'Auteur*, no. 122 (Oct. 1984), pp. 3-21.

The protection of an artist's works after death of the author plus 50 years is mentioned as are those countries which provide both greater and lesser terms of protection. Each group of countries is analyzed according to their geographical distribution, economic situation and the "socio-economic systems predominating in the countries belonging in such groups." International conventions and their membership is also investigated.

129. UBERTAZZI, LUIGI CARLO. Copyright and the free movement of goods. *IIC*, vol. 16, no. 1 (1985), pp. 46-76.

A discussion of the application of community law to copyright and article 36 of the EEC Treaty which refers to the protection of "industrial and commercial" property. The author states there is a question of legality of national laws which "accord the owner of a copyright in one country the right to proceed against the import of products manufactured in another country which are viewed as measures having the same effect as quantitative import restrictions."

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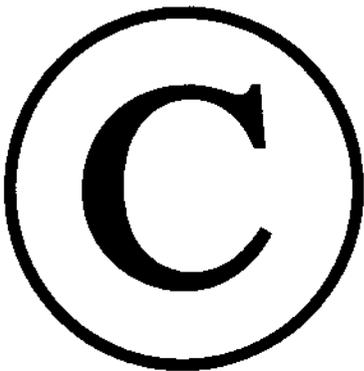
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**Melville B. Nimmer, 1923-1985**

## Melville B. Nimmer

The death of Melville B. Nimmer, from cancer on November 23, 1985 at the age of 62, deprives us of one of the preeminent leaders in copyright law and the law of the First Amendment.

He made significant and lasting contributions in many roles: as Professor of Law at the University of California, Los Angeles; as scholar and author of the influential treatise *NIMMER ON COPYRIGHT* and a companion treatise, *NIMMER ON FREEDOM OF SPEECH*, as well as numerous other publications; as practicing lawyer; and as Vice-Chairman of the National Commission on New Technological Uses of Copyrighted Works.

Professor Nimmer was also a valued member of the Board of Trustees of The Copyright Society of the U.S.A. He and his wife, Gloria, were the gracious hosts of The Copyright Society's two Mid-Year Meetings at U.C.L.A. Law School, in 1983 and, again, in 1985. On March 16, 1970, he delivered the inaugural Donald C. Brace Memorial Lecture on Copyright Law titled, appropriately, "Copyright vs. the First Amendment" (17 BULL. COPR. SOC'Y 255, Item 109 (1970)).

On every personal and professional level, Professor Nimmer will be missed by his many friends and colleagues in The Copyright Society of the U.S.A. and throughout the world.

Richard Dannay  
President  
The Copyright Society of the U.S.A.

## Professor Melville Nimmer

*By Ralph Oman, U.S. Register of Copyrights*

After venerating Professor Melville Nimmer for years as I would a remote and awesome icon, I first met him after I became Chief Counsel to the Subcommittee on Patents, Copyrights and Trademarks in the Senate. His urbanity and keen intellect came as no surprise; but I hadn't expected the real twinkle in his eye, his warmth and kindness. I learned late what a generation of his students, colleagues and friends already knew: that this man, revered by scholars and practitioners, was a genuinely nice person.

It was a wonderful discovery.

I suppose I would have been less surprised if I had read the preface to his treatise more carefully, instead of rushing past it to the meat of the text. He dedicated the first edition to his wife, Gloria, ". . . *sine qua non*," and he paid tribute to the sacrifice of his family, who apparently grew up under the injunction, "Don't bother Daddy. He's working on the book." Fifteen years later in the 1978 edition, the children have grown up, but Gloria ". . . remains my strongest support, my *sine qua non*. . . ."

With Professor Nimmer's untimely death, we have lost one of our greatest and most influential legal thinkers. NIMMER ON COPYRIGHT has been called the "Blackstone's" of copyright law. That certainly captures the intellectual achievement of his work as a species of traditional legal writing. But I see NIMMER ON COPYRIGHT as closer in spirit to Diderot's *Encyclopédie*: an ambitious, broad-visioned, richly individualistic ordering of the law of copyright and ideas in a way that gave the subject a meaning it never had before. Nimmer sought to place the relatively small field of copyright law into the greater fabric of American law and legal thought. The fact that he succeeded is a measure of his enduring stature in our legal heritage.

In recent years, Professor Nimmer devoted his creative energies to First-Amendment-related issues and, in the years ahead, we will come to regret that he passed from the scene before his reflections on the First Amendment and authors' rights became further developed and more widely known. Although we never had the chance to talk of it, I feel that Professor Nimmer's interest in the First Amendment was a logical extension of his deep belief in the importance of copyright protection to maintaining a genuinely free "marketplace of ideas" and of his growing discomfort with the tendency in some quarters and courts to set copyright and the First Amendment at odds with one another. Certainly,

the subject called forth some of his most provocative and incisive thinking and, not incidentally, some of his most powerful writing:

In the modern era, the marketplace of ideas extends far beyond Hyde Park Corner. Technological advances such as photocopying machines, computers, and various forms of television mean that ideas and their expression may now be disseminated on a scale undreamt of in the philosophy of John Stuart Mill. This, together with the public's increasing appetite for education and culture, requires a constant rethinking of the place of copyright and the proper scope of the First Amendment within our burgeoning society. . . . (I)t should not follow that free speech for educators, or for others similarly contributing to the democratic dialog, means free use of the expressions of others. If the time, skill and energy . . . for the creation of independently evolved expression are lacking in these vital areas, then such resources must be supplied by the nation as a whole. Neither the First Amendment per se, nor the speech interests which underlie it, justify in the name of education or culture the expropriation of authorship.

I NIMMER ON COPYRIGHT I-92 (1985).

NIMMER ON COPYRIGHT will continue to be quoted, cited and deferred to by the copyright bar and courts for many years to come. It is the enduring legacy of this extraordinary author-educator and advocate. But even this does not mitigate the loss of a great human being—a kind, compassionate, concerned and dedicated *gentleman*.

---

## Melville Bernard Nimmer, 1923-1985

*By Monroe Price, Dean of The Benjamin N. Cardozo School of Law*

What a delight: to work with the stuff of ideas, of books and song, of theater and art, of the underpinnings of the popular culture of a country. For many lawyers and scholars, the everyday life of the law is not so tied to national sensibilities and consciousness. But Melville Nimmer was fortunate to have found this lovely space in the law. And we—judges, clients, authors and other creators and consumers of culture—are all lucky indeed that this great scholar gave intellectual property his dedicated attention.

We were fortunate also that Nimmer so nicely bridged scholarship and practice. Like his friend, colleague and co-author, Alan Latman, Nimmer brought to his scholarship an unusual combination of experience in the field as well as academic devotion. As a result, much of Nimmer's thinking about copyright was contextual. He realized that the road from the author to the consumer of creative activity is filled with barriers and obstacles involving investments and middlemen, obstacles that make too simplistic the pure notion that protection is the way to encourage the arts and sciences. On the other hand, he recognized as well the genius of creativity, the way in which the sole and human process of contributing to the arts takes place. He had the benefit of the practical exposure to the operation of the carving up of intellectual property interests in the motion picture industry. He understood the national politics of change in the regime of intellectual property and how important it was to the motion picture industry that strange notions of moral rights did not interfere with the contractual arrangements that made complex transactions possible.

Nimmer knew from his motion picture experience how much of a shared effort there is in much of the creative process; how the script—sometimes the initial copyrightable expression—is but one element; there are those countless participants, including the director and the producer, the actors and the editors who have some contributing function that may be the distinctive characteristic that assures success. In these modern collaborative enterprises, simple models of copyright might no longer avail; and Nimmer recognized the need to mediate between the protection of the author and flexibility required for the building of an industry on gossamer thoughts.

Los Angeles was important for Nimmer for reasons other than his contextual familiarity with the motion picture industry. He was a product of the idealism, the simplicity and the ambition of Los Angeles in the

period around World War II. At his memorial service, two old friends, Dr. Saul Brown and Robert Zaitlin, talked of the clear days of the late 1930's when the boys of Los Angeles High formed their view of themselves and of the world. It was a vision in which talent and effort, coupled with idealism, were recognized as potent forces. It was a world in which ordered liberty, the achievement of commonly accepted goals and the pursuit of creativity were harmonious. It was a world from which the copyright treatise, with its assumptions about the role of law in making creativity flourish, could have its roots.

Nimmer as a propounder and clarifier of copyright law was an extraordinary phenomenon. But he made it his special task to turn his attention from copyright to the First Amendment and to the First Amendment constraints on copyright. Why did this take place and how was it connected to his love of copyright and intellectual property? A great deal of it is the difference between Nimmer the theorist and Nimmer the practitioner, between Nimmer the restater of law and Nimmer seeking to reach beyond. He recognized that there had to be a limitation on the exclusivity of the ownership rights of a creator in the work of art. He understood and celebrated the immediate logic of copyright that yielded protectible rights in intellectual property, but he also sought to understand how those rights fit in a democratic society.

Nimmer's work on the First Amendment and copyright demonstrates how certain principles have an elemental hold on our imagination. And it is the greatness of certain scholars that they can take these principles and show how they are strong enough to serve as fundamental underpinnings for comprehensive perceptions, for systems of thought, for structures that allow economic activity to take place. In looking back at the work of Melville Nimmer, and particularly the heroic work of his treatise on copyright, one can see how he tested and refined basic principles and then hewed to them as he looked at more and more complex legal questions.

Thus, while Nimmer's name is tied forever to the history of copyright, to the working out of the complexities of transfer, inheritance, infringement, copyrightability, definitions of authorship and written works, what seemed, increasingly, to intrigue him, to capture his sense of what was significant was the role of the First Amendment and its relationship to copyright law and policy. Only one year before his death was his treatise on the First Amendment published. And his treatise on copyright was increasingly concerned with questions of possible conflict between these two great signs of our constitutional commitment to creativity.

As an example, in the Treatise, Nimmer wrestled with that most familiar of principles in copyright law—the idea-expression distinc-

tion—and found within it the kind of overarching element that, in his view, permitted the First Amendment and copyright law to live in harmony. It allowed him solace against his deeply felt concern that the author's exclusive rights under copyright law might be inconsistent with the proscription on Congressional passage of any law abridging the freedom of speech.

His analysis of this possible paradox was typically Nimmer-like: lucid, persuasive and ameliorist. It was reflective of what seemed to be his abiding faith that no matter how complex the issue, a suitable arrangement could be achieved that would, without major dislocation, allow accommodation among competing doctrines.

Nimmer asked the question this way: "Does the law of copyright . . . effectively serve the interests underlying copyright?"<sup>1</sup> He wanted to explore whether "the copyright prohibition on repeating or copying the 'expression' of ideas comport[s] with the underlying rationale for freedom of speech . . ."<sup>2</sup> His resolution had that sense of comfort and security that makes the Treatise so reassuring and quotable for the courts:

On the whole, therefore, it appears that the idea-expression line represents an acceptable definitional balance as between copyright and free speech interests. In some degree it encroaches upon freedom of speech in that it abridges the right to reproduce the "expression" of others, but this is justified by the greater public good in the copyright encouragement of creative works. In some degree it encroaches upon the author's right to control his works in that it renders his "ideas" per se unprotectible, but this is justified by the greater public need for free access to ideas as a part of the democratic dialogue.<sup>3</sup>

Nimmer was increasingly concerned with free speech questions even beyond copyright. This concern found its flower in his second treatise, his new work committed to the First Amendment and his theory of its evolution and application. It was expressed in his discussions of the *Nation* case in a variety of settings, and in his effort to draw distinctions between pure First Amendment constraints on copyright and the working out of the fair use provisions of the Act.

Much of Nimmer's interest, perhaps, arose from the crises on many campuses, including those of the University of California, in the 1960's.

<sup>1</sup> NIMMER ON COPYRIGHT 1-72, §1.10 [B] [2] (1985).

<sup>2</sup> *Id.* at 1-73.

<sup>3</sup> NIMMER ON COPYRIGHT § 1.10 [B] at 1-76—1-77 (1978 ed.).

His representation in the famous case of *Cohen v. California*<sup>4</sup> and his increasing occupation with the definition of symbolic speech led to an increasing desire to master the field and provide the kind of overarching sense of order in the speech area that he had provided for copyright.

There are so many other aspects of Nimmer's life and work that bear comment. In this Journal, his contribution to the National Commission on New Technological Uses of Copyrighted Works bears special mention. In his attitude toward new technology, Nimmer reflected the common-law tradition. There would be times, of course, when legislation would be necessary, but even there, he often found solace and models for action in the ways in which courts had developed doctrine in the past. Just because there were new modes, new devices did not mean that enduring principles and approaches should not apply.

Nimmer recognized how important it was to understand how other nations dealt with intellectual property issues. His was not a parochial perspective. In the late 1960's, he directed a multination study of rights not clearly found in the United States copyright regime. Characteristically, he thought that intense scholarship on these issues would make more fruitful future debate on whether or not the United States should join the Berne Convention. He was not an inveterate roamer of conferences and conventions; but still, in more recent years, his children grown and his treatises published, he was more committed to the expansion of experience that comes from sustained visits and travel.

Nimmer and Alan Latman, two years ago, were working together on a book entitled "World Copyright", which would contain chapters on each of the most significant copyright laws in the world. On the occasion of Latman's death, in 1984, Nimmer wrote that "It is difficult to accept the fact that Alan will not be here to see this project through to fruition. It will at least serve as a memorial to him."<sup>5</sup> Now the work will have to serve as a memorial to them both.

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<sup>4</sup> 403 U.S. 15 (1971).

<sup>5</sup> 32 J. COPR. SOC'Y 11 (1984).



PROF. DR. GUNNAR KARNELL

## PART I

## ARTICLES

## 130. EMPLOYMENT FOR HIRE—A NON-LEGISLATIVE APPROACH\*

By PROF. DR. GUNNAR KARNELL\*\*

Over a number of years I have followed the publication in the BULLETIN and later in the JOURNAL OF THE COPYRIGHT SOCIETY OF THE USA of lectures on international copyright delivered upon the invitation of the Society. I never supposed that one day I should stand here delivering one such lecture myself. Given the opportunity, it was just irresistible to accept the invitation and I am most thankful for it. You may have to suffer from my enthusiasm, because what I want to say—although the title to my lecture must have been approved by this distinguished Society—will not conform with copyright ideas regarding employment for hire relationships and the like as expressed in your U.S. Copyright Act of 1976. I aim at a discussion which will reach into a possible future. For it is the future towards which all our endeavours are directed even though we may accept or enjoy the present and its given facilities.

The topic of copyright in employment relationships first caught my interest in 1968—an ominous year of unrest in labor relations and other social relations in many countries. That was a time when authors were gaining force to question the rights of their employers in a number of respects, mostly related to the advent of new media. I wrote an article at that time for the Nordic Intellectual Property Revue, the NIR, where I looked into the position of the employed author in the Nordic countries, especially Sweden. There was not much to be found: one single Swedish case in a court of appeal, a handful of other Nordic cases and a few general ideas expressed in legal language. If a conclusion about legal principles was to be reached it did not carry much further than my summary in the NIR of the applicable law. Namely, if nothing else was agreed upon, then the employer would be allowed to use any works created as a result of the service obligation or as a result of a specific

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\*This article was adapted from a lecture delivered to the Copyright Society of the USA in New York University School of Law, Vanderbilt Hall, on October 29, 1985.

\*\*Dr. Karnell is a Professor of Law, LL.D, Head of Department of Law, Stockholm School of Economics. He is also President of the Swedish Copyright Society.

undertaking to the employer within his field of business and for his normal activities. However, the employer could use the work only for purposes foreseeable at the time of its creation. If a work needed changes in order to achieve the purpose for which it was created, then the employer would be permitted to have them made.

There were not then, and there are not now, any statutory provisions about the copyright aspects of an employment relationship between a creator of a literary or artistic work and his/her employer in any of the five countries of Denmark, Finland, Iceland, Norway and Sweden. The case law is still very scarce. Most cases deal only with journalists and secondary uses of their articles.

The legal situation in the Nordic countries is by no means unique. The same void still prevails in Belgium, Switzerland, Austria and many other continental European countries, even if more case law may be found on the continent than in the Nordic sphere. All the countries mentioned have until rather recently held back on legislative efforts related to the employee-employer issue regarding copyright. Together with e.g., France and Germany, but also with many socialist countries, they are all countries that on the most general level may be described as ones which recognize that an employer's copyright is always a right derived by contract from the creator, who is regarded as the original author of his work.

Now, however, the attitude of non-interference on the part of the legislator is questioned or changing in many countries, and there is an increasing tendency to take an active interest in the issue. This is true also of countries with a basically different approach, countries where copyright will to a considerable extent *ex lege* belong initially to the employer, such as—in Europe—England, Ireland and the Netherlands and—elsewhere—the U.S., Canada, Australia and Japan.

Thus an interest, at least to look further into the problems of this field of law, is now manifest in many legislative quarters in the industrialized part of the world where we find developed media systems. Such interest has also risen to the international level, as expressed at the "Consultation meeting on the question of copyright ownership and its consequences for the relations between employers and employed or salaried authors", held jointly in Geneva in September 1982 by the International Labour Organisation, UNESCO, The World Intellectual Property Organization ("WIPO") and representatives of non-governmental organisations. Such interest is also shown by later activities in this field, particularly within the WIPO.

The impetus for the discussions and legislative activities of the last decade or a little more has come most certainly from three directions. The *first* is the rapid development of new media and of the media en-

terprises in general. This in its turn has led to opportunities for uses of employees' works outside such fields of activities of the employer for which they were initially created. Examples of these fields would be cable- and pay-TV, videogrammes and computers. The *second* factor is the growing collectivization of the labor market—rendering greater force and efficiency, or at least publicity, to other claimants of rights. The *third* and final factor is the growing awareness of the importance of copyright in the economic life of societies in our time, an awareness of how the economic potential of the media industry is dependent upon a productive balancing of interests.

I predict a legislative development away from earlier, doctrinally based, rigid principles of law which support the unreasonable result of producer power or of the exercise of authors' rights in non-conformity with market demands, towards more subtle statutory rules. I also predict the possibility of development of non-legislative approaches to the whole issue or to ever larger parts thereof, in countries where up to now no need for statutory interference with the market has been clearly established. Before giving you my reasons I shall discuss what seems to be the present situation.

Let us start with the fundamental legal question involved. It is whether an employer shall acquire by the sheer existence of an employment relationship—when nothing at all can be said to have been agreed upon about copyright—not only the immediate result of his employee's work, a product such as a manuscript or a computer disc the tangible copy of which is in the employer's possession, but also the rights to other uses of the product which are covered by copyright—the right to copy, to display, to perform, to adapt, to translate etc.

There are parallels to this problem in the field of patents and designs but I shall ignore such possible parallels because the national legal *solutions* chosen in the patent field do not seem to be, as a whole, directly transferable to the field of copyright. This may by the way have to do with, among other things, the fact that typically an invention is something unexpected whereas the creation of a literary or artistic work is what in most cases the employees' activities are all about. The apparent similarity between the two fields of inventive and literary or artistic creation with regard to the difficulty to assess the value of the invention or creation at the moment of employment or of the coming into being of the results does not necessarily lead further than to thoughts about whether a reasonable additional compensation for unexpected market value of the inventive/creative effort shall be added to what was initially paid for what was performed. Still, it may be borne in mind that the really "hot" issue, from an economic point of view with regard to intellectual creations in employment relations in general, is the command of and/or compensa-

tion for the reach-out into the future, as always annoyingly unknown and unpredictable, where works are used for other or wider purposes than originally intended or where they fall into disuse and oblivion.

I have already hinted at a couple of fundamental differences in national laws with regard to the determination of initial ownership of copyright in employment relationships, deciding the extent to which rights will initially be held by either party. They deserve some further attention. The differences also appear with regard to cases where outside an employment relationship, or within such a relationship which would otherwise not encompass the creation of a literary or artistic work, a person has been ordered or commissioned to create such a work. Many countries have not legislated about these copyright issues; others have.

Some countries have left these matters to be settled entirely by agreement and in those cases courts of law may find reasonable elements in the agreements for interpretation or supplementation. It may, however, be borne in mind that the absence of statutory regulation will not preclude the application of rules according to which all rights that may be exercised by an author will, instead, be exercised by the employer. Only, in countries where moral rights are recognized as part of copyright some restrictions to such global transfers of rights may be applicable. Other countries have more or less specific statutory rules covering more or less of the field, distributing rights in one or the other direction. Where specific statutory rules exist about the initial distributions of rights, they are more often than not directed towards expressly taking away rights from the employee which would in other countries have been vested in the employer by way of agreement, interpretation or reliance upon customs of trade. However, there are exceptions to this, where statutory provisions expressly aim at safeguarding the employed author. An extreme example of the latter type is given by France. There it follows from art. 1 (3) of its Copyright Act that an employment or commission agreement entered into by an author of a literary or artistic work will not restrict his exclusive right to the work as based on the sole event of its creation. In a statute not yet in force, France has recently, however, introduced an exception to this rule, giving all copyright, moral rights included, to the employer, but only with regard to computer software created by employees in performance of their duties. To the French example may be added that of German law where copyright may not be transferred, only licensed. It contains a provision (§ 43) which makes all rules that would otherwise apply to copyright transactions applicable also in employment relations "unless something else would follow from the nature of the relationship." Such rules are very detailed.

Contrary to the basic French and German approach, in the U.S. the principle is that the employer is the first owner of copyright to a work

created in the scope of employment. This principle—already existing in case law before enactment of the present Copyright Act—was first given statutory recognition in the Copyright Act of 1909. It was carried into the Act of 1976, where in paragraph 201 (b) it is said that

“in the case of a *work made for hire*, the employer or other person for whom the work was prepared is considered the author . . . and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.”

The notion that is the focus of this text is that of “a work made for hire.” I shall dwell somewhat upon this notion for reasons which will appear later on in this lecture. The notion is defined in § 101 to cover two categories. The first category consists of any “work prepared by an employee within the scope of his or her employment.” The second category consists of any “works specially ordered or commissioned” for one or the other of the following uses, but only if the parties expressly agree in writing that the work shall be considered a work made for hire. The uses are: as a contribution to a collective work, such as a periodical in which works are brought together into a collective whole; as part of an audiovisual work; as a translation; as a supplementary work (as defined in some detail); as a compilation; as an instructional text (also further defined in the provision); as a test or as answer material for a test; or, finally, as an atlas. The expression “work made for hire” in a commission agreement will thus trigger the vesting of all rights in the commissioner, an unobtrusive way of relieving a creator of his copyrights in the cases mentioned.

In case of a work falling within the scope of the employment of an employee, an agreement in writing may raise the employee—creator of the work—not to the title but to the initial legal status of an author, otherwise held by his employer. Outside the scope of an employment relationship, such a position may be endowed upon another person than its creator only in the specific cases of specially ordered or commissioned works. And then, the rights are deemed to belong only to the person for whom the work was prepared, and only if there existed an express written agreement that the work be a work made for hire. The law does not allow an extension by agreement to other situations of the concept of work made for hire. The importance of the concept is mirrored by the fact that the duration of copyright in works for hire is a different one—typically somewhat shorter—than that for other works (§ 302 (a)) and by the fact that no termination right is attached to works made for

hire (§ 202 (a)). Thus the right-holder to a work made for hire enjoys a more secure position over time than an assignee.

These effects will not be set aside even by an agreement by which the creator is said to be the initial owner of all copyrights. Nor will they—outside the enumerated categories of commissioned works—apply outside the scope of the employment, even if so agreed.

English law also takes a different view of works made by an employee on the one hand and certain kinds of commissioned works on the other. The legal technique used in the British Copyright Act of 1956 makes the creator the author of his work. He is also in principle the first owner of copyright in his work, but there are two kinds of exceptions. An employer is entitled to all copyright related to works made in the course of employment by persons under a contract of service or apprenticeship (§ 4 (4)), unless he is the proprietor of a newspaper, magazine or periodical. In that case, the copyright is split, entitling the employer to copyright insofar as it relates to publication in his paper and entitling the employee to copyright for other purposes (§ 4 (2)). Whoever commissions a photograph, a painting or drawing of a portrait or an engraving is entitled to the copyright, provided he pays or agrees to pay for the work (§ 4 (3)). These rules may be set aside by agreement. The Whitford Committee in its report of 1977 (Cmnd. 4412) suggested that these provisions be modified with a view to establishing a more fair balance “consistent with modern day conditions.” The British Government agreed in its so-called Green Paper of 1981 (Cmnd. 8302), suggesting as a general rule regarding works made in the course of employment by another person that the copyright should vest in the employer only for the purposes of his business but that the author should have the right to restrain the use of his work for other purposes. The government tried thereby to give recognition to the fact that “in many areas these days the copyrighted work . . . may well have value in different fields.” It also suggested that the provision about commissioned photographs etc. be maintained but that the copyright to other commissioned works should vest in the commissioner unless the work was commissioned for a specific purpose, in which case the creator should have the right to prevent its use for other purposes. The burden of proof for a specific purpose would evidently lie with the author.

What is then a fair balance, consistent with modern day conditions? Legal history in countries with fundamentally opposed solutions to the problems here discussed may be what it is and economic and social conditions do differ accordingly. But, nevertheless, will the extremes not have to cede ground to some kind of compromise: something more in conformity with the rich variety of situations, uses, parties and interests

involved, as mirrored in free bargaining with only the usual legal constraints against unreasonableness?

In my view the extremes are unfair, the all-or-nothingness of the French negation of any copyright to the employer (computer software excepted) unless otherwise agreed and of the U.S. negation of any copyright to the employee, unless otherwise agreed; and in case of the latter agreement, only giving the creator the limited right attached to the notion of "works made for hire", with the cap marked "author" still crowning the employer as a memento of where the power originates. Furthermore, I doubt the wisdom of having such specific all-or-nothing statutory rules for commissioned works as exist in the U.S. and as are suggested in the British Green Paper for cases where there is no proof of a specified purpose. Agreements should be allowed to create a balance with ordinary copyright effects and it should be up to the commissioner to make his purpose clear to the author. (In the U.S. a reform concerning either employees' works or commissioned works would have to be based upon the deletion of the specific effects upon duration etc. presently attached to the category of works made for hire. Otherwise there would appear a lack of balance in relation to works of the nonaffected category.)

It may not be very easy to identify the difference between an employee and a free-lance creator who often has a more or less stable relationship with an enterprise, especially where an employee may be employed just to perform a specific, well-defined creative task. This, as well as the very common situation of creative teamwork between employed and non-employed authors, tells against having essentially different basic legal solutions concerning the copyright to works involved. The English governmental suggestion that the employer should have the rights needed for his business and the commissioner at least the rights of use for a specified purpose (if any) and otherwise all rights seems to lead towards a more fair balance. However, I do not think it leads far enough to satisfy the essential question of what copyright may be all about in the long run of present development.

There is a danger in differentiating between the categories of employed creators and other creators as is done under the Anglo-American systems and others of the same character, such as the Canadian, the Dutch etc. Whether an author belongs to one or the other category will often depend upon entirely different considerations than those having reference to the copyright issues. Nevertheless, the interests of the authors may be just as worthy of protection in one kind of creative activity as in the other. A free-lance journalist will have the same interest as the employed journalist in the subsequent uses of his articles once they have been handed over to the publisher of the journal. The same reasoning applies to new kinds of uses of protected works, uses which could not

be foreseen at the time of creation. Here the U.S. and English law both foreclose the issue for the employed creator concerning the entire field of development, in exchange for a salary covering some time or the other depending upon the future duration of the employment. It is also characteristic of a literary or artistic work that it may be used in forms other than those initially envisaged. This aspect and others here listed have been taken into account in rules on transfers and rights outside employment relationships, e.g. concerning changes in the work and its presentation. Also, conditions relating to employees' works may have a contagious effect upon rights transferred by non-employed authors. In cases where both types of authors were involved in creation of the works, broader licenses may be entered into than would otherwise have been necessary, just so that the employer will have a complete and equal set of rights to all works in his domain. This may in turn add to the negative aspects of the employer's intrinsic work-for-hire rights in that they all stay with him whether he has any use for them or not, as a deadweight to creativity and as an "overkill" fortification against possible unfair competition by the creators. A less extreme result could be achieved by more subtle legal means.

In my view it is time for a change of basic systematic approach in those legal systems which are still based upon the employer-as-initial owner concept. English law may be leading the way in steps, upon the reasonably fair assumption that in any kind of labor relationship the employer shall be presumed to have the rights of use *needed for his business* for works which have been created in the course of employment. At least this is reasonable when his business is such that the employee is employed specifically to perform creative tasks.

If such a rule were adopted, it would also be necessary to add to the presently applied set of labor-law connected principles for determining what may fall within the course of employment or the scope of employment, a new set of principles for determining the needs of the employer's business. The principles derived from labor law are usually expressed in terms of the duties of the employee and the relative importance of his facilities to create the work, the time used, the employer's supervision or control, the use of funds etc. These all focus on the employee. Now it will also be necessary to focus upon the employer's situation. This will create a strategic incentive to conclude agreements which would cover a number of market-adjusted contractual relations more or less generally, in greater or lesser balance between parties—individual or collective ones on either or both sides.

The title to my lecture contains the suggestion of a non-legislative approach to the issues at hand. In order to achieve a "fair balance, consistent with modern day conditions," a copyright act in my view does

not need to contain more than an assurance that none of what I have called the extreme solutions will be presumed to apply in its entirety. An employer must know that an employee, employed to do work which may result in creation of literary or artistic works, will by the sheer employment agreement have let go of something; and an employee must know that he will not have lost control entirely of the result of his creative endeavours.

The way to achieve this might thus be a statutory provision showing a willingness to regulate by express agreements what is necessary in order to clarify the position of the parties, making them inform each other of the development of their potentials and making them document the extent of their obligations or, more generally, their relationship. Commissioned works could be kept out of the scheme entirely, to be taken care of by ordinary copyright rules attaching to agreements about authors' rights. If I appear to be too idealistic in all this, so are possibly certain Nordic legislators whose opinions have been published or else publicly known; and the Nordic market conditions do not differ so much from what appear to be the conditions elsewhere that I should just for that reason take another view in appraising other approaches. In my view only a very general, uncomplicated statutory rule will in this field relate in a reasonable way to the complexity and variety of the employees' positions, market conditions, business changes, media development, etc.

Detailed provisions are too unwieldy to be suitable instruments for the rich variety of circumstances involved. Such provisions are also likely to be unnecessarily intrusive into the drafting of contracts or to broaden the interpretation of contracts outside their possibly intended scope. Detailed provisions may hamper a desirable internationalization of the legal situation. Worse, they may collide with or fit badly into national labor law or antitrust rules.

For certain categories of uses of works, the legislator may add statutory presumptions so that all kinds of authors involved in a project or line of business are on one footing by virtue of the fact that there is an agreement with the producer. French law provides an example in its recent legislation to amend the 1957 Copyright Act by adding to it a new chapter III about audiovisual production agreements. With an exception for musical works with or without texts and leaving pictorial and theatrical rights ("droits graphiques et théâtraux") out, this new chapter contains a presumption or interpretation rule. According to the rule, any agreement—be it an employment contract (individually or collectively bargained) or a free-lance agreement—which binds the producer to any author of an audiovisual work will, unless otherwise agreed, vest in the producer all exclusive rights to uses concerning the work. You

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will already find rules of this balanced, yet reasonably easily applicable character, in many laws. They usually apply to audiovisual productions.

The kind of *general* statutory rule which I have in mind is such that it could well be the law without passage of new legislation, since it just states a self-evident point of departure for construction of a contractual copyright relationship between the parties. It may lack exactitude; that does not matter. The rule *should* be open to wide interpretations. It may for instance say just that the rights to a work created within the scope of employment will, unless otherwise agreed, belong to the employer to the extent that the use of such works is customary or habitual for the activities of the employer's business and for the type of employee position agreed upon. In cases where no agreement covers the particular issue, it may relate in a general fashion to what the parties assumed to be the purpose of the employment at the time when the employer was allowed access to the work, or at the time the employment took place, or when the last agreement regarding the employment was concluded. It may relate to any or all of these instances. All circumstances are to be weighed. Some consideration may have to be given the employer's right to transfer rights to another party, if national rules regarding transfer of copyright in general seem inappropriate for employment relationships; but then, possibly, there will be something wrong with these general copyright rules. Moral rights are not more complicated to handle within the model than anything else, if there is a contractual support.

If anything should be added to a rule of the character just mentioned, it might be something to prevent the weaker party—typically the employee—from necessarily bearing the burden of establishing the facts of an agreement-based copyright relationship. The employer is far more likely to retain information and to maintain documentation such as proof of agreements, etc. He will in any circumstances have to substantiate his claim that something falls within the scope of his business. To the extent that a burden of proof is laid upon the weaker party, few specific agreements will come into existence or be proven and the desired balancing of interests will not be achieved. A balance could be reached by imposing on the employer the burden of proof of an extension of rights, in light of the fact that the general rule contains its own balancing of interests.

In summing up: parties may just need a small but forceful push by the legislator. The aim should be a fair balance of interests involved, a reasonable amount of foreseeability by contract and an open attitude to the demands of change and development over time—all submitted to common standards of reasonableness within the law of contract.

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131. THE SEMICONDUCTOR CHIP PROTECTION ACT OF 1984:  
A SWAMP OR FIRM GROUND?

By ROBERT W. KASTENMEIER\* and MICHAEL J. REMINGTON\*\*

CHAIRMAN KASTENMEIER: [D]o you think society would be better served if the law responds to changes as they occur, or tries to anticipate them? . . .

PROFESSOR COMPAINE: I think to try to anticipate change is futile. It is a real swamp.<sup>1</sup>

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REPRESENTATIVE MAZZOLI: I am beginning to think of some dank forest, [where] if you take a wrong step you will get sucked up by quicksand.<sup>2</sup>

\* \* \* \* \*

REPRESENTATIVE SAWYER: I think you correctly described it when you said it was a kind of a swamp. Since I have been in Congress, I have never gotten involved in anything that was more complex and more defying of an intelligent solution that satisfied all of the questions.<sup>3</sup>

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<sup>1</sup> *Copyright and Technological Change: Hearings Before the House Judiciary Subcomm. on Courts, Civil Liberties and the Administration of Justice*, 98th Cong., 1st Sess. 23 (1983) (remarks by Rep. Robert W. Kastenmeier; statement by Benjamin M. Compaine, Program on Information Resources Policy, Harvard University) [hereinafter cited as *House Hearings on Copyright and Technological Change*].

<sup>2</sup> *Id.* at 25 (remarks by Rep. Romano Mazzoli).

<sup>3</sup> *Id.* at 26 (remarks by Rep. Harold Sawyer).

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## INTRODUCTION

The congressional debate reflected in the above remarks, although arising in midsummer of 1983 in the larger context of "copyright and technological change," accurately depicted the political landscape that existed when consideration of semiconductor chip legislation began early in the 98th Congress.<sup>4</sup> Members of Congress not only conjured up visions of swamps and quicksand, but also spoke of being "trapped in a technological snake pit."<sup>5</sup>

Although representatives expressed trepidation, the challenge presented by the inquiry into highly technological issues also evoked optimism and resolve. Members of Congress were admonished that "[w]hen you are working on the cutting edge of technology, the main thing is to stay behind the blade."<sup>6</sup> Senator Charles McC. Mathias, Jr., spoke for the optimists when he observed:

Perhaps we are . . . like Balboa, . . . "Silent upon a peak in Darien." When Balboa first saw the Pacific Ocean, that great South Sea, he could hardly have known what he was seeing. A great sheet of water lay before him, but what it was, how far it extended, what shores it lapped and what it meant were all matters of conjecture. That is more like our situation. We know that we are on the edge of a great unknown. . . .<sup>7</sup>

The congressional mindset existing during the 98th Congress reflected these competing feelings of optimism and pessimism, and contrary desires to move forward or backward. Out of this tension came a constructive and favorable environment for consideration of semiconductor chip legislation.<sup>8</sup> Congress, in a spirit of optimism, moved for-

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<sup>4</sup> Cohodas, *New Technology Put Strains on Old Laws*, 42 CONG. Q., 135, 136-37 (1984); N.Y. Times, July 24, 1983, at A11, col. 1; *How to Change Copyright Laws to Deal with the New Technologies*, BROADCASTING, July 25, 1983, at 29.

<sup>5</sup> Cohodas, *supra* note 4, at 135 (quoting Rep. Dan Glickman).

<sup>6</sup> Goldstein Summary, Congressional Copyright and Technology Symposium, *House Hearings on Copyright and Technological Change*, *supra* note 1, at 169.

<sup>7</sup> See Proceedings of Congressional Copyright and Technology Symposium (February 4-6, 1984) (remarks by Sen. Charles McC. Mathias, Jr.) [hereinafter cited as Congressional Copyright and Technology Symposium], *reprinted in House Hearings on Copyright and Technological Change*, *supra* note 1, at 173. See also *id.*, *reprinted in House Hearings on Copyright and Technological Change*, at 166 (summary of Rapporteur Paul Goldstein) [hereinafter cited as Goldstein Summary, Congressional Copyright and Technology Symposium].

<sup>8</sup> In the American justice system, tension often works in a constructive way. See Remington, *Circuit Council Reform: A Boat Hook for Judges and Court Administrators*, 1981 B.Y.U. L. REV. 695, 698.

ward. Technological creativity was met by legislative innovation. A freestanding or *sui generis* system of protection for semiconductor chip products was developed. Congress added a new chapter to Title 17 of the United States Code—a unique provision that does not amend any part of existing copyright law—and thereby charted a new course for American intellectual property law.

This Article discusses the fundamental choices that Congress had to make in processing the Semiconductor Chip Protection Act of 1984. The Article begins with a survey of the legislative landscape existing at the time of the Act's passage, including a magnified view of the constitutional bases of the legislation, its legislative history, and the need for the legislation given the unique characteristics of the semiconductor chip industry. The Article then develops a five-part political test for assessing the merits of proposed intellectual property legislation in areas of new technology, and demonstrates how the Semiconductor Chip Protection Act fulfilled the requirements of this test. In addition, the Article discusses how the Act deals with international aspects of chip protection. Finally, the Article identifies the salient lessons to be learned from the Act, and the Act's precedential value for American intellectual property law, especially as it relates to other new technologies.

### LEGISLATIVE LANDSCAPE

In enacting the Semiconductor Chip Protection Act of 1984, Congress created the first significant new intellectual property right in nearly one hundred years.<sup>9</sup>

The importance of extending proprietary protection to semiconductor chip products<sup>10</sup> was recognized during House floor debate by Congressmen Don Edwards and Norman Y. Mineta, the semiconductor chip bill's chief sponsors,<sup>11</sup> and was underlined by President Reagan on

<sup>9</sup> Congress created the last new form of statutory intellectual property in 1881, when it passed the Trademark Act. Ch. 138, 21 Stat. 502 (1881). Initial congressional attempts to create a statutory system of trademarks—represented by the Trademark Acts of 1870, 1871 and 1876—failed due to a finding of constitutional invalidity by the Supreme Court of the United States. The Trademark Cases, 100 U.S. 82, 94 (1879) (holding Article I, section 8, clause 8, does not permit trademarks to be protected as writings). Subsequent trademark laws have been based on congressional power to regulate commerce.

<sup>10</sup> Semiconductor chips, as such, are not protected under the Act. Rather "mask works," which embody the design of the semiconductor chip, see *infra* note 90, are given protection. See *infra* notes 128-129 and accompanying text.

<sup>11</sup> See 130 CONG. REC. H11,613-14 (daily ed. Oct. 9, 1984). See also *id.* at H11,610

November 8, 1984,<sup>12</sup> when he signed the Semiconductor Chip Protection Act of 1984 into law as Public Law 98-620.<sup>13</sup> The President aptly observed: "By strengthening the rights of people who are willing to risk commercializing new ideas to reap their just rewards, this legislation encourages individuals to create and develop new technologies."<sup>14</sup>

#### A. Constitutional Bases for the Act

It is uncontestedly within Congress' power to modify, amend, or expand this nation's intellectual property laws. The Constitution confers this authority when it states, "[t]he Congress shall have Power . . . to Promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their Writings and Discoveries."<sup>15</sup>

The Semiconductor Chip Protection Act was grounded in this constitutional authority. Both the House and Senate premised their legislation on a clear finding that original mask works<sup>16</sup> are "writings" within the meaning of Article I, section 8, clause 8.<sup>17</sup> To avoid constitutional challenges on the issue of whether mask works are protectable as "writings," however, the Act also sets forth a commerce limitation, so that only piracy "in or affecting commerce" is circumscribed.<sup>18</sup> This precaution, found unnecessary in the House Report but insisted upon by the

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(remarks of Rep. Robert Kastenmeier) ("The fundamental import of [the chip legislation] is that it recognizes industrial property as a right.").

<sup>12</sup> Although the President's signing statement is dated November 9, 1984, *see infra* note 14, the actual date of signing was November 8, 1984. The error in the signing statement was due to a mix-up by the President's staff.

<sup>13</sup> The Semiconductor Chip Protection Act of 1984 was passed as Title 3 of Public Law 98-620, entitled the "Federal District Court Organization Act of 1984." *See* Pub. L. No. 98-620, § 301, 98 Stat. 3335, 3347 (1984).

<sup>14</sup> White House, Office of the Press Secretary, Statement by the President (November 9, 1984).

<sup>15</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>16</sup> *See infra* note 86 and accompanying text for a definition of a mask work.

<sup>17</sup> *See Copyright Protection for Semiconductor Chips: Hearings on H.R. 1028 Before the House Judiciary Subcomm. on Courts, Civil Liberties and the Administration of Justice*, 98th Cong., 1st Sess. 171 (1983) (statement of Dorothy Schrader, Associate Register of Copyrights for Legal Affairs, Copyright Office) [Ms. Schrader's statement will be cited hereinafter as Schrader Statement, 1983 *House Hearings* and the Committee's hearings as 1983 *House Hearings*].

<sup>18</sup> *See* 17 U.S.C. § 910 (a) (Supp. II 1984).

Senate, was characterized as "suspenders" and used to better hold up the legislation.<sup>19</sup>

Congress's decision to base the Semiconductor Chip Protection Act on both the copyright and the commerce clauses reflects not only a decision to bolster the legislation, but also a concern that the Act not breach constitutional parameters of either the commerce or the copyright clauses. Former Congressman, now Judge Abner Mikva has emphasized Congress's obligation to respect the Constitution, stating that members of Congress "should remember that their constitutional oath is not just a ceremonial ritual but an entrusting to their care of a document that gives this republic its unique longevity."<sup>20</sup> Congress, by relying on the commerce clause as an alternative constitutional basis for the semiconductor chip legislation, has taken seriously this caretaking responsibility.

<sup>19</sup> See H.R. REP. NO. 781, 98th Cong., 2d Sess. 16 n. 36, 1984 U.S. CODE CONG. & AD. NEWS 5750, 5765 n. 36 [hereinafter cited as HOUSE REPORT]. All references to the House Report are to the Star Print. As stated by Professor Arthur Miller, "[T]he use of two constitutional clauses to protect a copyrighted work is nothing more than using a belt and suspenders to protect that work." *The Semiconductor Chip Protection Act of 1983: Hearings on S. 1201 Before the Senate Judiciary Subcomm. on Patents, Copyrights and Trademarks*, 98th Cong., 1st Sess. 91 (1983) (statement of Arthur Miller, Professor of Law, Harvard University) [hereinafter cited as *1983 Senate Hearings*]. The late Professor Melville Nimmer agreed with this thought: "The possibility exists that if Congress were to enact copyright legislation in a manner which exceeded the authority of the Copyright Clause, authority to do so might be found under the Commerce Clause." I M. NIMMER, *NIMMER ON COPYRIGHT*, § 1.09, 1-60 (1985). See also *Hearings on Copyright Law Revision Before Subcomm. No. 3 of the House Comm. on the Judiciary, Part I*, 98th Cong., 1st Sess. 159 (1965) (remarks of Rep. Robert Kastenmeier).

As a general proposition, American patent and copyright law has avoided using suspenders when only a belt is necessary. See Schrader Statement, *1983 House Hearings*, *supra* note 17, at 108 ("Congress has never enacted a copyright law based on the Interstate Commerce Clause."); and *id.* at 234-35 (letter to Rep. Robert W. Kastenmeier from Robert C. Denicola, Professor of Law, University of Nebraska). An express legislative finding that a statute is rooted in the patent and copyright clause of the Constitution has been sufficient to withstand attacks of constitutional infirmity. *Id.* at 171.

The Act, by requiring an interstate commerce nexus, may create more work for the federal judiciary. Problems of proof will inevitably occur and constitutional challenges may be muddied by factual disputes concerning whether commerce has been affected. There is not a single case that stands for the theory that the commerce clause would sustain a finding of constitutional validity if the copyright and patent clause was insufficient. See 1 NIMMER, *supra*, at § 1.09, 1-60.

<sup>20</sup> Mikva, *How Well Does Congress Support and Defend the Constitution?*, 61 N.C.L. REV. 587, 611 (1983); see also Brest, *The Conscientious Legislator's Guide to Constitutional Interpretation*, 27 STAN. L. REV. 585 (1975).

Congress' power to regulate intellectual property is subject to other limitations in addition to the commerce limitation and "writings" requirement. Congress must also consider the public benefit derived from protecting a particular interest. The Supreme Court has stated that the monopoly privileges that Congress may confer on creators of intellectual property "are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved."<sup>21</sup> In other words, the primary objective of the intellectual property laws is not to reward the author or inventor, but rather to secure for the public the benefits derived from the labors of authors and inventors.<sup>22</sup> This objective is

<sup>21</sup> *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984); *accord*, *United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942) (same as to patents). *See also* Stedman, *Invention and Public Policy*, 12 LAW & CONTEMP. PROBS. 649 (1947) ("the furtherance of the public interest has been a basic premise [of the patent system]"). This principle appears to have first been stated in *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1, 9 (1829).

<sup>22</sup> I. M. NIMMER, *supra* note 19, at § 1.03[A], 1-30.2. *See also* Nimmer, *New Technology and the Law of Copyright: Reprography and Computers—Foreword*, 15 UCLA L. REV. 931, 932 (1968) (discussing the public right "to fully exploit the marvels of the new technology"); Samuelson, *CONTU Revisited: The Case Against Copyright Protection for Computer Programs in Machine-Readable Form*, 1984 DUKE L.J. 663, 749 ("[T]he content of a copyrighted work has always had some nonfunctional aesthetic, informational, or entertaining qualities which are communicated to a human audience." (emphasis in original)).

The House Report accompanying the 1909 revisions to the copyright law clearly expressed this idea:

The enactment of copyright legislation by Congress under the terms of the Constitution is not based upon any natural right that the author has in his writings, for the Supreme Court has held that such rights as he has are purely statutory rights, but upon the ground that the welfare of the public will be served and progress of science and useful arts will be promoted by securing to authors for limited periods the exclusive rights to their writings. The Constitution does not establish copyrights, but provides that Congress shall have the power to grant such rights if it thinks best. Not primarily for the benefit of the author, but primarily for the benefit of the public, such rights are given. Not for any particular class of citizens, however worthy, but because the policy is believed to be for the benefit of the great body of people, in that it will stimulate writing and invention, to give some bonus to authors and inventors.

In enacting a copyright law Congress must consider, as has been already stated, two questions: First, how much will the legislation stimulate the producer and so benefit the public; and, second, how much will the monopoly granted be detrimental to the public? The granting of such exclusive rights, under the proper terms and conditions, confers a benefit upon the public that outweighs the evils of the temporary monopoly.

H.R. REP. NO. 2222, 60th Cong., 2d Sess. 7 (1909). Similar language occurs in the Senate Report. *See* S. REP. NO. 1108, 60th Cong., 2d Sess. 7 (1909).

achieved by giving authors and inventors an incentive to create. The law gives the creator exclusive control over the creation for a limited period of time, after which it enters the public domain.<sup>23</sup> The public arguably benefits at least twice from this bargain: first when the original invention or expression is created and made available to the public, and second when the term of protection expires and the creation is added to the public domain.

The framers assigned to Congress, the most politically representative of the three branches of government, the role of defining the scope of the limited monopolies granted to authors and inventors in exchange for public access to their creations.<sup>24</sup> The framers therefore envisioned a political balancing of equities between the public interest and the proprietary rights of creators.<sup>25</sup> Congress struck that balance when it enacted the first patent and copyright laws.<sup>26</sup> As changes occurred and new technologies were developed, Congress adjusted the patent and copyright laws to incorporate new subject matters<sup>27</sup> and to redefine the balance between public and proprietary interests.<sup>28</sup> In rare situations, however, it may not be possible for Congress to incorporate a new subject matter into the existing intellectual property framework without fundamentally altering the balance inherent in those laws. For example, the changes necessary to accommodate the new subject matter might distort the existing law to such a degree that it threatens to upset the balance

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<sup>23</sup> See *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

<sup>24</sup> See *supra* note 15 and accompanying text.

<sup>25</sup> Congressman Bruce Morrison expressed a similar political thought on the House floor: "The congressional role, then, is to define the scope of the monopoly granted to the creator in order to serve as an incentive to the creation of new works for the benefit of the public. Clearly this necessitates the balancing of interests." 130 CONG. REC. H9296 (daily ed. Sept. 11, 1984) (remarks on audio "first sale" legislation).

<sup>26</sup> The first patent and copyright laws were enacted during the first session of Congress. Act of April 10, 1790, ch. VII, 1 Stat. 109, 124 (1790).

<sup>27</sup> For an overview of the history of patent and copyright legislation, see LIPSCOMB, 1 WALKER ON PATENTS § 1:1-1:9 (3d ed. 1984); LATMAN, THE COPYRIGHT LAW: HOWELL'S COPYRIGHT LAW REVISED AND THE 1976 ACT 4-14 (5th ed. 1978). Before 1976, the last revision to copyright laws was the Act of 1909. Congress repealed the 1909 Act in the Act of 1976, Pub. L. No. 553, 90 Stat. 2541. The 1976 Act contained many significant revisions, including: a single federal system of protection for all "original works of authorship," a single term of protection with an inalienable option in individual authors to permit termination, more flexible notice provisions, and recognition of fair use limitations on exclusive rights. LATMAN, *supra* at 12-13.

<sup>28</sup> In order to satisfy its constitutional mandate to balance interests, Congress may have to spend more time in hearings on such legislation, solicit the views of a wider spectrum of individuals and interests, consider more amendments, and spend more time in debate than would normally be the case.

struck for other protected works. Similarly, the balance between public and proprietary rights reflected in existing law may be inappropriate for the new subject matter. In such cases it may be necessary for Congress to establish a *sui generis* system of protection. That was in fact the solution Congress adopted when faced with the problem of providing protection for semiconductor chips.

### B. Legislative History

The Semiconductor Chip Protection Act represents six years of congressional effort that spanned three Congresses. In terms of the legislative clock, six years is a relatively short period in which to achieve successful enactment of a statute, especially when the problem is highly technological and requires a novel solution. Perhaps the most fundamental political message behind the passage of the Act is that Congress is institutionally able to consider and ultimately vote upon thorny technological problems. Admittedly, "Congress does not initiate policy easily, but . . . given sufficient cause and provocation, it rises to the occasion."<sup>29</sup>

Congress originally considered protecting semiconductor chip products by incorporating them into copyright law. In 1979, during the 96th Congress, the House Copyright Subcommittee held a one-day hearing on the matter in San Jose, California.<sup>30</sup> The legislation then pending was short and simple. Consisting of only one sentence, H.R. 1007 would have added the following language to the definition of "[p]ictorial, graphic, and sculptural works" protected by copyright law: "Such pictorial, graphic and sculptural works shall also include the photographic masks used to imprint patterns on integrated circuit chips and the imprinted patterns themselves even though they are used in connection with the manufacture of, or incorporated in a useful article."<sup>31</sup> The

<sup>29</sup> A. MIKVA & P. SARIS, *THE AMERICAN CONGRESS: THE FIRST BRANCH* 367 (1983).

<sup>30</sup> See *Copyright Protection for Imprinted Design Patterns on Semiconductor Chips: Hearings Before the House Judiciary Subcomm. on Courts, Civil Liberties and the Administration of Justice, 96th Cong., 1st Sess. (1979)* [hereinafter cited as *1979 House Hearings*].

<sup>31</sup> H.R. 1007, 96th Cong., 1st Sess. (1979), reprinted in *1979 House Hearings, supra* note 30, at 3-4. The proposed legislation was a direct outgrowth of an attempt by Intel Corporation in a mandamus action filed in Federal court to compel the Register of Copyrights to accept for deposit two chips as the published form of previously filed plastic sheets, which were photocopies of masks for a chip. The case was settled after the commencement of the interrogation and deposition process. The Copyright Office refused to accept the chip as the "published" form of the plastic sheets. See Barker, *Copyright for Integrated Circuit Designs: Will the 1976 Act Protect Against Chip Pirates?*, 24 S. TEX. L.J. 817, 842 (1983).

brevity of this language was matched by the measure's short lifespan. The proposed legislation generated substantial controversy among copyright experts and within the semiconductor industry itself. If anything, the San Jose hearing revealed that there were no quick and easy legislative fixes to intellectual property questions caused by complex new technologies.

The 1979 proposal was controversial for a number of reasons. First, it violated a fundamental tenet of copyright law that states that copyright does not protect useful or utilitarian articles standing alone. This rule, codified in 17 U.S.C. § 101<sup>32</sup> and consistently followed by the courts,<sup>33</sup> specifies that copyright protects the design of a useful article only to the extent that artistic features can be identified separately and independently from the utilitarian components of the copyrighted article.<sup>34</sup> Copyright only protects expressions, and not ideas, plans or processes.<sup>35</sup> Any proposed legislation, therefore, would have to squarely address the potential problems created by allowing copyright protection of a useful article.<sup>36</sup> A second basis for opposition to the 1979 proposal concerned the issue of reverse engineering. H.R. 1007 threatened to expose members of the industry to legal liability, perhaps criminal liability, for performing a standard industry practice—electronically dissecting new chips to see if unique processes were employed.<sup>37</sup> Finally, the bill did not define

<sup>32</sup> 17 U.S.C. § 101 (1982).

<sup>33</sup> See, e.g., *White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1, 18 (1907) (holding that perforated rolls for player pianos do not violate composers' statutory rights); *Baker v. Selden*, 101 U.S. 99, 104 (1879) ("The use of the art is a totally different thing from a publication of a book explaining it. The copyright of a book on book-keeping cannot secure the exclusive rights to make, sell, and use account-books prepared upon the plan set forth in such book.").

<sup>34</sup> See Schrader Statement, *1983 House Hearings*, *supra* note 17, at 88-89; see also *Brown Instrument Co. v. Warner*, 161 F.2d 910 (D.C. Cir.) ("Articles intended for practiced use in cooperation with a machine are not copyrightable."), *cert. denied*, 332 U.S. 801 (1947); *Taylor Instruments Co. v. Fawley-Brost Co.*, 139 F.2d 98, 100-01 (7th Cir. 1943) (holding charts used to record thermometer readings were not subject to copyright protection), *cert. denied*, 321 U.S. 785 (1944).

<sup>35</sup> See 17 U.S.C. § 102(b) (1982); *cf.* 17 U.S.C. § 901(c) (Supp. II 1984) (semiconductor chip protection).

<sup>36</sup> See *1979 House Hearings*, *supra* note 30, at 12 (statement of Jon Baumgarten, General Counsel, Copyright Office); *id.* at 52-53 (statement of John Finch, Vice-president and General Manager, National Semiconductor Corp.).

<sup>37</sup> In 1979, at the time of the House hearing, it was thought that chip manufacturers would uniformly support the pending legislation. However, on the issue of reverse engineering, the industry split into two opposing camps: Intel and Mostek supported H.R. 1007; Fairchild Camera & Instrument Corporation, National Semiconductor Corporation, and Texas Instruments

"integrated circuit chips" or "imprinted patterns" and did not adequately anticipate new chip production technologies. All of these problems would have to be considered in greater detail and resolved in a satisfactory manner before any legislation could be passed.<sup>38</sup>

Very little happened during the 97th Congress until late 1982, when new bills were introduced in the House and Senate.<sup>39</sup> These measures, in contrast to their predecessor, proposed to extensively amend the Copyright Act to protect mask works in their own right. The proposals were clearer in definitional scope and grappled for the first time with the concept of reverse engineering. Both persisted in using copyright as the basis for protecting mask works, despite the fact that mask works were useful articles. No formal action on these bills occurred in either the House or Senate. These proposals did, however, provide a foundation for bills sponsored early in the next Congress.

During the 98th Congress, companion bills were introduced in the House and Senate,<sup>40</sup> and the relevant subcommittees signalled their intention to consider the issue of copyright protection for semiconductor chips. The House and Senate held hearings early and ultimately compiled extensive hearings records on the subject.<sup>41</sup> At the initial mark-up stage, the Senate subcommittee opted to retain an approach rooted in copyright; the House Copyright Subcommittee, on the other hand, decided to develop a free standing or *sui generis* form of protection.<sup>42</sup> The

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opposed the bill. See 1979 House Hearings, *supra* note 30, at 51 (remarks of John Finch, Vice-president and General Manager, National Semiconductor Corp.); *id.* at 57 (remarks of James M. Early, Director of Research and Development, Fairchild Camera & Instrument Corp.); *id.* at 77 (statement of George H. Heilmeyer, Vice-president, Corporate Research, Development, and Engineering, Texas Instruments); see also Barker, *supra* note 31, at 842-44 (describing the advantages and injustices of reverse engineering).

<sup>38</sup> At the termination of the hearing, the bill's chief sponsor, Congressman Don Edwards, observed: "We've certainly not come far enough in the hearing to even come close to a definitive answer." *Electronic News*, April 23, 1979, at 1, col. 1.

<sup>39</sup> See H.R. 7207, 97th Cong., 2d Sess. (1982) (introduced by Rep. Don Edwards, 128 CONG. REC. H7939 (daily ed. Sept. 29, 1982)); S. 3117, 97th Cong., 2d Sess. (1982) (introduced by Sen. Charles McC. Mathias, Jr., 128 CONG. REC. S15,484 (daily ed. Dec. 16, 1982)).

<sup>40</sup> See H.R. 1028, 98th Cong., 1st Sess., 129 CONG. REC. H643-44 (daily ed. Feb. 24, 1983) (introduced by Reps. Don Edwards and Norm. Mineta, 129 CONG. REC. H201 (daily ed. Jan. 27, 1983)); S. 1201, 98th Cong., 1st Sess., 129 CONG. REC. S5992-93 (daily ed. May 4, 1983) (introduced by Sens. Charles McC. Mathias, Jr. and Gary Hart, 129 CONG. REC. S5991 (daily ed. May 4, 1983)).

<sup>41</sup> See generally 1983 House Hearings, *supra* note 17; 1983 Senate Hearings, *supra* note 19.

two bills then followed a routine legislative course in both the House and Senate: the bills were debated and voted upon in full committee, committee reports were filed,<sup>43</sup> and both bodies then debated and voted on the bills on the floor.<sup>44</sup> The different bills passed unanimously in both the House and Senate.<sup>45</sup> While unanimous support for different bills reflected a widespread feeling that the subject of inadequate protection for semiconductor chips deserved congressional attention, there nonetheless appeared to be few strong feelings on how the solution should be framed.<sup>46</sup> Unanimous House support for a *sui generis* bill was proof that such an approach could be developed and, if judged fair and effective, could ultimately become the vehicle for enactment of a public law.

After passage of the respective bills, a parliamentary glitch occurred

<sup>42</sup> See HOUSE REPORT, *supra* note 19, at 5-7, reprinted in 1984 U.S. CODE CONG. & AD. NEWS at 5754-56. Compare S. 1201, 98th Cong., 2d Sess. 130 CONG. REC. S5837-38 (daily ed. May 16, 1984) with H.R. 5525, 98th Cong., 2d Sess., 130 CONG. REC. H5489-91 (daily ed. June 11, 1984). A chart comparing the two bills is found at HOUSE REPORT, *supra* note 19, at 39-41.

<sup>43</sup> See HOUSE REPORT, *supra* note 19, 1984 U.S. CODE CONG. & AD. NEWS at 5750; S. REP. NO. 425, 98th Cong., 2d Sess. (1984) [hereinafter cited as SENATE REPORT]. Although the Senate Report discusses the House *sui generis* approach, *see id.* at 12-14, the Senate hearing record is devoid of debate on the issue. *See 1983 Senate Hearings, supra* note 19.

<sup>44</sup> On May 16, 1984, the Senate, after accepting a technical amendment, passed S. 1201 by voice vote. *See* 130 CONG. REC. S5837-38 (daily ed. May 16, 1984). To review the debate, *see id.* at S5833-38.

On June 11, 1984, the House passed H.R. 5525, under suspension of the rules, by a roll call vote of 388 to 0. *See* 130 CONG. REC. H5524 (daily ed. June 11, 1984). To review the debate, *see id.* at H5489-97.

<sup>45</sup> *See supra* note 44.

<sup>46</sup> If there had been strong convictions in the House, these feelings would have either been alluded to during floor debate or registered in the form of a negative vote on the legislation. Not a single member of the House spoke in favor of the Senate approach during floor consideration and there was not a "no" vote cast on the legislation. During the Senate debate, a brief discussion of the House bill occurred when Senators Charles McC. Mathias and Patrick Leahy cautioned their colleagues about the merits of the House approach. *See* 130 CONG. REC. S5833, S5836-37 (daily ed. May 16, 1984). No senator rose in support of the House bill on the Senate floor. An optimistic vote was registered by Senator Patrick Leahy, who observed: "Both committees have put in a lot of hard work on this effort, and I am confident that we will not allow our differences to stand in the way of an effective piece of legislation in this Congress." *Id.* at S5837.

Lack of conviction among members of Congress about which approach to take should not be misunderstood to mean that the difference between a copyright and a *sui generis* approach was only a war of words. The House Report is clear on the issue, stating that there would be "formidable philosophical, constitutional legal and technical problems associated with any at-

that may confuse those studying the history of the chip legislation. The House, in deference to the earlier passage of the Senate bill, endorsed its own bill and then by unanimous consent took the Senate bill from the Speaker's table, struck out the bill's text, and inserted the text of the House bill.<sup>47</sup> The Senate bill, as amended, was then passed by the House.<sup>48</sup> This typical parliamentary maneuver was an obligatory step in setting the stage for a conference between the House and Senate.<sup>49</sup>

The House, however, did not immediately request a formal conference, allowing the two bodies to engage in informal negotiations.<sup>50</sup> In fact, the more formal conference approach was never required because an agreement was reached between the House and Senate subcommittees in mid-September of 1984. Although the accord was based on the *sui generis* House bill, it also contained drafting improvements offered by the Senate, which made the final version even more unique in approach.<sup>51</sup>

Despite having the chip compromise in hand, the Senate leadership was still unable to call up the bill for consideration. The 98th Congress had entered into its final days, and the frenetic beat of impending presidential and congressional elections controlled the tempo. Unwilling to let a good deal of hard work come to nothing, several senators requested

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tempt to place protection for mask works or semiconductor chip designs under the copyright law." HOUSE REPORT, *supra* note 19, at 10, 1984 U.S. CODE CONG. & AD. NEWS, at 5759. See also Samuelson, *Creating a New Kind of Intellectual Property: Applying the Lessons of the Chip Law to Computer Programs*, 1984 Duke L. J. 663, 749 (1985).

<sup>47</sup> See 130 CONG. REC. H5489, H5524-25 (daily ed. June 11, 1984).

<sup>48</sup> See *id.* at H5524.

<sup>49</sup> Both houses had passed differently worded versions of the same bill, so that a conference was permissible.

<sup>50</sup> The conference committee is generally convened as a last resort. A. MIKVA & P. SARIS, *supra* note 29, at 240. The executive branch, the Copyright Office, the Legislative Counsels' Offices in the House and Senate, and representatives of the Semiconductor Industry Association and the Association of American Publishers assisted in the compromise process.

<sup>51</sup> Explanation of the House-Senate compromise, contained in the Senate amendment, is found in an explanatory memorandum submitted into the record by Senator Charles McC. Mathias during floor debate. See Explanatory Memorandum—Mathias-Leahy Amendment to S. 1201, *reprinted in* 130 CONG. REC. S12,916 (daily ed. Oct. 3, 1984) [hereinafter cited as Mathias-Leahy Explanatory Memorandum]. A similar document was introduced during House floor consideration by Congressman Robert Kastenmeier. See Explanatory Memorandum of the Senate Amendment to H.R. 6163, Title III, as considered by the House of Representatives, *reprinted in* 130 CONG. REC. E4432 (daily ed. Oct. 10, 1984) [hereinafter cited as House Explanatory Memorandum]. For the most part, the explanatory memoranda track each

that an omnibus court reform/intellectual property bill be scheduled.<sup>52</sup> The chip measure would be the primary piece of legislation and all the other bills, with one exception,<sup>53</sup> would be measures that previously had been approved by the House Committee on the Judiciary and also had received a majority vote on the House floor.<sup>54</sup> The packaging maneuver proved successful and the chip bill ultimately became part of a Senate amendment to H.R. 6163,<sup>55</sup> an unrelated bill to approve several locations for holding federal court. The omnibus bill was unanimously endorsed, first by the Senate and then by the House.<sup>56</sup> On November 8, 1984, two

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other's language. The Senate explanation, however, is lengthier, and the House document relies heavily on the House Report, which provided the foundation for the final version of the bill. Compare *id.* with HOUSE REPORT, *supra* note 19, 1984 U.S. CODE CONG. & AD. NEWS at 5750.

<sup>52</sup> Consequently, the Semiconductor Chip Protection Act of 1984 became Title III of H.R. 6163, 98th Cong., 2d Sess., 130 CONG. REC. H11,602-05 (daily ed. Oct. 9, 1984).

<sup>53</sup> The exception involved government patent policy amendments, which had been favorably reported by the House Committee on Science and Technology. See 130 CONG. REC. H11,614 (daily ed. Oct. 9, 1984) (remarks of Rep. Don Fuqua). See generally *id.* at H11,615 (remarks of Rep. Doug Walgren) (explaining government patent policy amendments).

<sup>54</sup> See 130 CONG. REC. H11,608 (daily ed. Oct. 9, 1984) (remarks of Rep. Robert Kastenmeier); *id.* at H11,612-13 (remarks of Rep. Carlos Moorhead). Other titles of the Senate amendment related to Trademark Act clarification (Title I); creation of a State Justice Institute (Title II); federal courts improvements (including elimination of statutory civil priorities, district court organization, and amendments to the Federal Courts Improvements Act of 1982) (Title IV); and government research and patent policy (Title V). *Id.*

<sup>55</sup> 98th Cong., 2d Sess. (1984).

<sup>56</sup> The Senate passed H.R. 6163, as amended, on October 3, 1984. See 130 CONG. REC. S12,930 (daily ed. Oct. 3, 1984). The House passed the bill, as amended by the Senate, on October 9, 1984, by a roll call vote of 363 to 0. See 130 CONG. REC. H11,598 (daily ed. Oct. 9, 1984).

Before taking the bill to the House floor, the House Committee on Rules fashioned a resolution setting forth a procedure pursuant to which the bill could be considered. See H.R. Res. 606, 98th Cong., 2d Sess., 130 CONG. REC. H11,595 (daily ed. Oct. 9, 1984). The rule, fashioned by Rules Committee Chairman Claude Pepper and Congressman Joseph Moakley, floor manager for the Committee on Rules, provided for an up-or-down vote, with no amendments on the Senate amendment to the House bill. See 130 CONG. REC. H11,595 (daily ed. Oct. 9, 1984). Congressman Trent Lott expressed nominal opposition to the rule, but did not request a roll-call vote on adoption. See *id.* at H11,596.

The rule was a critical step in the path to enactment of public law 98-620 for two reasons related to the timing of the vote on H.R. 6163. First, the session was virtually over, and the offering of amendments would have led to protracted debate. Second, if an amendment had passed, the amended bill would have had to be returned to the Senate for further action. Under this latter scenario, the Senate compromise might well have broken down, creating an impasse between the two houses.

days before the national election, President Reagan signed the bill into law.<sup>57</sup>

### C. *Semiconductor Chips in a Changing Society*

The Congressional perspective of proposals for statutory change is commonly referred to as a "big picture" view. Special interests are represented, but the usual rule is that Congress will ultimately consider the general welfare of the entire country. To visualize the broader congressional vista for any particular bill, one must use a wide angle lens of societal, economic, and technological change.<sup>58</sup>

In politics as in life, change is one of the few things that society can approach with certainty.<sup>59</sup> Technology has accelerated the pace of change far beyond anyone's expectations. Even copyright lawyers have trouble remembering that the movie industry is only about seven decades old, the television industry is barely into its fourth decade, and in comparison the integrated circuit or semiconductor industry is relatively young.<sup>60</sup> The evolution of integrated circuits reflects the revolutionary nature of change in our society. In 1959, Jack Kilby and Robert Noyce independently invented the first semiconductor chips.<sup>61</sup> The microprocessor, or

<sup>57</sup> See *supra* note 11.

For a chronological outline of the Act's legislative history, see Metalitz, *Legislative Chronology: Semiconductor Chip Protection*, in *THE SEMICONDUCTOR CHIP PROTECTION ACT OF 1984*, 189 (J. Baumgarten ed. 1984).

<sup>58</sup> See *House Hearings on Copyright and Technological Change*, *supra* note 1, at 9, 85 (statements of Benjamin M. Compaine, Exec. Dir., Prog. on Information Resources Policy, Harvard University; Fred Weingarten, Prog. Manager, Communication and Information Technologies Program, Office of Technology Assessment).

In an apt observation to members of Congress, Professor Martin Greenberger made a similar point:

Technological advance is a driving force and an impetus for change. But the effects are not just in one direction. Progress in technology is itself determined and modified by complex social forces interacting with political and economic interests finding expression in customs and contracts, legislation and law.

Congressional Copyright and Technology Symposium, *reprinted in House Hearings on Copyright and Technological Change*, *supra* note 1, at 213.

<sup>59</sup> See W. HURST, *THE GROWTH OF AMERICAN LAW: THE LAW MAKERS* 19 (1950).

<sup>60</sup> See House Report, *supra* note 19, at 2, 1984 U.S. CODE CONG. & AD. NEWS at 5731. "[W]e used to talk in terms of the rate of change. I think today it's the rate of the rate of change. . . . [T]hings used to take decades, then they took years. Now they're taking months and we're seeing weeks." See Congressional Copyright and Technology Symposium, *reprinted in House Hearings on Copyright and Technological Change*, *supra* note 1, at 190 (remarks of Pat Wilson, North American Phillips).

"computer on a chip," was invented in 1971 by Ted Hoff.<sup>62</sup> Robert Noyce himself has observed that progress since invention of the integrated circuit has been "astonishing even to those of us who have been intimately engaged in the evolving technology."<sup>63</sup>

A short twenty years ago, soon after invention of the integrated circuit, few would have imagined that creators could express themselves through a silicon wafer: a topography of intricate layers of materials with designs etched on them, all no bigger than a postage stamp. Technology has advanced so that today, chips are used to operate pacemakers, word processors, personal computers, pollution control devices, microwave ovens, blood testing equipment, telephones and other medical, consumer, and business products.

In a remarkably short time period, the once prescient notion that our "industrial" society was being transformed into an "information" society has become a cliché.<sup>64</sup> Semiconductor chips are at the center of our information society.

In consideration of semiconductor chip legislation, Congress was not only faced with the societal and economic importance of integrated circuits and the disincentive to innovation created by chip piracy,<sup>65</sup> but had to become familiar with the technological features and manufacturing process of the chip.<sup>66</sup> Chips, as such, are not accorded protection

<sup>61</sup> Wolfe, *The Tinkerings of Robert Noyce*, *Esquire*, Dec. 1983, at 346, 358. Jack Kilby used germanium in his semiconductor chip rather than silicon, which Robert Noyce employed in setting the industry standard. *Id.*

<sup>62</sup> *Id.* at 371.

<sup>63</sup> Noyce, *Microelectronics*, *Scientific American*, Sept. 1977, at 63, 65. Jack Kilby recently observed, "We've come further and faster than anyone expected." Broad, *First of the 'Superchips' Arrive*, *N.Y. Times*, July 23, 1985, at C1, C3, col. 3.

<sup>64</sup> Cleveland, *Information as a Resource*, *The Futurist*, Dec. 1982, at 34; see also J. NAISBITT, *MEGATRENDS: TEN NEW DIRECTIONS TRANSFORMING OUR LIVES* 11-38 (1982) (discussing generally the restructuring of America from an industrial to an information society).

The House Report on the semiconductor chip legislation noted that: The fundamental shift from an industrial to an informational society is no longer just a prediction but is a reality. The majority of the American workforce is engaged not in the production of goods but in the creation, processing and distribution of information. Expanding information technology, from computers to satellites, from television to teletype, ensures that we will become even more of an information society in the future. The semiconductor chip is at the vortex [sic] of this new society.

HOUSE REPORT, *supra* note 19, at 2, 1984 U.S. CODE CONG. & AD. NEWS at 5751.

<sup>65</sup> See *infra* notes 108-110 and accompanying text.

<sup>66</sup> Early in its deliberations, the National Commission on New Technological Uses of Copyrighted Work (CONTU), created by Congress to provide recommendations on copyright law revision, similarly discovered that "it would have to educate itself on the actual and potential technologies and practices

under the Act. Rather, "mask works" embodying the design of semiconductor chip products are granted exclusive rights.<sup>67</sup> To understand the Act, it is necessary to comprehend the integrated circuit as well as the painstaking and protracted creative and manufacturing processes used to design mask works. A review of the manufacturing operation demonstrates that the chip design process entails sufficient creativity to entitle designs to protection under the intellectual property clause of the Constitution.<sup>68</sup>

### *The Semiconductor Chip*

As its name implies, a semiconductor is an element or compound that partially conducts electricity. A semiconductor is intermediate between a conductor, which fully conducts electricity, and insulators, which do not appreciably conduct electricity. The semiconductor material most often used today is silicon.<sup>69</sup> Silicon is preferred because the electrical properties of pure silicon can be precisely controlled by introducing measured amounts of chemical impurities into the silicon.<sup>70</sup> In addition, the surface of silicon can be readily oxidized into an electrically insulating glaze.

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in the two areas [computer software and reprography] of its mandate." NATIONAL COMM'N ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS, FINAL REPORT 5 (1979) [hereinafter cited as CONTU FINAL REPORT].

<sup>67</sup> For further explanation of mask works, see *infra* notes 86-91 and accompanying text.

<sup>68</sup> See *supra* note 15 and accompanying text.

<sup>69</sup> Other semiconductor materials are germanium and gallium arsenide. Gallium arsenide crystals conduct electricity ten times faster than silicon. Osbourne, *Business in Space*, The Atlantic, May 1985, at 45, 47. Due to the volatile nature of gallium arsenide, these crystals, when grown on earth, suffer serious imperfections caused by gravitational convective flow. *Id.* If grown in a gravity-free atmosphere, such as outer space, gallium arsenide crystals can be produced almost to perfection. See *id.* Given the vast new horizons opened by the space shuttle and skylab, new technological possibilities are still unfolding. See, e.g., *id.*

The Act does not protect so-called biochips. It is, however, drafted broadly enough to cover technological changes in the chip manufacturing process that are likely to occur during the next several years. See *infra* note 98 and accompanying text.

<sup>70</sup> This process is called "doping." Boraiko, *The Chip*, 162 NAT'L GEO. 421, 434 (1982). For a more extensive explanation of chip technology, see *id.*; 1979 House Hearings, *supra* note 30, at 22 (statement of L.J. Sevin, President, Mostek Corp.). See also 1983 House Hearings, *supra* note 17, at 21, 30 (statement of F. Thomas Dunlap, Jr., Corporate Counsel and Secretary, Intel Corp.) [hereinafter cited as Dunlap, 1983 House Hearings]. See generally R. STERN, SEMICONDUCTOR CHIP PROTECTION § 1.1 (1986) (describing generally semiconductor chip technology).

A semiconductor "chip" is simply another name for an integrated circuit.<sup>71</sup> An integrated circuit is basically just a combination of many electrical components on or in a single substrate, such as silicon.<sup>72</sup> A complex of microscopic switches (functionally transistors), which control electric current, are patterned in and on the chip's silicon base. The switches are then joined by "wires" etched from extremely thin films of metal or heavily doped zones of semiconductor material. "Under a microscope the chip's intricate terrain often looks uncannily like the streets, plazas, and buildings of a great metropolis, viewed from miles up."<sup>73</sup>

The city blocks of a chip are transistors. These transistors work together to perform assigned electronic functions. The latest generation of chips on the market contain more than one million transistors arranged on a silicon wafer that is only a quarter inch on each side, smaller than a baby's thumbnail.<sup>74</sup> The small size and integrated nature of a chip are extremely important.<sup>75</sup> Large amounts of time and money are spent trying to put greater numbers of transistors on a single chip. By 1990, engineers hope to squeeze ten million transistors on a single chip, "making it as complex as a city nearly 1,000 miles square."<sup>76</sup> A billion-transistor

<sup>71</sup> *Id.* at 439.

<sup>72</sup> Noyce, *supra* note 63, at 64-65.

<sup>73</sup> Boraiko, *supra* note 70, at 421.

<sup>74</sup> *See id.* By way of comparison, 5,000 transistors operate a digital watch; 20,000 are used for a pocket calculator; and 100,000 are necessary for a relatively small computer. *Id.* at 429. A pocket calculator contains one hundred times as many transistors as a radio or television receiver. Noyce, *supra* note 63, at 63. "Today's chips . . . have more computing power, compute faster, consume far less power, are more reliable, and sell [for substantially less money] than mainframe computers of the early 1970s." HOUSE REPORT, *supra* note 19, at 11, *reprinted in* 1984 U.S. CODE CONG. & AD. NEWS at 5760.

<sup>75</sup> The chip lacks soldered wires, which reduces the number of failure points and makes it extremely reliable. Boraiko, *supra* note 70, at 429. The small size of the chip means that transistors are close together, and electrical signals must travel only a short distance from switch to switch. *See* Marbach, Cook, Willenson, Sandza, Bigney & Foltz, *The Race to Build a Supercomputer*, Newsweek, July 4, 1983, at 58, 63. A 1,000-transistor chip does more work, more quickly, than a 10-transistor chip. Boraiko, *supra* note 70, at 429. Furthermore, smaller chips use less silicon "real estate," allowing more chips to be produced from a single silicon wafer during manufacture. *See* HOUSE REPORT *supra* note 19, at 12, *reprinted in* 1984 U.S. CODE CONG. & AD. NEWS at 5761. The end result is a better harvest of good chips at lower cost.

In 1964, Gordon E. Moore predicted that the complexity of the semiconductor chip would double every year. To date, there has not been any substantial departure from what is referred to in the semiconductor industry as Moore's Law. Noyce, *supra* note 63, at 65.

<sup>76</sup> Boraiko, *supra* note 70, at 433-34. This would be equivalent to a megalopolis almost twice the size of Alaska. *Id.* at 434.

chip may be within technological reach some day.<sup>77</sup>

### *Creative Process and Marketing*

Several distinct marketing and creative stages, requiring the talents of many individuals, are generally involved in bringing a new semiconductor chip to market. The intellectual work, including the imaginative activity, is done by teams.<sup>78</sup> The process usually starts with technology definition. A firm conducts a market study to determine the functions which potential customers would like performed. Physical and electrical characteristics can be preliminarily defined at this early stage.<sup>79</sup> The firm considers potential demand for the product, and analyzes the financial horizon.

After the market goals of a chip have been established, a team of circuit design engineers develops circuits to implement the desired electronic ideas. The circuit engineers construct a circuit by making "schematic" representations on paper of the manner in which transistors must be connected to implement the appropriate electronic functions.<sup>80</sup> The creativity employed by design engineers is analogous to the task of urban planners or architects:

[T]he process may be compared to the work of a city planner who drafts a plan to build a town in a given location that will have houses, a school and a shopping center. The planner then hires an architect to design the town. Blueprints are drawn that specify where the streets are to be situated, how large the shopping center

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<sup>77</sup> *Id.* at 425. "A memory chip of such complexity could store the text of 200 long novels." *Id.* Semiconductor chips can be divided into two broad categories: microprocessors and memory chips. The microprocessor, often referred to as a "computer on a chip," has logic circuits that are equivalent to those contained in the central processing unit of a computer, which enable it to interpret and execute instructions. *Id.* at 439. A memory chip, on the other hand, stores information. *Id.* This information might be instructions, upon which the microprocessor will operate, or information which has already been operated on but which needs to be saved for future computations. Not surprisingly, the functions of a microprocessor and a memory can be integrated on a single chip. See Dunlap Statement, 1983 House Hearings, *supra* note 70, at 22.

<sup>78</sup> The teamwork demanded in the creative process demonstrates that the intellectual travail is not dominated by any single "author," and further reveals a symbiotic relationship between works of the human brain and machines, as well as computer software, in carrying out the creative process.

<sup>79</sup> HOUSE REPORT, *supra* note 19, at 12, 1984 U.S. CODE CONG. & AD. NEWS at 5761.

<sup>80</sup> See Dunlap Statement, 1983 House Hearings, *supra* note 70, at 72; Schrader Statement, 1983 House Hearings, *supra* note 17, at 96-97.

will be, what types of houses will be built and other specifics. Eventually, consideration is given to such minor details as the plumbing to be installed in the individual houses.<sup>81</sup>

A team of layout design engineers takes the detailed schematic or logic diagram and determines the most efficient way to organize it on the chip. Trial and error is used to select the optimum layout, and complex computer programs have been developed to assist in the process.<sup>82</sup> Given the tremendous number of transistors and interconnections that must be positioned, it is not surprising that the layout stage is time-consuming and extremely costly.<sup>83</sup> Ultimately, however, a three-dimensional layout is developed that shows the position of every transistor and interconnection on the chip. This may be a "composite" drawing of the various layers of the chip, shown in different colors on a very large sheet of paper. The same information can be recorded in digital form, however, by storing all of the relevant coordinates of points in the composite drawing on a magnetic tape known as a "data base tape."<sup>84</sup> Despite the progressive automation of the layout process,<sup>85</sup> the technical skill and creative genius of a chip architect will always be needed.

#### *The Manufacturing Process*

Semiconductor chips are frequently manufactured by a process known as "photolithography" or "masking."<sup>86</sup> The three-dimensional layout encoded in the data base tape is typically used to generate a series of stencils called "masks." Masks are basically glass or metal plates with patterns printed on them which have opaque and transparent regions.

<sup>81</sup> See Schrader Statement, 1983 House Hearings, *supra* note 17, at 96-97.

<sup>82</sup> See Boraiko, *supra* note 70, at 433.

Besides plotting transistors, computers also route the interconnections among them. But no computer can yet calculate, in reasonable time, the optimum way to wire a VLSI [very large scale integrated] chip: Possible wiring patterns number in the millions, so complex have chip designs become. Humans must still . . . hunt for errors . . . and . . . reroute connections or regroup transistors like building blocks.

*Id.* But see Raskind, *Reverse Engineering, Unfair Competition, and Fair Use*, 70 MINN. L. REV. 385, 409-410 (1985).

<sup>83</sup> HOUSE REPORT, *supra* note 19, at 12, 1984 U.S. CODE CONG. & AD. NEWS at 5761.

<sup>84</sup> *Id.* at 12-13, 1984 U.S. CODE CONG. & AD. NEWS at 5761.

<sup>85</sup> For the interconnection layers of gate arrays, the process already is automatic. Semiconductor production facilities will have to be entirely automated because the delicate task of shrinking chips into microscopic size (more than one million transistors) will have to occur in a contamination-free environment. The mere presence of a human being could pollute the process. Wilson & Ticer, *Superchips: The New Frontier*, *Bus. Week*, June 10, 1985, at 82-83.

<sup>86</sup> HOUSE REPORT, *supra* note 19, at 12, 1984 U.S. CODE CONG. & AD. NEWS at 5761. A new design process, referred to as E-Beam (electron-beam) tech-

A number of different masks used in succession are usually necessary to create a chip. Each mask, like a stencil, can be used repeatedly.

To begin the manufacturing process, silicon is melted, purified, grown into long crystals, and then sliced into thin wafers and polished. Each wafer is typically a five-inch diameter disk approximately .025 inches thick. Hundreds of chips are made simultaneously on each wafer. As described in the House Report,<sup>87</sup> the process is as follows:

A silicon wafer is coated with a layer of silicon dioxide, which (unlike silicon itself) is soluble in hydrofluoric acid. The silicon dioxide layer is then covered with a thin film of natural or synthetic rubber, known as "resist," because it resists the action of acid. Over the wafer is placed a stencil, which typically is a glass mask having opaque and transparent regions that correspond to one of the patterns of the mask work. Ultraviolet light is then cast on the mask. The radiation passes through the transparent parts of the mask but is blocked by the opaque parts. Where the ultraviolet light contacts the resist, the rubber is polymerized or "hardened" and becomes relatively insoluble in organic solvents. As a result, when next the wafer is washed in a solvent, the unhardened parts of the rubber film are dissolved away, while the hardened parts remain, leaving the mask pattern laid out in "resist" on the surface of the wafer. The wafer is then placed in hydrofluoric acid, which dissolves away the silicon dioxide that is not protected by resist. The resist is removed, and a hill and valley pattern has been etched into the wafer.<sup>88</sup>

Additional silicon is then laid down, masked, and stripped. Chemical impurities or dopants may be deposited to create negative and positive conducting zones.<sup>89</sup> The manufacture of a chip usually involves a number of masking steps, each using a different mask, and each adding a different layer onto the chip.<sup>90</sup> After completion of the masking process, the original pure silicon wafer has been converted into several hundred chips laid out side by side, like extremely small postage stamps on a mint

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nology, is presently being used to create mask works. No masking process is utilized. E-Beam technology "writes" the layout and interconnection patterns encoded in a database tape directly on a silicon wafer. See SENATE REPORT, *supra* note 43, at 4.

<sup>87</sup> HOUSE REPORT *supra* note 19, at 13, 1984 U.S. CODE CONG. & AD. NEWS at 5762.

<sup>88</sup> *Id.*

<sup>89</sup> Boraiko, *supra* note 70, at 426.

<sup>90</sup> HOUSE REPORT *supra* note 19, at 13, 1984 U.S. CODE CONG. & AD. NEWS at 5762. See also R. STERN, *supra* note 70, at § 1.1[D] (describing the layering

sheet. The individual chips are then tested. Acceptable chips are cut from the wafer with a diamond saw, wired into frames, and sealed in small plastic or ceramic cases equipped with plug-in prongs for use in electronic equipment.<sup>91</sup>

#### 4. *The Problem of Chip Copying*

The chip industry is capital intensive and becoming more so every day. Marketing studies, research and development, the layout and design processes, and the preparation of the photographic mask used to manufacture the chip require substantial effort from a squad of engineers and technicians and can cost millions of dollars. The investment needed to design a single new "cutting edge" chip could reach \$100 million in the near future.<sup>92</sup> Yet, in three to six months, for a cost of roughly \$50,000 to \$100,000, a copyist firm can photograph a chip and its layers and make a perfect copy.<sup>93</sup> For less than \$1 million, an entire family of chips can be duplicated.<sup>94</sup> The pirate firm, since it avoids the costs of marketing studies and research and development borne by the innovating firm, can undersell the innovator and flood the market with less expensive copies of the chip, or at least force the innovating firm to reduce the price at which it can sell its product. Either way, the creative firm loses revenue and market share. Such appropriation of creativity thus creates a devastating disincentive to necessary research and development. Ultimately, innovation, the lifeblood of industry, is jeopardized.<sup>95</sup>

A potential threat to the economic health of a creative enterprise is not, in and of itself, sufficiently serious to warrant protective intellec-

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process in chip manufacturing); Oxman, *Intellectual Property Protection and Integrated Circuit Masks*, 20 JURIMETRICS 405, 409 (1980) (describing the layering process in chip manufacturing).

<sup>91</sup> See R. STERN, *supra* note 70, § 1.1 [E] (describing the manufacturing process).

<sup>92</sup> See *id.* at 84. The research and development costs of a complex chip can reach approximately \$4 million. See 1983 House Hearings, *supra* note 17, at 65 (statement of Gerald J. Mossinghoff, Assistant Secretary, Comm'r of Patents and Trademarks Commerce Dep't). The chip industry has been the beneficiary of research and development (R&D) tax credit legislation, which provides a 25% tax credit for R&D expenditures which exceed prior year levels. I.R.C. § 30 (West Supp. 1985).

<sup>93</sup> See HOUSE REPORT, *supra* note 19, at 2, reprinted in 1984 U.S. CODE CONG. & AD. NEWS at 5751; SENATE REPORT, *supra* note 43, at 5; see also Dunlap Statement, 1983 Senate Hearings, *supra* note 19, at 66, 75-76; 1983 Senate Hearings, *supra* note 19, at 78-79 (statement of Dr. Christopher K. Layton, Vice President of Operations, Intersil, Inc.).

<sup>94</sup> See SENATE REPORT, *supra* note 43, at 5.

<sup>95</sup> See HOUSE REPORT, *supra* note 19, at 2-3, reprinted in 1984 U.S. CODE CONG. & AD. NEWS at 5751-52; SENATE REPORT, *supra* note 43, at 5-6.

tual property legislation. Other factors, such as the efficacy of existing law, the effect of a statutory change on current law, the parameters of protection, the costs and benefits which flow from new legislation, impact on the public domain, and the international aspects of protection must also be considered. In order to demonstrate precisely why the Semiconductor Chip Protection Act of 1984 was enacted into law, the Act must be considered in light of these other considerations.

## II. A POLITICAL TEST FOR INTELLECTUAL PROPERTY LEGISLATION

In a constantly changing society such as ours, the legal system must be continually restructured to reflect larger changes that occur outside the law. Any legislative proposals for change, however, must meet general standards. One such standard is a common understanding among legislators that statutes should respond to problems. "If it ain't broke, don't fix it," is a familiar statement in the halls of Congress. All legislation must be subjected to rules of proceeding; otherwise anarchy will prevail.<sup>96</sup> In addition, legislators agree that "wise legislation will not proceed by deduction from a monistic premise but upon a series of judgments about ends served and disserved by particular measures."<sup>97</sup> Not only is wise legislation well-reasoned and justified, but it should be flexible, to

<sup>96</sup> Thomas Jefferson observed long ago:

So far the maxim is certainly true, and is founded in good sense, that as it is always in the power of the majority, by their numbers, to stop any improper measures proposed on the part of their opponents, the only weapons by which the minority can defend themselves against similar attempts from those in power are the forms and rules of proceeding which have been adopted as they were found necessary, from time to time, and are become the law of the House, by a strict adherence to which the weaker party can only be protected from those irregularities and abuses which these forms were intended to check, and which the wantonness of power is but too often apt to suggest to large and successful majorities. . . .

JEFFERSON'S MANUAL OF PARLIAMENTARY PRACTICE § 1, IMPORTANCE OF ADHERING TO RULES, *reprinted in* RULES OF THE HOUSE OF REPRESENTATIVES, 97th Cong., 2d Sess. 110-11 (1981).

Representative Barney Frank has aptly observed: "[t]he major function of legislative rules, in my judgment, in a functional analysis, is to prevent the Members from having to vote too often on controversial issues." "Meet the Legislators," 1985 International Winter Consumer Electronics Show (Las Vegas, Nev.) 8-9 (Jan. 6, 1985) (unpublished) (remarks of Rep. Barney Frank).

<sup>97</sup> Kaplan, *An Unhurried View of Copyright: Proposals and Prospects*, 66 COLUM. L. REV. 831, 854 (1966); *see also* L. RAY PATTERSON, COPYRIGHT IN HISTORICAL PERSPECTIVE 228-29 (1968).

"admit the variety, and flux of experience, and leave room for ready correction over time."<sup>98</sup>

Congress applies general policy standards to any proposed legislation; in addition, Congress can and should apply a consistent and stringent set of standards, tailored to each type of legislative proposal. As regards copyright law, absent another massive rewriting of the law similar to the 1909 and 1976 revisions, congressional treatment of copyright issues in the 1980s will be on an incremental and ad hoc basis. Without the application of a set of stringent standards to a new proposal in copyright legislation, there is a danger that the proposal will creep outside of the larger copyright scheme, creating an inconsistency with prior law and causing ramifications for the public and creative community far beyond the initial error.

Therefore, in the tradition of courts of law and other deliberative institutions, the consideration of intellectual property issues should be governed by standards and procedures which are understood in advance, and which are applied uniformly from case to case. At the outset, the proponents of change should have the burden of showing that a meritorious public purpose is served by the proposed congressional action.<sup>99</sup> Whether the proponents of change have met this burden can be measured against a political test.

Such a political test—a type of "civil procedure" in Professor David Lange's words—was implicitly applied to legislative proposals to extend copyright protection to semiconductor chips.<sup>100</sup> The test was also used to consider record rental legislation, the only other amendment to the Copyright Act enacted into law by the 98th Congress.<sup>101</sup> An explicit exposition of the test may prove useful to proponents of additional changes in the intellectual property laws. Ultimately, this is the standard

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<sup>98</sup> Kaplan, *supra* note 97, at 854.

<sup>99</sup> See *House Hearings on Copyright and Technological Change*, *supra* note 1, at 64-65 (statement of David Lange, Professor of Law, Duke University) [hereinafter cited as Lange Statement, *House Hearings on Copyright and Technological Change*]. A similar burden might appropriately be placed on those who seek exceptions to protection.

<sup>100</sup> The test, proposed in the context of copyright policy initiatives, can safely be applied to intellectual property (including patent law) proposals in general.

<sup>101</sup> See *Audio and Video First Sale Doctrine: Hearings on H.R. 1027, H.R. 1029, and S. 32 Before the House Judiciary Subcomm. on Courts, Civil Liberties and the Administration of Justice, 98th Cong., 1st & 2d Sess. 2 (1983-1984)* (remarks of Rep. Robert W. Kastenmeier); *id.* at 723, quoting Lange Statement, *House Hearings on Copyright and Technological Change*, *supra* note 1.

The Record Rental Amendment of 1984, Pub. L. No. 98-450, 98 Stat. 1727 (1984), amended the Copyright Act to prohibit during a five-year period "the rental, lease, or lending of phonorecords of copyrighted sound

Congress should apply to any proposals before enacting future intellectual property legislation.

At the outset, the proponent of a new interest should show that existing law, including the law of the marketplace,<sup>105</sup> is unable to adequately protect the interest. The proponent should demonstrate that there is no way to protect the interest other than through the enactment of new legislation.

The test is fourfold in scope.<sup>102</sup> First, the proponent of a new interest ought to show that the interest can fit harmoniously within the existing legal framework without violating existing principles or basic concepts. The proponent must further indicate whether fundamental aspects of current law, such as the term of protection and exclusive rights, are compatible with the protection sought for the new interest. Degradation of current law must not be allowed. Where applicable, an advocate of a new protectable interest should provide a mechanism for dealing with the international aspects of intellectual property law. This is less true when a *sui generis* form of protection is proposed, because it will probably not fall within the ambit of existing multilateral treaties. Intellectual property is international and any system of protection will have to recognize this fact.

Second, the proponent of a new intellectual property interest must be able to commit the new expression to a reasonably clear and satisfactory definition. The interest should be defined both in terms of what it is and what it is not. Lack of definitional clarity is unfair to the agency which administers the law and the courts which interpret it. Further, any legal interest that cannot be explained to elected members of Congress certainly should not be scheduled for a vote. Uncertainty in the law is perhaps most unfair to the public, which must understand in order to obey the law and exercise its rights. Proponents must be scrupulously honest on the issue of retroactivity (today's protection for rights) or retrospectivity (tomorrow's protection of yesterday's rights), because ambiguity affecting the public domain can wreak havoc with both individual rights and previously made financial decisions. Additionally, any exception to the new protectible interest, be it defined in terms of fair use, reverse engineering, or innocent infringement, must be clarified and reaffirmed.

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recordings and musical works for commercial advantage without the permission of the copyright owners." See H.R. REP. NO. 987, 98th Cong., 2d Sess. 1 (1984), reprinted in 1984 U.S. CODE CONG. & AD. NEWS 2898, 2903.

<sup>102</sup> The political test is laid out in five parts in Lange Statement, *House Hearings on Copyright and Technological Change*, *supra* note 99, at 57-58, 65-68.

<sup>105</sup> For examples of how the law of the marketplace might protect new property interests, see the defenses to chip piracy noted in the text accompanying notes 108-117, *infra*.

Third, the proponent of change should present an honest analysis of all the costs and benefits of the proposed legislation. The proponent must show the difference between the status quo and the future contemplated by the legislation. Since we live in a society of winners and losers, the proponent must also candidly identify the groups that will bear the adverse consequences of the proposal and explain why they should bear those losses. The argument that a particular interest group will make more money and therefore be more creative does not satisfy this threshold standard<sup>104</sup> or the constitutional requirements of the intellectual property clause.

Fourth, any advocate of a new protectable interest should show on the record how giving protection to that interest will enrich or enhance the aggregate public domain.<sup>105</sup> The aggregate public benefit should outweigh the proprietary gains which result from protection. Congress can safely move forward if the cost to the public of the monopoly is deemed to be less than the value to the public of the total benefits caused by the law.<sup>106</sup>

Although Congress did not explicitly apply this test when it considered proposals to protect semiconductor chips, the four factors were implicit in the legislative discussion of the issue. A review of the product of that debate, the Semiconductor Chip Protection Act of 1984, demonstrates that it satisfied all the prongs of the test.

#### A. Inadequacy of Existing Law

Congress, before deciding to provide protection to a particular industry, must necessarily consider alternative ways in which the industry can or is protecting itself. Congressional enactment of patent and copyright laws, or of any *sui generis* intellectual property laws, involves a serious decision because such an enactment creates a limited economic

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<sup>104</sup> As a general rule, it is safe to assume that the proponents of change will derive some benefit from their proposal. The potential benefit provides the incentive for the proposal.

<sup>105</sup> For further discussion of public domain, see *infra* notes 175-182 and accompanying text.

<sup>106</sup> Lange Statement, *House Hearings on Copyright and Technological Change*, *supra* note 99, at 65-66. The Lange test had its predicates in other earlier works. See Kaplan, *supra* note 98; Breyer, *The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs*, 84 HARV. L. REV. 281 (1970); L. R. PATTERSON, *COPYRIGHT IN HISTORICAL PERSPECTIVE* (1968); Macaulay, *Copyright. I, A Speech Delivered in the House of Commons on 5th of February, 1841, Copyright. II, A Speech Delivered in A Committee of the House of Commons on the 6th of April, 1842*, in *PROSE AND POETRY* 731-50 (G. Young ed. 1952).

monopoly. Congressional study of the industry might reveal effective alternatives to granting monopoly rights, or might reveal that existing law is adequate and no further legislation is warranted. A mere showing that an initial creator's costs are high, while copying costs are low, is not sufficient to establish the masonry necessary for protection.<sup>107</sup>

The semiconductor industry was not totally helpless against chip piracy prior to enactment of the chip protection legislation.<sup>108</sup> The initial chip manufacturer enjoyed the built-in armor of "lead time." By reaching the market first, the original manufacturer could develop a pricing strategy that resulted in rapid return of investment. The first chips to come off the line were highly priced; prices plummeted as chips were sold.<sup>109</sup> Chip piracy, which at its quickest takes several months, could not affect early sales and the quick recoupment of development expenses. Sometimes called "learning curve pricing," this strategy's objective was the rapid creation of large demand, the spurring of cost reductions, the discouragement of competition, and the avoidance of piracy.<sup>110</sup> Chips could be sold with sufficient speed and in large enough quantities to spell the difference between profit and loss. The piracy attack, which came later, delivered a serious but not fatal blow. Learning curve pricing

<sup>107</sup> Breyer, *supra* note 106, at 351.

<sup>108</sup> See HOUSE REPORT, *supra* note 19, at 3-4, reprinted in 1984 U.S. CODE CONG. & AD. NEWS at 5752-53; SENATE REPORT, *supra* note 43, at 6-9.

<sup>109</sup> Historically, semiconductor chip prices drop 28% to 30% every time that total output doubles. Noyce, *supra* note 63, at 2, 7-8. See FEDERAL TRADE COMMISSION, STAFF REPORT ON THE SEMICONDUCTOR INDUSTRY: A SURVEY OF STRUCTURE, CONTENT, AND PERFORMANCE 73-83, 139-40 (1977) (stating that industry executives subscribe to experience curve theory: when output doubles, costs will decline by a constant percentage and prices will concomitantly drop) [hereinafter cited as FTC STAFF REPORT]. The price of EPROM (erasable, programmable read-only memory) chips, useful for storing instructions in a wide variety of machines, fell 75% in one year: Browning & Yoder, *Hitachi Ltd's Pricing for Semiconductor Prompts Protest by American Officials*, Wall St. J., June 5, 1985, at 34, col. 3.

<sup>110</sup> See *Chip Wars: The Japanese Threat*, Bus. Week, May 23, 1984, at 80, 83; see also FTC STAFF REPORT, *supra* note 109, at 82 (noting that "[i]n response to declining cost and often in advance of cost declines, firms tend to cut prices in order to increase their share of the existing market and in order to create incentives for users to design their semiconductors into new products and thus increase the total demand for the product." This could also be described, however, as an effort to "increase or retain market share" and "also discourage new entry.").

The learning curve traditionally has related to the on-the-job acquisition of skills, knowledge and team productivity. After introduction of a new

did have significant drawbacks, however; by hampering the accumulation of capital, the industry suffered some self-inflicted harm.<sup>111</sup>

The threat of legal action, although rooted in the ambiguous law in effect before the Act,<sup>112</sup> served as a deterrent to piracy. Any pirate conceivably faced the inherent cost and delay of litigation factors, exacerbated in controversies arising from technologically complicated subject matters. Although retaliatory rhetoric rarely led to the filing of a lawsuit or the commencement of a proceeding before the International Trade Commission,<sup>113</sup> such legal threats did create a favorable climate

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product, workers and management learn and hone their respective job skills and are better able to work together as a team. The result—in principle—is higher productivity at lower costs as a product goes down its learning curve. *Id.* at 45-46.

<sup>111</sup> FTC STAFF REPORT, *supra* note 109, at 82. Learning curve pricing is not likely to disappear in the foreseeable future, as long as there is intense competition among chip manufacturers. See Browning & Yoder, *supra* note 109, at 34, col. 3, reporting a decision by Hitachi, found in a memo to its distributors, to beat all competitor prices for EPROM chips by ten percent. The Hitachi memo states: "Quote 10% below their price. If they requote, go 10% again. Don't quit till you win." *Id.*

At some point, learning curve pricing can become predatory pricing. If predatory practices can be proved, remedies may lie in either section 301 of the 1974 Trade Act, 19 U.S.C. § 2411(a) (1982) (giving the President authority to take all appropriate and feasible action within his power to enforce the rights of the United States under any international trade agreement or otherwise respond to discriminatory trade practices of other countries) or the Sherman Act, 15 U.S.C. §§ 1-7 (1982) (providing procedures and penalties in cases of domestic price fixing).

<sup>112</sup> Congress took no position on the efficacy of copyright law as a basis for protection of semiconductor chips. See Mathias-Leahy Explanatory Memorandum, *supra* note 51, at S12,918; House Explanatory Memorandum, *id.*, at E4433-34. The House Report took a more definite stance, stating that copyright was inadequate to provide protection for semiconductor chips. See HOUSE REPORT, *supra* note 19, at 5752-53, 5757 ("the Committee notes that the present copyright law does not protect useful articles as defined in the Copyright Act"). Nonetheless, suits against alleged "copyists" or "infringers" had been grounded in copyright causes of action. See, e.g., 1983 Senate Hearings, *supra* note 19, at 80 (statement of Dr. Christopher Layton, Vice President of Operations, Intersil) (noting that Intersil, after the copying of some of its circuits, had filed suit based on a belief that mask designs were protected by federal copyright law).

<sup>113</sup> An actual illustration or two suffice to make this point. Zilog, an American corporation, charged before the International Trade Commission and in Federal district court that Nippon Electronic Company (NEC), a Japanese firm with an American subsidiary, had copied a microprocessor chip. This charge was in response to NEC's counter-charge that Zilog had violated NEC's patent. The parties were, however able to arrive at a settlement, under the terms of which NEC received a license to manufacture other Zilog products, and Zilog received licenses to manufacture specific NEC-designed prod-

for licensing.<sup>114</sup>

Legal threats were bolstered by the fact that it is exceedingly difficult to copy a chip without detection. Similar to a watermark on a currency bill, the semiconductor chip is so complex that it has unique identifying characteristics.<sup>115</sup>

Another factor which served to check piracy to some extent was the trade negotiations that began in 1980 between Japan and the United States, the two countries which produce the most chips and where chip competition is the keenest. These negotiations resulted in a reduction of piracy between citizens of the two countries.

Finally, state trade secret laws were available to the chip industry up to the time the chip was commercially exploited. As a general proposition, any item of intellectual property can be a trade secret,<sup>116</sup> provided that the item is not known to others, is kept secret, and conveys a competitive advantage to the individual or entity possessing it. Furthermore, trade secret protection can last indefinitely. This early line of defense

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ucts. *Zilog Corp. v. Nippon Elec. Co.*, No. C83-1241 (N.D. Cal. filed March 14, 1983); *Zilog Corp. v. NEC Elec. Co.*, No. 337TA-153 (I.T.C. filed June 13, 1983), *terminated on the basis of settlement*, 49 Fed. Reg. 4856 (1984). Litigation in a federal court between Intersil and Teledyne was also settled. *Intersil, Inc. v. Teledyne Inc.*, No. C82-4187 (N.D. Cal. filed Sept. 7, 1982). In this case, Intersil filed a complaint for copyright infringement, unfair competition, and related causes, alleging that Teledyne had copied an entire family of analog to digital converter chips. In addition to requesting a preliminary injunction, Intersil asked the court to award \$7 million in actual damages. For further information, see 1983 House Hearings, *supra* note 17, at 214-15 (statement of Robert C. Hinckley, General Counsel, NEC Electronics U.S.A., Inc.); 1983 Senate Hearings, *supra* note 19, at 80 (statement of Christopher K. Layton, Vice-president of Operations, Intersil, Inc.).

<sup>114</sup> Data show that licensing agreements between American and Japanese semiconductor manufacturers increased more than tenfold between 1975 and 1983. See Dataquest Inc., Research Newsletter 5 (March 30, 1984) (unpublished). Licensing practices between American companies probably increased in a similar manner. The House and Senate hearing records are devoid of examples of piracy that did not lead to subsequent licensing arrangements. Time after time, misappropriation is alleged, but the official record does not show actual cases of mask work "rip-off" without recompense.

<sup>115</sup> Integrated circuits have unique "fingerprints" of code that may be used to identify their design. The unique features of a chip occur either intentionally or as a result of a mistake. The copying of Intel's 8086 microprocessor several years ago was discovered because two tiny unneeded transistors, disconnected and dangling from the chip in a useless bed of silicon, were copied by a competing firm. See *Battling to Innovate and Emulate Intel Versus Nippon Electric*, Wash. Post, May 2, 1983, at A1, col. 1, reprinted in 1983 House Hearings, *supra* note 17, at 38.

was, and continues to be, of assistance to the industry before the first commercial exploitation of the chip.<sup>117</sup>

A candid appraisal of these defenses reveals unique inadequacies in each of them. Collectively, they did not provide effective protection against piracy. After confronting the inadequacy of existing law, Congress turned its attention to the proposed legislation.

### *B. Harmony with Existing Law*

The Semiconductor Chip Protection Act of 1984, by creating a *sui generis* and freestanding protection for chip products, is clearly in tune with the existing framework of copyright law. The new statutory scheme creates a form of proprietary protection separate from and independent of the Copyright Act, as contained in chapters 1 through 8 of title 17 of the United States Code. By clear and concise language, the Act provides that nothing in new chapter 9 of title 17 "shall affect any right or remedy held by any person under chapters 1 through 8 of this title . . . , or under title 35."<sup>118</sup>

The original proposals to grant protection to semiconductor chip products under the Copyright Act were fatally flawed. Inherent in these proposals was a danger that, by tailoring fundamental copyright principles to accommodate the unique nature of the use of chip designs in the manufacturing process, the legislation would distort the way in which copyright was applied to other categories of copyrightable works.<sup>119</sup> A representative of the book publishing industry explained that:

<sup>116</sup> A trade secret is "any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it." RESTATEMENT OF TORTS § 757 comment b (1939).

<sup>117</sup> See HOUSE REPORT, *supra* note 19, at 28-29, reprinted in 1984 U.S. CODE CONG. & AD. NEWS at 5777-78; Mostek Corp. v. Immos Mgt. Assistance, Inc., 203 U.S.P.Q. (BNA) 383, 389 (N.D. Tex. 1978).

Trade secret laws are not preempted by the Act, as they provide a different form of protection from that found in Chapter 9. The continued existence and efficacy of state trade secret law is doubly important because it provides protection for chips during a time period, prior to registration or commercial exploitation, when none is available under the Act.

<sup>118</sup> 17 U.S.C. § 912(a) (Supp. II 1984).

Professor Melville Nimmer, after finding that "the protection afforded in Chapter 9 is sufficiently analogous to copyright protection, and the issues raised sufficiently likely to be posed in litigation which also raise copyright issues," included extensive discussion of the Act in his excellent and useful treatise. 4 M. NIMMER, *supra* note 22, at § 18.01. For in-depth analyses of the Act and its contents, see *id.* at §§ 18.01-18.12; R. STERN, *supra* note 70. The valuable Stern treatise is devoted entirely to the Semiconductor Chip Protection Act.

[O]ur concern is not born out of a mere desire for ideologically pure copyright law, . . . [or an] aversion to innovative legislation. Our concerns do lie with the blurring or distortion of principles and the establishment of precedents that may have untoward and unintended consequences for copyright protection of our works, . . . and those of other copyright proprietors.<sup>120</sup>

This thought was echoed by several other commentators during the congressional hearings and elsewhere.<sup>121</sup>

The taproot of the chip Act is found in the proposition that dissimilar items should not be similarly treated. A mask work is not a book or a movie or a record, and therefore is not treated as these items are under the Copyright Act.<sup>122</sup> The chip legislation does not treat copyright law as a large tent designed to protect proprietary interests that reach far beyond its surface perimeter. The Act therefore does not either degrade or make a mockery of copyright law, as has sometimes been the case in the past.<sup>123</sup>

This is not an issue of small import. Congress, if it works by analogy, as it often does, must be exceedingly careful that it chooses the right

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<sup>119</sup> For further discussion of this important point, see HOUSE REPORT, *supra* note 19, at 5-11, 1984 U.S. CODE CONG. & AD. NEWS at 5754-60. Eventually, the semiconductor industry came to appreciate this proposition and switched its support from a copyright to a *sui generis* approach.

<sup>120</sup> See 1983 House Hearings, *supra* note 17, at 14 (statement of Jon Baumgarten, Copyright Counsel to Assoc. of Am. Publishers).

<sup>121</sup> *Id.* at 54 (statement of L. Ray Patterson, Professor of Law, Emory University School of Law) [hereinafter cited as Patterson Statement, 1983 House Hearings]. Former Register of Copyrights David Ladd, in a study prepared for the World Intellectual Property Organization on the future of copyright in the light of changing economic, social and technological conditions, observed: "the extension of authors' rights and copyright to new kinds of works must be examined against accepted philosophical and doctrinal principles so that the historical domain of authors' rights and copyright not be endangered, and that new species of creative works be effectively encouraged." Ladd, *To Cope with the World Upheaval in Copyright*, 1983 COPYRIGHT 289, 291.

<sup>122</sup> See *id.* at 6, 1984 U.S. CODE CONG. & AD. NEWS at 5755. Professor David Lange used the following metaphor to illustrate the distinction between mask works and books, movies, or records: "if someone wants to call a garment a vest, he ought to have to produce something that doesn't have sleeves. If you are going to wear a garment that has sleeves, then I think you ought to call it something else." Lange Statement, *House Hearings on Copyright and Technological Change*, *supra* note 99, at 56-57.

<sup>123</sup> See Patterson Statement, 1983 House Hearings, *supra* note 121, at 62-63; L. RAY PATTERSON, *supra* note 97, at 225-229.

one.<sup>124</sup> The analogy that grips the congressional mindset at any particular moment is often the one that controls the debate.<sup>125</sup> The outcome of a vote may depend on acceptance of a false premise, or an attractive but fallacious analogy. With respect to the need to protect semiconductor chip products, an apt analogy could not be found in existing copyright law. Consequently, Congress chose not to force one more camel's nose under an already overcrowded tent.

The political issue created by the original chip legislation was therefore larger than the mere question of protectability of chips. The original proposal to protect semiconductor chip products under copyright was arguably a "pilot project" for other new technologies seeking statutory shelter.<sup>126</sup> Recognizing that the development of general principles of law and consistent application of those principles are matters of great import to any developed legal system, the real question for Congress became one of preserving the integrity of copyright by maintaining a set of consistent principles.<sup>127</sup>

In short, the original proposal to protect chip designs through copyright was not in harmony with existing law. It would have required distortion of the fundamental principles of copyright. For this reason, Congress adopted a *sui generis* approach. *Sui generis* chip protection passed the initial hurdle of being in harmony with the existing structure of copyright.

### C. Definitional Clarity

The Act clearly defines the expressions to be protected and the bundle of exclusive rights to be conferred on owners. Clarity in the definitional and exclusive rights sections, however, is not the only element of certainty in the Act. The Act also clearly sets forth a registration requirement, a limited (ten-year) period of protection, and an optional notice provision. The public and industry should have relatively few

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<sup>124</sup> Judge Stephen Breyer has warned: "If you work by analogy, you'd better be certain that you have the right analogy, . . ." Congressional Copyright and Technology Symposium, *supra* note 93, at 236.

<sup>125</sup> Referring to Judge Breyer's warning, Professor Paul Goldstein characterized false analogies as dangerous, stating "the analogy that grips Congress' attention will be the one that controls it." Goldstein Summary, *id.* at 167.

<sup>126</sup> See Patterson Statement, 1983 House Hearings, *supra* note 124, at 62.

<sup>127</sup> Professor L. Ray Patterson has stated: "While consistency for its own sake is a virtue of small consequence, consistent principles for a body of law are essential for integrity in the interpretation and administration of that law." *Id.* at 54. Although Professor L. Ray Patterson previously has lamented that "there is [sic] no clearly defined principles for copyright," he nonetheless recognizes the continuing obligation to strive for general principles of law:

problems understanding what is protected, and the duration of protection. The Copyright Office and the federal courts should be able to discharge their respective administrative and adjudicative responsibilities with minimal impact on their already heavy workloads.

The core of the Act protects "mask works," which are essentially defined as a series of related images that have been employed to stencil two- and three-dimensional features of shape and configuration onto a chip, thereby creating a semiconductor chip product that potentially will perform electronic circuitry functions.<sup>128</sup> The mask work must be "fixed" in a semiconductor chip product for a period of time of more than "transitory" duration.<sup>129</sup> The rights accorded under the Act belong to the "owner" of the mask work.<sup>130</sup> The owner is defined as the "person who created the mask work," his or her legal representative or transferee, or the employer for whom the person created the work.<sup>131</sup> The "exclusive rights" that accrue to the owner are: "(1) to reproduce the mask work by optical, electronic or any other means; (2) to import or distribute a semiconductor chip product in which the mask work is embodied; and (3) to induce or knowingly to cause another person to do any of the acts described [above]."<sup>132</sup> The rights of reproduction, importation and distribution are similar to those found in copyright law.<sup>133</sup> The contributory

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"It is the choice of principles that determines whether a legal concept is to have the degree of consistency necessary for a unified whole, or whether it is to consist primarily of a series of fragmented rules." L. RAY PATTERSON, *supra* note 97, at 222.

<sup>128</sup> See 17 U.S.C. § 901(a) (2) (Supp. II 1984).

<sup>129</sup> The House Report makes it abundantly clear that fixation of a mask work in a data base tape (a magnetic tape in which the coordinates of relevant points in a mask or set of masks is encoded in digital form) does not fit within the definition of fixation provided by the Act. See HOUSE REPORT, *supra* note 19, at 17, reprinted in 1984 U.S. CODE CONG. & AD. NEWS at 5766.

<sup>130</sup> 17 U.S.C. § 903(a) (Supp. II 1984). Use of the term "owner" indicates that the Act creates an industrial form of property as opposed to an "author's" right. Earlier versions of the bill used the term "author."

<sup>131</sup> 17 U.S.C. § 901(a) (6) (Supp. II 1984).

<sup>132</sup> *Id.* § 905. Early legislative formulations to protect chips contained a more extensive catalogue of rights to be enjoyed by the owner of the mask work. One of these, the "use" right, was found to be slightly duplicative of the other rights and potentially harmful to the corpus of copyright law which does not contain such a right. The "use" right therefore was deleted. See HOUSE REPORT *supra* note 19, at 21 n. 40, 1984 U.S. CODE CONG. & AD. NEWS at 5770 n. 40; SENATE REPORT, *supra* note 43, at 20-21.

<sup>133</sup> See HOUSE REPORT, *supra* note 19, at 20, reprinted in 1984 U.S. CODE CONG. & AD. NEWS at 5769. The reproduction right finds its ancestry in section

infringement provision does not have an express statutory analogue in the Copyright Act, but is derived from case law.<sup>134</sup>

The Act provides unconditional protection to all mask works whose owners are nationals or domiciliaries of the United States or are stateless persons.<sup>135</sup> Similarly, the Act protects all mask works which were first commercially exploited in the United States.<sup>136</sup> The Act provides possible protection for mask works of foreign nationals that were not first commercially exploited in the United States. Such mask works will be protected if the owner of the mask work is "a national, domiciliary, or sovereign authority of a foreign nation that is a party to a treaty affording protection to mask works to which the United States is also a party,"<sup>137</sup> or if the mask work falls within the scope of a presidential proclamation.<sup>138</sup> The President is authorized to issue a proclamation conferring protection under the Act upon a finding that a foreign nation extends protection to mask works of American origin on "substantially the same basis" as it protects mask works of its own nationals and domiciliaries, as well as mask works first commercially exploited in that nation.<sup>139</sup> Equality of treatment is not enough, however. The foreign nation must

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106(a) of the Copyright Act; the distribution and importation rights have close relatives in sections 106(3) and 602(a) of the Copyright Act. These rights are also similar to the patent law's exclusive rights to make and sell the subject matter of a patented invention. See 35 U.S.C. §§ 154, 271 (1982).

<sup>134</sup> See *Sony Corp. v. Universal City Studios*, 464 U.S. 417, 434-42 (1984); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 481-513 (1964). It also is similar to provisions of the patent law codifying previous case law. See 35 U.S.C. § 271(b)-(c) (1982).

The package of exclusive rights created by the Act will be enforced by a panoply of civil and injunctive remedies, including statutory damages up to the amount of \$250,000, exclusion of infringing products from entry into the United States, temporary restraining orders, monetary relief for damages and lost profits, and seizure and impoundment of infringing products. See 17 U.S.C. §§ 910-911 (Supp. II 1984). Criminal penalties, which are not available under the Act, were not deemed by Congress to be appropriate or necessary due to the unique nature of the mask work design process, the microscopic characteristics of semiconductor chip products, and resultant questions of proof and scienter.

<sup>135</sup> 17 U.S.C. § 902(a) (1) (A) (Supp. II 1984).

<sup>136</sup> *Id.* § 902(a) (1) (B).

<sup>137</sup> *Id.* § 902(a) (1) (A) (ii).

<sup>138</sup> *Id.* § 902(a) (1) (C); see also HOUSE REPORT, *supra* note 19, at 18-19, 1984 U.S. CODE CONG. & AD. NEWS at 5767-68.

<sup>139</sup> 17 U.S.C. § 902(a) (2) (A) (Supp. II 1984). The President was petitioned under section 902 to issue proclamations extending protection to Great Britain and

provide protection that is substantially equivalent to the protection available under the U.S. Act.<sup>140</sup>

The so-called "formalities" of the American law add clarity and certainty to the system. Statutory protection under the Act is lost, and the mask work falls into the public domain, if registration does not occur within two years after the date on which the mask work was first commercially exploited anywhere in the world.<sup>141</sup> Failure to respect the two-year window will not be construed to forfeit any protection that might have occurred during this time period. When commercial exploitation occurs first, and the two-year registration window still is open, registration is still required as a prerequisite to a civil infringement action.<sup>142</sup>

Protection of mask works is for a period of ten years. The ten-year term meets both the characteristics of the item protected and the needs of the public. Protection continues until the end of the calendar year of

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Australia. Due to the difficulty of making section 902 determination, both petitions were appropriately treated by the Department of Commerce under the interim and more flexible provisions of section 914. *See infra* notes 183-197 and accompanying text.

<sup>140</sup> For example, a nondiscriminatory foreign law that offered its own and American citizens alike a one-year period of protection should not qualify for a Presidential proclamation. *See* HOUSE REPORT, *supra* note 19, at 8, 1984 U.S. CODE CONG. & AD. NEWS at 5757 (foreign owners of mask works can secure protection under the Act if their country allows such protection to U.S. owners of mask works).

<sup>141</sup> 17 U.S.C. § 908(a) (Supp. II 1984).

<sup>142</sup> *Id.* § 910(b) (1). The Semiconductor Chip Protection Act became effective on its date of enactment, November 8, 1984. *See id.* § 913(b). However, chips that were commercially exploited between July 1, 1983, and November 8, 1984, will receive protection under the Act, provided registration occurred before July 1, 1985, subject to a two-year compulsory license that permits infringers to continue to sell and distribute their inventory of chip products in existence on the date of enactment if they agree to and do pay reasonable royalties. *See id.* § 913(d) (1)-(2). On July 1, 1987, all privileges in this regard will have expired, and any pre-enactment mask work that qualifies for protection will be treated identically with one created after the date of enactment. *See id.* § 913(d) (2); *see also* House Explanatory Memorandum, *supra* note 51, at E4434.

Chips commercially exploited before July 1, 1983, are not protectable under the Act. Passage of a public law probably would not have occurred absent an understanding by the House and Senate that the legal status of these chips, as well as the legality of copying them, rests on statutory provisions in effect prior to enactment of the Act. Whether under federal law, including copyright and patent law, state law, or common law, the Act is not intended to affect any rights available to chip products commercially exploited before July 1, 1983. *See* 17 U.S.C. § 912(e) (Supp. II 1984). The

the tenth year after registration or commercial exploitation, whichever occurred first.<sup>143</sup>

Notice of mask work protection is optional and "is not a condition of protection."<sup>144</sup> Permissible notice consists of "(1) the words 'mask work', the symbol \*M\*, or the symbol M (the letter M in a circle); and (2) the name of the owner or owners of the mask work or an abbreviation by which the name is recognized or is generally known."<sup>145</sup> Although notice is discretionary, it is considered *prima facie* evidence of the defendant's knowledge of protection.<sup>146</sup>

The Act not only defines which creative works deserve protection; it also delineates areas that are not protectible or are exceptions to protection. The Act does not protect mask works that are not "original."<sup>147</sup> As the House Report makes clear, the meaning of "original" is drawn from the law of copyright.<sup>148</sup> The Act will not protect a mask work that "consists of designs that are staple, commonplace, or familiar in the semiconductor industry, or variations of such designs, combined in a way that, considered as a whole, is not original."<sup>149</sup> In other words, the combination of arcs, lines and rectangles in the mask work must possess the requisite degree of originality "when considered as a whole, even though, if the individual elements of the mask work were dissected away from the whole, they might appear familiar or commonplace."<sup>150</sup>

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House Explanatory Memorandum states: "When Congress intervenes in an area of new technology, it should not weaken any existing rights. . . . [The] July 1, 1983, chips are left no better or worse off by this legislation." See House Explanatory Memorandum, *supra* note 51, at E4434.

<sup>143</sup> 17 U.S.C. § 904 (Supp. II 1984). The ten-year period of protection heeds Thomas Macaulay's admonition that protection "ought not to last a day longer than is necessary for the purpose of securing the good." Macaulay, *supra* note 106, at 735. Stated differently, society should not pay monopoly rent in excess of the value of the benefits that flow to proprietors in exchange for securing the good.

<sup>144</sup> 117 U.S.C. § 909(a) (Supp. II 1984).

<sup>145</sup> *Id.*, § 909(b).

<sup>146</sup> *Id.*, § 909(a).

<sup>147</sup> *Id.*, § 902(b) (1).

<sup>148</sup> "This [definition] adopts the essence of the customary copyright law concept of originality and applies it to mask works, to the extent it is appropriate and feasible to do so." HOUSE REPORT, *supra* note 19, at 17, 1984 U.S. CODE CONG. & AD. NEWS at 5766. For further discussion of the originality standard, see 4 M. NIMMER, *supra* note 22, at §§ 18.03[B], 18.08-11. A definition of "original" was deleted from the final version of the Act. Compare H.R. 5525, 98th Cong., 2d Sess., § 901(4), 130 CONG. REC. H5489 (daily ed. June 11, 1984) with 17 U.S.C. § 901(a) (Supp. II 1984).

<sup>149</sup> 17 U.S.C. § 902(b) (2) (Supp. II 1984).

<sup>150</sup> HOUSE REPORT *supra* note 19, at 19, 1984 U.S. CODE CONG. & AD. NEWS at 5768.

The proprietary rights granted by the Act are limited by a number of exceptions. Most significant is the one which permits reverse engineering.<sup>151</sup> The reverse engineering exception allows a person to reproduce a mask work "for the purpose of teaching, analyzing, or evaluating the concepts or techniques embodied in the mask work or the circuitry, logic flow, or organization of components used in the mask work."<sup>152</sup> After such an analysis or evaluation, the results may be incorporated "in an original mask work which is made to be distributed."<sup>153</sup> The mature fruit of the reverse engineering process therefore qualifies for protection under the Act if the originality standard is met.<sup>154</sup> By allowing the results of reverse engineering to be used for commercial purposes and by allowing copying of the entire work, the reverse engineering exception differs dramatically from the "fair use" doctrine of copyright law.<sup>155</sup>

From a practical standpoint, it should not be terribly difficult for the federal courts to differentiate between reverse engineering and infringement. The reverse engineering exception strikes an appropriate balance between the rights of creators and owners of mask works, on the one hand, and the rights of teaching and research institutions, competitor firms, users, and customers on the other. The courts, in deciding whether a reproduction qualifies for a reverse engineering exception, will of course do so on a case-by-case basis, just as they do in many other

<sup>151</sup> 17 U.S.C. § 906 (Supp. II 1984). See also SENATE REPORT, *supra* note 43, at 21-22. To date, the most enlightened commentaries on reverse engineering are found in W. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW* 340-346 (1985), and R. STERN, *supra* note 70, at § 5.5.

<sup>152</sup> 17 U.S.C. § 906(a) (1) (Supp. II 1984).

<sup>153</sup> *Id.* § 906(a) (2).

<sup>154</sup> "If the resulting semiconductor chip product is not substantially identical to the original, and its design involved significant toil and investment so that it is not a mere plagiarism, it does not infringe the original chip, even if the layout of the two chips is, in part, similar." This language was added at the last moment during the House-Senate informal conference. See House Explanatory Memorandum; *supra* note 51, at E4433; Mathias-Leahy Explanatory Memorandum, *id.*, at S12,917. The Mathias-Leahy Memorandum uses the phrase "in substantial part" rather than "in part," stating that the two works may be "substantially similar" but that the reverse engineering defense should be withheld if the two works are substantially identical. See *id.* See also Letter from Alan H. MacPherson to Hon. Robert W. Kastenmeier (Aug. 7, 1984); 1983 House Hearings, *supra* note 17, at 201 (statement of Robert Hinckley, General Counsel, NEC Electronics U.S.A., Inc.).

<sup>155</sup> See HOUSE REPORT, *supra* note 19, at 23 n. 45, 1984 U.S. CODE CONG. & AD. NEWS at 5772 n. 45; SENATE REPORT, *supra* note 43, at 22; W. PATRY, *supra* note 151, at 342-46. However, an equitable doctrine akin to that of "fair use" in copyright may develop a life and character of its own under the provisions of the Chip Act, much as its cousin did under copyright prior to the 1976 Copyright Act. A comparison of reverse engineering and fair use suggesting

areas of the law, including under the "fair use" doctrine in copyright.<sup>156</sup> The inquiry will be simpler, however, because the additional creative work required to fall within the reverse engineering exception will normally leave a "paper trail" not found in the files of copyist firms.<sup>157</sup>

The Act also creates an exception to protection based on the "exhaustion of monopoly rights" and "first sale" doctrine. As in copyright law,<sup>158</sup> the owner of a mask work does not have a continuing right to exercise control over the pricing, resale, or other business conduct of semiconductor chip customers once the chips have legitimately been procured. The "first sale" doctrine serves as a limitation on the importation and distribution rights of the mask work owner, but does not circumscribe the reproduction right.<sup>159</sup>

A third limitation on the exclusive rights of mask work owners is contained in the innocent infringement section of the Act.<sup>160</sup> If the purchaser of some infringing chips resells them before ever receiving notice that the chips are protected, the purchaser is exempted from liability.

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that there are fair uses of a mask work is found in R. STERN, *supra* note 70, at § 5.6. The Chip Act is silent on these developmental possibilities.

<sup>156</sup> See House Explanatory Memorandum, *supra* note 51, at E4433. See also Harper & Row, Publishers, Inc. v. Nation Enterprises, 105 S. Ct. 2218 (1985). Case-by-case judicial determinations of whether certain actions qualify for the reverse engineering exception will over time create a body of precedent to be applied nationwide by the federal courts.

<sup>157</sup> HOUSE REPORT, *supra* note 19, at 21, 1984 U.S. CODE CONG. & AD. NEWS at 5770; SENATE REPORT, *supra* note 43, at 22.

As was cogently explained by a representative of the chip industry:

Whenever there is a true case of reverse engineering, the second firm will have prepared a great deal of paper—logic and circuit diagrams, trial layouts, computer simulations of the chip, and the like; it will also have invested thousands of hours of work. All of these can be documented by reference to the firm's ordinary business records. A pirate has no such papers, for the pirate does none of this work.

1983 Senate Hearings, *supra* note 19, at 146 (statement of Leslie L. Vadasz, Senior Vice-president, Intel Corporation).

<sup>158</sup> The "first sale" doctrine does not apply to phonorecords. See 17 U.S.C. § 109 (Supp. II 1984).

<sup>159</sup> 17 U.S.C. § 906(b) (Supp. II 1984). Without question, the first sale exception to the Act permits "gray marketing" of integrated circuits by bona fide purchasers overseas. Gray marketing refers to a process by which goods are "imported from abroad and sold, frequently at deeply discounted prices, outside the manufacturer's authorized distribution chain." Riley, 'Gray Market' Fight Isn't Black and White, Nat'l L.J., Oct. 28, 1985, at 1, col. 3.

<sup>160</sup> See 17 U.S.C. § 907 (Supp. II 1984).

The innocent infringement exception applies only to importation and distribution rights, and not to reproduction.<sup>161</sup> Furthermore, under the innocent infringement exception, if a person purchases infringing chips innocently, and then is given notice of infringement prior to reselling the chips, the innocent purchaser may resell the chips in question subject to payment of a reasonable royalty to the mask work owner.<sup>162</sup>

The innocent infringement provision safely navigates the turbulent channel between property rights and consumer interests. On one side, the proprietary interests of chip owners must be respected as a matter of fundamental fairness and as an investment incentive. On the other side, innocent parties who invest in chip products should not have their good faith purchases jeopardized by proprietary rights that could not reasonably be foreseen.<sup>163</sup> Recognizing the tension that exists between these competing interests, the Act suggests that parties attempt to resolve their differences prior to instituting an infringement action in federal court.<sup>164</sup>

### C. Cost-Benefit Analysis

Any congressional examination of costs and benefits will not be a litmus test, indicating one color for passage of a bill and another for defeat. Unlike the preceding analysis concerning adequacy of existing defenses, harmony with existing law, and clear definition of what is protectible and what is not,<sup>165</sup> an analysis of costs and benefits is more subjective and less quantifiable. This dusty enterprise, like insulating the attic, is both painful and rewarding; any itchiness is only temporary and the work will result in long-term benefits.

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<sup>161</sup> A limited reproduction right for innocent infringers was found in the bills passed by the House and Senate, but was eliminated from the final version of the compromise bill. Compare H.R. 5525, 98th Cong., 2d Sess., 130 CONG. REC. S5489-91 (daily ed. June 11, 1984) and S. 1201, 98th Cong., 2d Sess., 130 CONG. REC. S5837-38 (daily ed. May 16, 1984) with 17 U.S.C. §§ 901-914 (Supp. II 1984).

<sup>162</sup> See 17 U.S.C. § 907 (Supp. II 1984).

<sup>163</sup> See SENATE REPORT, *supra* note 43, at 23-25.

<sup>164</sup> 17 U.S.C. § 907(b) (Supp. II 1984). The suggested alternatives to litigation include negotiation, mediation, and binding arbitration.

Today's economy has a substantial zero-sum element,<sup>166</sup> and legislative solutions to the problems of the 1980's must recognize this fact. As a general rule, in exchange for a benefit granted to a specific group or industry, some other group must absorb a loss. Gains accrue to one group, and losses are borne by another.<sup>167</sup> A threshold showing that the industry would benefit from protection is not sufficient to justify congressional intervention. Congress's concerns are broader than the concerns of any one industry, and Congress must satisfy itself that the benefits to society as a whole outweigh the costs. If a legislative solution stimulates economic growth, jobs will develop and the government's tax base will broaden. In this manner, the positive impact of a statutory change can exceed the negative impact. Nonetheless, some losses are inevitable.<sup>168</sup>

At a societal level, the principal costs of the Semiconductor Chip Protection Act emanate from the granting of monopoly rights to a chip owner for a ten-year period of time. These monopoly rights are less than those conferred by copyright law, both because the term of protection is shorter and because the exclusive rights are limited by the reverse engineering and innocent infringement provisions. Still, Congress must be cognizant of the fact that someone might have to pay higher prices for the protected work-product, which in this case consists of semiconductor chips. An owner of a monopoly right is allowed to

<sup>165</sup> See *supra* note 107 and accompanying text.

<sup>166</sup> "A zero-sum game is any game where the losses exactly equal the winnings." L. THOROW, *THE ZERO-SUM SOCIETY* 11 (1980). Most sporting events, for example, are zero-sum games. For every winner there is a loser. As regards economic solutions to our problems—and it is arguable that intellectual property law is a solution—Professor Lester Thurow argues: "When the economic pluses and minuses are added up, the pluses usually exceed the minuses, but there are large economic losses. These have to be allocated to someone, and no group wants to be the group that must suffer economic losses for the general good." *Id.* at 10. Many high-tech industries such as the chip industry, as contrasted with smokestack industries, are based on an inexhaustible supply of resources. Consequently, the stark reality of the zero sum game is somewhat lessened.

<sup>167</sup> *Id.* at 10-11. Professor David Lange, speaking of copyright, makes a similar argument:

... it is fair for the copyright law to entertain arguments on behalf of one industry or another for change. I think those changes ought to come, however, only if the proponents of the change can show both why they are entitled to it and why, as against their entitlement, someone else who may now be benefited by the law the way it is, ought to have to bear the burden of that change. Because generally, there is a tradeoff involved.

Lange Statement, *House Hearings on Copyright and Technological Change*, *supra* note 99, at 74.

<sup>168</sup> L. THUROW, *supra* note 166, at 11, 17, 212-14.

adopt a marketing strategy that maximizes profits, providing that the antitrust laws are respected. The Act, by conferring limited monopoly rights, may well create an atmosphere for pricing practices that were not previously foreseeable. Chip prices may rise. Alternatively, consumers might see chips offered at low prices initially, but without dramatic decreases throughout the product cycle. Learning curve pricing may become a marketing antique. The more probable course is that learning curve pricing will continue, fueled in part by an overriding competitive desire to capture both the domestic and world markets. The consumer, despite the owner's monopoly, should continue to reap the benefits of quality products at low prices due to an extremely competitive, perhaps even predatory, market.<sup>169</sup>

The lack of opposition to the chip protection legislation may be a good indication that its social costs are low. In a democracy, when the costs of legislation are expected to be high and a large number of people are potentially adversely affected, political resistance to a statutory change will occur as a natural course. The Chip Act was virtually unopposed; not a single negative vote was cast in either the House or Senate. The virtual unanimity which surrounded the Act allows speculation that the new law will entail relatively few costs.

The actual implementation costs of the Act, borne by the taxpayers, are expected to be low. A low-cost forecast for the Act is supported by the Congressional Budget Office,<sup>170</sup> which estimated net costs of approximately \$200,000 per year in fiscal years 1985 through 1987, and less than \$100,000 annually thereafter.<sup>171</sup> All of these costs arise from the need to create a registration system within the Copyright Office.<sup>172</sup> Since the Act does not create any criminal penalties, costs will not be borne by the Department of Justice. Some budgetary impact may be felt

<sup>169</sup> See *supra* note 111.

<sup>170</sup> HOUSE REPORT, *supra* note 19, at 32 (statement of the Congressional Budget Office).

<sup>171</sup> *Id.*

<sup>172</sup> The Register of Copyrights is made responsible for all administrative functions and duties under the Act. The Copyright Office is directed to establish a registration system and is authorized to establish rules, including those relating to fees, notice, deposit requirements, recordation and certification of registration. See 17 U.S.C. § 908 (Supp. II 1984); see also Final Regulations, amending 37 CFR, Chapter II, by adding a new Part 211, *reprinted in* 50 FED. REG. 26,714 (June 28, 1985); Circular R100 (Federal Statutory Protection for Mask Works) (Copyright Office 1984).

The Copyright Office has reported that as of October 24, 1984, 1774 petitions for registration had been filed [and petitions were arriving in the office at the rate of approximately 100 a month]. Mask Work Unit Statistics, provided by Dorothy Schrader, General Counsel, Copyright Office (Oct. 24, 1985).

by the Treasury, Postal Service, Customs Service and the federal judiciary. When compared to the overall budgets of these entities, however, the cost of implementing the Act will be miniscule.

The interests most seriously affected by the chip legislation are those of the chip pirates, both present and prospective. Copyists will no longer be able to take unfair advantage of the substantial amounts of time and money expended by innovating firms to develop newer and better chips. Furthermore, the reverse engineering provision should prevent the act from affording too much protection, which would deprive the public of the benefits of free and open competition.

Although potential costs to all but copyist firms will likely be low, the benefits to be derived from the Act are expected to be great. Semiconductors are an important and rapidly growing segment of the economy.<sup>173</sup> The chip protection legislation rewards and stimulates technological innovation, which will lead to the creation of more jobs, increased opportunities for investment, increased tax revenues, and cheaper, better quality consumer products. Fundamentally, law is a skeleton providing an inner frame for the ordering of society.<sup>174</sup> The Act's main benefit is that it shapes the bones for a relatively new industry, allowing the industry room and protection to compete and create new designs with foreknowledge of the basic rules of the game.

In the future, businesses and investors can rely on the fact that investments in research and development will be protected, and that innovating firms will be rewarded for their efforts. The Act will benefit the public by rendering accessible the works of creators. Technological innovation will continue, and jobs will be created, resulting in improved quality of life for all Americans. The tax revenues generated by the augmented prosperity of the chip industry will more than offset the actual taxpayer costs of the legislation. Perhaps more importantly, the public domain will benefit in several important regards.

#### *D. Enhancement of the Public Domain*

More than a nodding acquaintance with the concept of public domain is essential to comprehension of intellectual property law and the

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<sup>173</sup> The International Trade Administration, U.S. Department of Commerce, forecasts that in 1985 the industry will ship more than \$20.5 billion of semiconductor devices. Moreover, the semiconductor industry is expected to continue its 20% rate of annual growth through 1990. See 1985 U.S. INDUSTRIAL OUTLOOK 32-3; see also Wilson & Ticer, *supra* note 85, at 84. Over the years, the United States Government has been the largest single buyer of integrated circuits and products containing integrated circuits (principally for defense, aerospace, and information processing).

role of the United States Congress in creating that law. The addition of a creation to the public domain is an integral part of the social bargain inherent in intellectual property law. It is one of the general benefits received by the public in return for providing protection to authors and inventors. It should not be viewed simply as a form of punishment imposed on authors and inventors when for some reason, such as failure to respect formalities, they lose control of their creations. Viewed another way, "the public domain is the accumulated wisdom of the ages."<sup>175</sup>

A creation can enter the public domain in a number of ways. First, the material may fall outside the ambit of the intellectual property clause of the Constitution. Alternatively, the material may fall outside the ambit of the intellectual property statutes, even though it is theoretically within the scope of constitutional protection. Congress may decide not to protect all the material it is constitutionally allowed to protect. Additionally, the material may not be given protection for procedural or formal reasons. Untimely applications or items already within the public domain that do not receive retroactive protection fall within this category. Finally, the material may be in the public domain because its term of protection has already expired, thereby making it free for all to use. The Semiconductor Chip Protection Act adequately addresses these various facts of the public domain in defining what interests are protectable.

From a constitutional standpoint, mask works are protected as 'writings' within the Constitution's intellectual property clause.<sup>176</sup> By limiting protection to mask works, and not the actual chip itself, the Act does not create a shelter larger than the supporting walls of the Constitution. Any material that fails to qualify as a "writing" does not receive protection under the Act. Furthermore, chips that are not "original" do not receive protection.<sup>177</sup> Chips may lack the requisite originality either because they comprise staple or commonplace designs, or because they have designs that are staple, commonplace, or familiar in the semiconductor industry which are combined so that they are not original when considered as a whole.<sup>178</sup>

The Act also addresses the issue of retroactivity. Those chips com-

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<sup>174</sup> R. POUND, *THE SPIRIT OF THE COMMON LAW* 139 (1921).

<sup>175</sup> R. BROWN, JR., *CASES ON COPYRIGHT, UNFAIR COMPETITION, AND OTHER TOPICS BEARING ON THE PROTECTION OF LITERARY, MUSICAL, AND ARTISTIC WORKS* 3 (3d ed. 1978). For an insightful analysis of the concept of public domain, about which very little has been written, see Lange, *Recognizing Public Domain*, 44 *LAW & CONT. PROB.* 147 (1981).

<sup>176</sup> See House Explanatory Memorandum, *supra* note 51, at E4433.

<sup>177</sup> See *id.* at E4432; *supra* notes 147-150 and accompanying text.

<sup>178</sup> See *supra* notes 149-150 and accompanying text.

mercially exploited prior to July 1, 1983, are not protected.<sup>179</sup> These chips remain in the public domain to the extent they were in the public domain prior to the Act's passage. Moreover, the Act does not protect any subject matter that, although protectible, previously failed to meet any standard formalities, such as notice or registration, prior to enactment.<sup>180</sup> In this latter regard, the new statute is not a private relief bill.

Furthermore, since the Act sets up a *sui generis* form of protection, it does not affect subject matter that previously fell under intellectual property protection, and for which a limited term of protection has tolled.

From a larger political perspective, the greatest betrayal of the public domain that could ever occur is that Congress would confer protection above and beyond that necessary to stimulate a desired creative activity. Such an error could happen if protection is vague, excessive, unjustified, or misconceived.<sup>181</sup> The Semiconductor Chip Protection Act is not excessive in terms of the rights conferred. In theory, the Act should benefit the public domain over the long term. Prior to enactment of the Act, insufficient protection coupled with a capital intensive industry vulnerable to piracy created a distinct danger of reduced innovation and creativity by the semiconductor industry. Statutory protection under the Act provides an incentive for industry to take risks, commit resources, engage in research and development and ultimately to share with consumers the products developed. Over time, remembering that each integrated circuit that qualifies is protected for a relatively short term of ten years, the public domain will be enriched.<sup>182</sup>

### III. INTERNATIONAL CONSIDERATIONS

Although the international ramifications of semiconductor chip legislation were not incorporated in the political test for the legislation, the

<sup>179</sup> See *supra* note 142.

<sup>180</sup> Although the Act confers protection on chips commercially exploited on or after July 1, 1983, this provision is not retroactive. See 17 U.S.C. § 904 (Supp. II 1984).

<sup>181</sup> Lange Statement, *House Hearings on Copyright and Technological Change*, *supra* note 99, at 64.

<sup>182</sup> Any conclusion that enlargement of proprietary rights will enrich the public domain is not easily made. One must remember that "[i]t is the public domain that . . . is most seriously threatened when new technology and new ideas for protection in new technology are raised." *Id.* at 56.

As for creation of a new right, the public domain is a positive entity better defined in terms of what it is as opposed to what it is not. Professor David Lange discusses the relationship between public and private interests in these words: "[N]o exclusive interest should ever have affirmative recognition unless its conceptual opposite is also recognized. Each right ought

Semiconductor Chip Protection Act was progressive in its attention to international concerns. This precedent suggests that any proponent of a new intellectual property interest will have to expressly consider the burgeoning internationalization of intellectual property law.

International protection for chips would ideally have been based on multilateral treaty obligations, as is the case for patents, trademarks, and copyrights. Since the United States was the first country to create a *sui generis* form of protection, however, a unilateral scheme of international protection was the only recourse.

The Act sets forth an "international transition provision" which creates a favorable climate for other countries to develop their own chip protection legislation.<sup>183</sup> This provision, developed cooperatively by the Senate and House during negotiations for reconciliation of the differences between each chamber's bills,<sup>184</sup> is significant both in terms of American intellectual property law and in terms of world trade and foreign affairs. During Senate floor debate, Senator Charles McC. Mathias, Jr. aptly observed:

The United States will be the first country to adopt legislation explicitly protecting chip designs against unauthorized copying. As the trailblazers, we must grapple with the question of how to treat those other nations that may wish to follow us down the path of chip protection. In the global market in which semiconductor chip products move, few questions are of greater importance.<sup>185</sup>

The Act responds to these concerns by authorizing the Secretary of

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to be marked off clearly against the public domain." Lange, *supra* note 175, at 150. Imposing a "burden of persuasion" test on the proponents of new forms of intellectual property, as has been done in this article, shows if nothing else that the public domain is not a mere abstraction but is a subject of great import to the policy maker.

<sup>183</sup> See 17 U.S.C. § 914 (Supp. II 1984). The Act has firm roots in the proposition that intellectual property law, to be viable in the years ahead, must be international in scope.

The importance of international law to intellectual property and its relevance to the policy maker has been noted by former Register of Copyrights David Ladd: "In the hurly-burly of change, policy-makers must continuously and carefully not only watch and assess how various countries try to cope, but also search for *new* international solutions to increasingly international problems." Ladd, *supra* note 121, at 290 (emphasis in original). See also Stewart, *International Copyright in the 1980s*, 28 BULL. COPR. SOC'Y OF THE U.S.A. 351 (1980-1981); D. Ladd, *Securing the Future of Copyright—A Humanist Endeavor*, Remarks Before the International Publishers Association (Mexico City, Mexico) (March 13, 1984) (unpublished) [hereinafter cited as D. Ladd, *Securing the Future of Copyright*].

<sup>184</sup> See *supra* notes 50-51 and accompanying text.

Commerce to extend to foreign nationals, on an interim basis, the right to obtain chip protection under the Act.<sup>186</sup> In making a decision, the Secretary is bound under the Act to find that the foreign nation in question is progressing—either by enactment of a statute or by treaty negotiation—towards a legal regime of mask work protection generally similar to that found in the Act; that its nationals and persons controlled by them, such as subsidiaries or affiliated companies, are not engaging in and have not recently engaged in chip misappropriation or the sale of products containing infringing semiconductor chip components; and that issuing the order would promote the overall goals of the Act and international comity with respect to the protection of mask works.<sup>187</sup>

The Secretary may exercise his decision-making authority upon his own motion or in response to a petition of any person. The Secretary's order is to be made in an informal rule-making proceeding, reviewable under the Administrative Procedure Act for abuse of discretion or want of substantial evidence. In order to ensure maximum legislative oversight of the Secretary's actions in this regard, the Secretary's power is terminated or, in common congressional parlance, "sunsetting" after three years.<sup>188</sup> The Secretary must also report to the Congress within two years concerning the progress being made in the direction of international comity regarding mask work protection, and delineate what further steps, if any, are deemed appropriate.<sup>189</sup> Pursuant to the statute, the Secretary has delegated his responsibility in this regard to the Assistant Secretary for Patents and Trademarks.<sup>190</sup>

Japan was the first country to apply for interim protection under section 914. In response to the Japanese petition, which noted that Japan had enacted a *sui generis* bill similar to the American law, the Department of Commerce issued an order extending one year of interim protection under the Act.<sup>191</sup> For all intents and purposes reciprocity now exists

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<sup>186</sup> 130 CONG. REC. S12,924 (daily ed. Oct. 3, 1984) (statement of Sen. Charles McC. Mathias, Jr.).

<sup>186</sup> See 17 U.S.C. § 914 (Supp. II 1984).

<sup>187</sup> *Id.*

<sup>188</sup> See *id.* § 914(e).

<sup>189</sup> *Id.* § 914(d) (2). For further information on this important section, see House Explanatory Memorandum, *supra* note 51, at E4434; Mathias-Leahy Explanatory Memorandum, *id.*, at S12,919.

<sup>190</sup> See Exec. Order No. 12,504, 50 Fed. Reg. 4849 (1985) (Amendment 1 to Department Organization Order 10-14).

<sup>191</sup> See *In re Japan* (October 22, 1984), *reprinted in* 50 FED. REG. 12,357 (March 28, 1985) (Petition of Akio Morita on Behalf of the Electronic Industries Association of Japan (EIAJ) under Section 914(a) of the Semiconductor Chip Protection Act of 1984); Interim Protection for Mask Works of Japanese Nationals [sic] Domiciliaries and Sovereign Authorities, 50 FED. REG. 24,668,

between the two countries that produce approximately ninety per cent of the World's semiconductor chips.<sup>192</sup> Recently, petitions from Sweden, the Netherlands, Australia, the United Kingdom, Canada, and the Commission of the European Communities on behalf of the European Economic Community, were filed with the Secretary of Commerce.<sup>193</sup> All received favorable dispositions.<sup>194</sup> The adoption of legislative schemes in other industrialized countries, providing protection to chip designs in roughly the same manner as in the United States, creates a favorable climate for continuing cooperation on a wide array of intellectual property issues.

A neutral observer has to be impressed with the dispatch and substance of these bilateral developments. Prior to enactment of the American law, Akio Morita, the President of the Electronic Industries Association of Japan (EIAJ) and Chairman and Chief Executive Officer

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24669-70 (June 12, 1985). EIAJ represents the major semiconductor manufacturers based in Japan.

On May 24, 1985, Japan's Diet enacted "An Act Concerning the Circuit Layout of a Semiconductor Integrated Circuit," which provisionally has been assigned Law No. 60-63. The Japanese legislation has been described as being a "dead copy" of the American Act: "It is fortunate that U.S. Government documents are not eligible for copyright protection, because the U.S. Congress, if it were so disposed, might have a good claim that its Act has been infringed upon. Then again, perhaps it is simply a slick job of reverse engineering." Statement of Robert S. Schwartz on behalf of the Electronic Industries Association of Japan (EIAJ) Before the Acting Commissioner of Patents and Trademarks (May 8, 1985).

<sup>192</sup> Interim Protection of Mask Works of Japanese Nationals [sic] Domiciliaries and Sovereign Authorities, *reprinted in* 50 FED. REG. 24,668, 24,669 (June 12, 1985).

<sup>193</sup> See Petition to the Secretary of Commerce to issue an Order extending the privilege of making interim registration for mask works submitted by the Federation of Swedish Industries (April 12, 1985), *reprinted in* 50 FED. REG. 18,720 (May 2, 1985); Interim Protection for Mask Works of Nationals, Domiciliaries and Authorities of the United Kingdom of Great Britain and Northern Ireland, 50 FED. REG. 24,666 (June 12, 1985); Interim Protection for Mask Works of Nationals, Domiciliaries and Sovereign Authorities of Australia, 50 FED. REG. 24,665 (June 12, 1985); Petition from the Government of the Netherlands (June 3, 1985), *reprinted in* 50 FED. REG. 24,795, 24,796 (June 13, 1985); Petition to the Secretary of Commerce pursuant to Section 914 of the Semiconductor Chip Protection Act from the Canadian Manufacturers' Association et. al. (June 12, 1985), *reprinted in* 50 FED. REG. 25,288, 25,289 (June 18, 1985); Petition from the Commission of the European Communities on behalf of the European Economic Community (June 20, 1985), *reprinted in* 50 FED. REG. 26,821, 26,882 (June 28, 1985).

<sup>194</sup> To date, Sweden has received one-year interim protection (50 FED. REG. 25,618, 25,619 (June 20, 1985)); Australia has received one year (50 FED. REG. 26,818, 26,820 (June 28, 1985)); Great Britain and Northern Ireland

of the Sony Corporation, wrote that passage of legislation by the United States Congress was "highly desirable, both [in and] of itself and as an indication of the proper direction for the international protection of such intellectual property."<sup>195</sup> His words have proven prophetic.

On the multilateral level, cooperation is similarly flourishing. While there is little disagreement that any *sui generis* approach to mask work protection falls outside the shadow of protection cast by the Universal Copyright Convention and the Paris Convention, positive movement towards a new form of international protection has nonetheless already begun. Dr. Arpad Bogsch, Director General of the World Intellectual Property Organization (WIPO), recently inquired "whether a multilateral treaty would not, in the long run, be a safer, simpler response to the need for protection on the international level."<sup>196</sup> WIPO already has held informal consultations with experts from Australia, West Germany, Japan, the United Kingdom, and the United States. A more formal meeting has occurred at which a broader expanse of world governments, including the Third World, have been represented.<sup>197</sup> Drafting of a new multilateral convention has already commenced and the holding of a diplomatic conference is a distinct possibility.<sup>198</sup>

## CONCLUSION

Let us now, in Macaulay's words, "descend from these high regions where we are in danger of being lost in the clouds, to firm ground and

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three years (50 FED. REG. 26,818, 26,820 (June 28, 1985)); the Netherlands one year (50 FED. REG. 26,818, 26,820 (June 28, 1985)); and Canada one year (50 FED. REG. 27,649, 27,650 (July 5, 1985)).

<sup>195</sup> See Letter from Akio Morita to Hon. Robert W. Kastenmeier (July 18, 1984). In his letter, Mr. Morita referred to the joint recommendations of the United States-Japan Work Group on High Technology Initiatives (November 1983): Both governments should recognize that some form of protection to semiconductor chip producers for their intellectual property is desirable to provide the necessary incentives for them to develop new semiconductor products. And both governments should take their own appropriate steps to discourage the unfair copying of semiconductor products and the manufacturing and distribution of the unfairly copied semiconductor products.

EIAJ represents the major semiconductor manufacturers based in Japan.

<sup>196</sup> Speech of Dr. Arpad Bogsch, Mid-Winter Meeting Institute of the American Intellectual Property Association (Dorado, Puerto Rico) (Jan. 28, 1985) (unpublished).

<sup>197</sup> *Id.*

<sup>198</sup> On June 28, 1985, WIPO distributed a draft treaty to a "Committee of Experts on Intellectual Property in Respect of Integrated Circuits" for a meeting to be held in Geneva, Switzerland, on November 26-29, 1985. World Intellectual Property Organization, Treaty on the Protection of Intellectual Property in Respect of Integrated Circuits (June 25, 1985).

clear light."<sup>199</sup> The Semiconductor Chip Protection Act does indeed leave us on dry land with solid footing underneath. The swamp is nowhere to be seen. This endeavor shows that application of a consistent and stringent set of standards to intellectual property proposals is feasible; advocates of change, if pressed, can satisfy their heavy burden of proof. The proponents of proprietary protection for semiconductor chip products showed, and Congress found, that a meritorious public purpose would be served by legislative action. The Semiconductor Chip Protection Act is consistent with current intellectual property law. Copyright is not a large circus tent equipped to cover diverse and unrelated rings. The Act does not suffer from "distortion by shoehorn."<sup>200</sup>

Forcing protection for utilitarian articles into copyright would actually have weakened the fabric of copyright law, expanding beyond its philosophical and conceptual limits. Theoretical emptiness at the center of copyright law ultimately would contribute to instability, making it a ship with a great deal of sail but a very shallow keel, vulnerable to the winds of economic pressures or technological changes. The Semiconductor Chip Protection Act deepens the keel, adding stability to the boat. Current copyright law is stabilized and possibly even strengthened.

A *sui generis* approach preserves copyright, and protects mask works: the best of all possible worlds. The rights and responsibilities created by the Act are concisely defined and not overbroad. The packet of rights created is appropriately circumscribed by several key exceptions, including reverse engineering, innocent infringement and first sale, and is then further limited by a shorter term of protection and a registration requirement. The proponents of change presented an honest and candid analysis of the costs and benefits of their proposal. *Sui generis* protection for mask works did not subvert the social bargain inherent in all intellectual property law. Rather, the public domain is fortified and enhanced by several aspects of the Act. Ultimately, the advantages of the Act clearly outweigh the disadvantages.

The Act also manifests the burgeoning internationalization of intellectual property law in the information era. Ideally, international mask work protection would have been established upon multilateral treaty obligations; and, as is the case for patents, trademarks and copyrights, such alliances should be an integral and working part of international law. Since the United States was the first country to clearly protect mask works in specific implementing legislation, Congress had no recourse

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<sup>199</sup> MACAULAY, *supra* note 107, at 733.

<sup>200</sup> This phrase was coined by Commissioner John Hersey, and concerned copyright protection for computer software. See CONTU FINAL REPORT, *supra* note 66, at 27, 31 (dissenting views of Commissioner Hersey).

but to create a unilateral scheme that hopefully will spawn a movement first towards bilateralism and then towards multilateralism. Bilateral and multilateral developments have already occurred with rapidity since enactment of the Act.

The Act teaches a number of other important lessons. The first lesson is that Congress is institutionally capable of confronting difficult problems posed by new technologies. Admittedly, "[l]egislation . . . involves the difficulties and the perils of prophecy."<sup>201</sup> In the legislative process, "[i]t is easier to accept situational pressures toward drift and inertia than to labor to formulate issues and muster support of interested parties to get a bill drawn and pressed to final passage."<sup>202</sup> The lawmaking process is full of risks and is very time-consuming, problems which are exacerbated by the rules of the legislative process, human nature and our complex society. Congress could have chosen not to examine the questions raised by the proposed chip legislation. In a spirit of optimism, however, a decision was made to move ahead and meet the future. The initial lesson of the Act, therefore, is that Congress can be trusted to consider issues arising from technological developments and to craft appropriate solutions conferring statutory protection on the creative work-product of new technologies.

The Act's second lesson is that Congress can and should weigh equities between the public interest and proprietary rights. Intellectual property law presents lawmakers with a delicate job of bartering between what are often contrary interests.<sup>203</sup> There is always the danger of striking a bad bargain on behalf of the public. Choices are not impossible, however; the delicate balancing of interests is both possible and preferable. Federal courts and the Copyright Office should keep firmly in mind the overall balance struck by Congress as they confront problems which arise under the Act.<sup>204</sup>

Third, increasingly proffered arguments that the gusty wind of public opinion is the greatest threat to intellectual property law, especially copyright,<sup>205</sup> are revealed by the Act to be insubstantial. The enun-

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<sup>201</sup> R. POUND, *THE FORMATIVE ERA OF AMERICAN LAW* 45 (1938).

<sup>202</sup> Hurst, *Legal Elements in United States History*, in 5 *PERSPECTIVES IN AMERICAN HISTORY* 30 (1971).

<sup>203</sup> Through the looking glass of this article, we have seen that "[a]ll government, indeed every human benefit and enjoyment, every virtue and prudent act, is founded on compromise and barter." E. Burke, *Speech on Conciliation with America* (March 22, 1775) in 2 *WORKS OF EDMUND BURKE* 169 (1881).

<sup>204</sup> See Gorman, *Copyright Protection for the Collection and Representation of Facts*, 76 *HARV. L. REV.* 1569, 1605 (1963).

<sup>205</sup> See Stewart, *supra* note 183, at 369-70.

ciated fear, put in a stark electoral perspective, is that there are more voters on the consumer side of any copyright issue than on the proprietary side. Consumer politics, so the argument goes, is an insidious threat to copyright.<sup>206</sup> Long ago, however, at the birth of this Nation, Thomas Jefferson observed that "the people are the only sure reliance for the preservation of our liberty."<sup>207</sup> Just as we can rely on the citizenry to protect our fundamental liberties, so too can we feel confident that the electoral process will preserve and protect copyright, and create new forms of protection if they are necessary. Liberty and property are not incompatible.<sup>208</sup> The framers of the Constitution, by placing the intellectual property clause in Article I of the Constitution and thereby allocating lawmaking power to the most representative of the branches of government—the legislature—determined that promoting the progress of the useful arts could occur through a democratic decision-making process. The Chip Act shows the wisdom of that historic decision; Congress stands ready to promote the progress of science and the useful arts. The citizenry and consumers of this country will not oppose new forms of proprietary protection if the public interest is well served.

A fourth lesson of the Act is its confirmation of the proposition that any history of an American law is really nothing more than an assessment of American society.<sup>209</sup> The legal system cannot anticipate change; to the contrary, law is a mirror held up against life. The Chip Act appropriately brings an exciting new technology into the mainstream of the American legal system. The law now reflects present-day technology, with sufficient flexibility to meet the foreseeable needs of the future.

Last, and most important, the Act has precedential value for other new technologies. The chip legislation is the first significant expansion of intellectual property in over a century. The fundamental import of the Act is that industrial property is recognized as a right. Already described as radical in approach,<sup>210</sup> the Act paves the way for consideration of unique and special forms of protection for scientific advances that fall outside the protection of traditional patent and copyright laws.<sup>211</sup> Recent

<sup>206</sup> *Id.*

<sup>207</sup> 2 THE JEFFERSONIAN CYCLOPEDIA 501 (J. Foley ed. 1969) (Letter to James Madison, 1787).

<sup>208</sup> See Ladd, *The Harm of the Concept of Harm in Copyright*, 30 J. COPR. SOC'Y 421, 426 (1983).

<sup>209</sup> L. FRIEDMAN, A HISTORY OF AMERICAN LAW 595 (1973).

<sup>210</sup> Samuelson, *supra* note 46.

<sup>211</sup> See Stern, *An Overview of the Semiconductor Chip Protection Act of 1984*, in THE SEMICONDUCTOR CHIP PROTECTION ACT OF 1984, 109, 110 (J. Baumgarten ed. 1984); see also Editorial, Wash. Post, Jan. 8, 1985, at A14, col. 1 (semiconductor chip no longer in "limbo"). Since 1914 Congress has not acted favorably on bills to create *sui generis* copyright protection for ornamental

strides in the fields of artificial intelligence, molecular and genetic engineering, information processing, computer software, and telecommunications also provide fertile ground for future congressional scrutiny and oversight.<sup>212</sup> Uncontestably, legislation previously enacted to re-

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designs of useful articles. See, e.g., REGISTER OF COPYRIGHTS, DRAFT, SECOND SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW (Chap. VII) (1975). See generally Reichman, *Design Protection After the Copyright Act of 1976: A Comparative View of the Emerging Interim Models*, 31 J. COPR. SOC'Y OF THE U.S.A. 267 (1984); Reichman, *Design Protection in Domestic and Foreign Copyright Law: From the Berne Revision of 1948 to the Copyright Act of 1976*, 1983 DUKE L.J. 1143; see also H.R. 1900, 99th Cong., 1st Sess., 131 CONG. REC. H1837 (1985) (introduced by Congressman Don Moorhead and adding a new chapter 10, entitled Protection of Industrial Designs of Useful Articles, to title 17, United States Code).

As a general proposition, ornamental designs do not involve new technologies. Therefore the Chip Act has little precedential value for proposals to create *sui generis* protection for designs. At the very least, however, it can be stated that *sui generis* protection for utilitarian semiconductor chips creates a statutory breach in the wall that previously did not exist. It now might be easier for protection of industrial designs of useful articles to follow, bearing in mind of course the dangers of false analogies. See Congressional Copyright and Technology Symposium, *supra* note 7, at 237 (statement of Judge Stephen Breyer); Goldstein Summary, *id.* at 167.

<sup>212</sup> Professor Paul Goldstein, summarizing the learning of a congressional symposium on copyright and technological change, poses a question and offers a response:

Is copyright the appropriate vehicle for protecting software? Copyright law's traditional design has evolved over centuries to meet quite different needs, and may not be appropriate to this subject matter. Copyright might, for example, offer more protection than is needed in some respects, and less than is needed in others.

Goldstein Summary, Congressional Copyright and Technology Symposium, *supra* note 7, at 167. For a similar conclusion, see Samuelson, *supra* note 22, at 769.

The President's Commission on Industrial Competitiveness has remarked on the implications of the Act:

The semiconductor chip development illustrates one approach to legislation to deal with new technologies. Indeed, it points to the need to rethink and broaden our concepts of protectable intellectual property. This goes hand-in-hand with the growing recognition that knowledge itself, however, embodied, has economic value. Although the application of our intellectual property rules has been adjusted over time in response to changing commercial practice and evolving technologies, the continuing outburst of the new scientific advances calls for rethinking the very concepts derived from earlier centuries on which those rules are based. New concepts of what intellectual property is and how it should be protected—beyond patents, trademarks, trade secrets, and copyrights—may well be needed, as may sweeping changes in intellectual property laws,

spond to new technologies "should be subject to a periodic review to determine its adequacy in the light of continuing technological change," and the political test underlying the Act provides one way of assessing the merits of any legislative proposals to address such changes.<sup>213</sup>

The United States, in the age of information, will increasingly rely on technical fields and new technologies in which unconventional and unforeseen kinds of property are created. The Semiconductor Chip Protection Act demonstrates that the enactment of a *sui generis* form of protection is possible and may in fact provide the most equitable balance between public and proprietary interests.

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and how they are administered and enforced.

RESEARCH, DEV. AND MGMT. COMM., PRESIDENT'S COMM'N ON INDUS. COMPETITIVENESS, PRESERVING AMERICA'S INDUSTRIAL COMPETITIVENESS: A SPECIAL REPORT ON THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS 2 (released Feb. 19, 1985).

<sup>213</sup> CONTU FINAL REPORT, *supra* note 66, at 2.

## 132. COPYRIGHT PROTECTION FOR COMPUTER SOFTWARE AND SEMICONDUCTOR CHIPS IN CANADA—A CANADIAN PERSPECTIVE

By ANDREA F. RUSH\*

### 1. Introduction

There are two basic approaches to legal protection of computer programs and semiconductor chips. The first is to consider computer programs and semiconductor chips as literary and artistic works which are protectable under existing copyright laws. This is the approach to protection of computer programs in most countries<sup>1</sup> which adhere to the Berne<sup>2</sup> and Universal Copyright Conventions.<sup>3</sup> Protection of foreign works under the Conventions is based on the author's nationality.

The second approach to protection of computer programs and semiconductor chips is to introduce legislation of a *sui generis* nature outside the framework of copyright. The United States has introduced *sui generis* legislation to protect the design of semiconductor chips. Foreign semiconductor chips are protected by the United States Semiconductor Chip Protection Act on the basis of reciprocity or anticipated protection.<sup>4</sup>

A present there is no statutory protection for computer programs and semiconductor chips in Canada outside the law of copyright. The extent to which such works are entitled to protection under existing law is unclear.<sup>5</sup> On October 10, 1985 an all-party committee of the House

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Ms. Rush wishes to thank Daniel R. Bereskin and H. Roger Hart for their help in the preparation of this article.

<sup>1</sup> Unesco/Wipo/GE/CCS, Group of Experts on the copyright aspects of the protection of computer software. Geneva: February 25 to March 1, 1985.

<sup>2</sup> (1887) 91 Parl. Papers 297 (c.5167). Canada has ratified the Rome Text of 1928.

<sup>3</sup> 216 U.N.T.S. 132, ratified by Canada with effect from August 10, 1962.

<sup>4</sup> Pub. L. 98-620, Title III of H.R. 6163, 17 U.S. Code 901. Protection can be extended for an interim period on the basis of good faith efforts to enact semiconductor chip legislation.

<sup>5</sup> Copyright in software has been upheld in a number of pretrial injunctions. See, e.g., *Apple Computer v. Computermat Inc. et al.* (1984) 75 C.P.R. (2d) 26 (O.H.C.); *F. & I. Retail Systems Ltd. v. Thermo-Guard Automotive Products Ltd. et al.* (1985) 1 C.P.R. (3d) 297 (O.H.C.); *Canavest House v. Lett* (1985) 2 C.P.R. (3d) 286 (O.H.C.). These interlocutory injunction orders have strengthened the argument that the Copyright Act protects computer programs. However, the burden of proof in an interlocutory injunction application is at most to establish a strong *prima facie* case of copying. The burden of proof is less onerous when copyright is blatant. See note 5, *supra* and *Jeffrey Rogers Knitwear Productions Limited and Jeffrey Rogers Fashions Canada Inc. v. R.D. International Style Collections Ltd.* (Fed. T.D.) October 4, 1985 T-2043-85.

of Commons, named the "Sub-Committee on the Revision of Copyright of the Standing Committee on Communications and Culture", produced a wide ranging report entitled *A Charter of Rights for Creators* (hereinafter "Charter"). In response to the need for clarification of the scope of copyright in computer programs under existing Canadian legislation, the Charter recommends that the Copyright Act be amended to protect computer programs separately from literary and artistic works. *Sui generis* legislation following the United States model is proposed for semiconductor chips. The Charter approach therefore is a hybrid of the two generally accepted approaches to legal protection of computer programs and semiconductor chips.

The Government is not bound to accept the Charter as the basis for new legislation, but it is widely anticipated that a new Copyright Bill will be tabled prior to the end of 1986 to implement many of the recommendations of the Charter. The object of this article is to situate the Charter's recommendations relating to computer programs and semiconductor chips within the framework of existing case law in order to assess their merit from an evolutionary perspective.

## 2. *General Principles of Canadian Copyright Law*

The Copyright Act is a federal statute which applies throughout Canada. To be protected by copyright, software and semiconductor chips would have to fit within the Act, which protects "every original literary, dramatic, musical and artistic work". This is broadly defined to include:

every original production in the literary, scientific or artistic domain, whatever may be the mode or form of its expression.<sup>6</sup>

The Copyright Act protects four categories of "works", namely literary, dramatic, musical and artistic forms of expression. The federal Interpretation Act further provides that a "fair, large and liberal interpretation" should be given to every enactment.<sup>7</sup> Computer programs and semiconductor chips appear to fall within the scheme of the Act as currently worded, but the Charter assumes that this is not the case.

The Copyright Act has not been materially revised since its adoption

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<sup>6</sup> R.S.C. 1970, C-30, Section 2. The works in which copyright may subsist are set out, and the conditions for obtaining copyright are provided in Section 4. The scope of protection in Canada for works of copyright is set out in Section 3. The United States Copyright Act specifically defines computer programs in 17 U.S.C. 101, and protects works which are perceptible with the aid of a machine or device.

<sup>7</sup> R.S.C. 1970 c. I-23 Section 11.

in 1924, when computer technology as we know it did not exist. This accounts for conflicting interpretations as to the scope of protection for computer programs and semiconductor chips under the existing legislation.

Uncertainty as to whether a computer program is subject matter for copyright is largely attributable to the idea-expression dichotomy. It is trite law that copyright protects the expression but not the underlying idea.<sup>8</sup> The scope of protection increases with the extent that the idea is distinguishable from the expression.

Recent cases express the view that the program is not simply a collection of ideas. It is an original expression of information. In *I.B.M. Copr. v. Ordinateurs Spirales Inc.*,<sup>9</sup> Reed, J. rejected the argument that ideas and expression had merged, since various programs could be written to perform the same function. Similarly, in *Societe D'information R.D.G. v. Dynabec et al.*,<sup>10</sup> the Quebec Superior Court found that a computer program is an original creation, and the text of any original program is "idiosyncratic".

Reluctance to protect scientific works by copyright rather than under patent law arises because copyright provides a longer term of protection and does not impose the requirement of novelty or unobviousness.<sup>11</sup> On the other hand, a patent offers an exclusive right whereas copyright merely proscribes copying. In the case of software, it is likely that copying would have to be almost exact in order to find infringement. Further, software cannot be patented in Canada unless it controls a machine to produce a new result.<sup>12</sup> In the absence of patent protection for computer programs, protection under the Copyright Act would present no danger of overlapping, and is all the more necessary for this industry to flourish.

Until the law is settled, developers of computer programs and semiconductor chips would be advised to take the position that their works

<sup>8</sup> *Moreau v. St. Vincent* [1950] Ex. C.R. 198, 203. In the U.S., *Baker v. Selden*, 101 U.S. 99 (Cir. Ct. Ohio 1879) is generally cited for this proposition.

<sup>9</sup> (1984) 80 C.P.R. (2d) 187 (Fed. T.D.). Consent to permanent injunction filed March 17, 1985.

<sup>10</sup> (unrep.) Que. S.C. August 14, 1984 granting an interlocutory injunction. The decision was unanimously affirmed by the Quebec Court of Appeal on April 4, 1985.

<sup>11</sup> The Canadian Patent Act, R.S.C. 1970, c.P-4 Section 48 provides a monopoly for seventeen years, while the term of protection for copyright is generally the life of the author plus fifty years. A recent case, *Interlego AG v. Irwin Toy Ltd.* (1985) 3 C.P.R. (3d) 476 (Fed. T.D.), leaves open the possibility that copyright may endure to protect an article for which the patent has expired.

<sup>12</sup> *Schlumberger v. Commissioner of Patents*, (1981) 56 C.P.R. (2d) 204 (F.C.A.). Section 28(e) of the Canadian Patent Act states that "No patent shall issue for . . . any mere scientific principle or abstract theorem."

are indeed protected under existing Canadian copyright law, and in this regard they should register the copyright. Registration is a quick and inexpensive way to provide *prima facie* evidence that the works are subject to copyright.<sup>13</sup> Copies of works need not be deposited with the Copyright Office. Source code and object code versions could be registered separately as "literary works". Applications could also be made to register schematic diagrams of electronic circuitry and photomasks as "artistic works".

e. *Source Code and Object Code*

Programs in source code, like novels, have been protected as "literary works," either by analogy to "tables" or because the definition of "literary works" is not restrictive. The Copyright Act defines literary works to include "maps, charts, plans, tables and compilations."<sup>14</sup> Novelty in thought or language is not required.<sup>15</sup>

Software developers have supported the case for copyright in source code by drawing upon a body of Canadian case law which protects written text as literary works. Copyright has been held to subsist in a glossary of film terminology,<sup>16</sup> a horse racing coupon<sup>17</sup> and engineering plans for the construction of a boat.<sup>18</sup>

In *I.B.M. Copr. v. Ordinateurs Spirales Inc.*,<sup>19</sup> the Federal Court of Canada accepted that source code is a human readable form of expression. Although object code is unlike human forms of expression and is intended to be understood by a machine, it was protected as a reproduction or adaptation of the source code version of the program. However, a few months after the *I.B.M.* decision, an application to restrain copying of object code until trial was denied in *Apple Computer Inc. v.*

<sup>13</sup> In conformity with our obligations under the Berne Copyright Convention, the Act provides that copyright arises automatically. There are no further maintenance requirements. Ownership and subsistence are presumed. Unfortunately, these presumptions are linked to the author's lifespan, and most computer programs are produced by more than one author. Section 36 of the Copyright Act provides an optional registration mechanism which would afford these presumptions to corporate creators. See *Circle Film Enterprises Inc. v. Canadian Broadcasting Corporation* [1959] S.C.R. 602.

<sup>14</sup> See note 6, *supra*, at Section 2.

<sup>15</sup> *Kantel v. Grant, Nisbet & Auld Limited* [1933] Ex. C.R. 84.

<sup>16</sup> *National Film Board v. Bier* (1970) 63 C.P.R. 164 (Ex.).

<sup>17</sup> *Ascot Jockey Club Ltd. et al v. Simons* (1969) 56 C.P.R. 122 (B.C.S.C.) and *British Columbia Jockey Club et al v. Standen* (1983) 73 C.P.R. (2d) 164 (B.C.S.C.).

<sup>18</sup> *Bayliner Marine Corporation v. Doral Boats Ltd.* [1985] 5 C.P.R. (3d) 289 (Fed. T.D.) (on appeal).

<sup>19</sup> See note 9, *supra*.

*Macintosh Computers Ltd.*<sup>20</sup> because the Federal Court accepted that copyright may not apply to object code. As machine readable code, it could be argued that object code is an "implementation" of the source code, rather than a reproduction of a literary work.

Programs in object code could be protected by characterizing the semiconductor chip as a "contrivance". Under the Canadian Copyright Act, the owner of copyright in a literary or musical work possesses the exclusive right to make a mechanical contrivance which performs or delivers the work.<sup>21</sup> There is no reported case in Canada concerning protection of object code by the contrivance in which it is embedded.<sup>22</sup> Nor is there a definition of contrivance in the Copyright Act.<sup>23</sup> There is a separate copyright in the "contrivance" by means of which sounds may be mechanically reproduced,<sup>24</sup> such as musical recordings.<sup>25</sup> The exclusive right to produce a contrivance is assimilated to ownership of copyright in the underlying literary and musical works.<sup>26</sup> There is little doubt that under the current Act, the source program is a literary work and that it is "delivered" by means of the object code.

Defendants in Canadian software infringement actions frequently cite *Boosey v. Whight*.<sup>27</sup> This is a case where the owner of sheet music

<sup>20</sup> (1985) 3 C.P.R. (3d) 34 (Fed. T. D.).

<sup>21</sup> See note 6, *supra*, at Section 3(1)(d).

<sup>22</sup> The issue will likely be argued in the near future. In *Apple Computer Inc. v. Minitronics of Canada Limited et al* (Fed. T.D.) November 14, 1985 T-2053-85, the plaintiffs were granted an interim restraining order pending the hearing of the interlocutory injunction, because copying was blatant. The plaintiffs intend to argue upon interlocutory injunction application that the computers and computer components in issue copy the Apple IIe Program and Enhanced Apple IIe Program "which contain contrivances by means of which the said copyrighted works may be mechanically performed or delivered."

<sup>23</sup> The CONCISE OXFORD DICTIONARY (New York: Oxford University Press, 1983) defines contrivance as a "mechanical device".

<sup>24</sup> See note 6, *supra*, at Section 4(3).

<sup>25</sup> In *Fly By Nite Music Co. v. Record Warehouse Ltd.* [1975] F.C. 386 record albums were characterized as "works" of copyright. Mahoney, J. stated, at 393: "I find that the word "work" as used in the Copyright Act includes each and every thing in which the Act says copyright shall subsist, be that thing a product of the arts or a product of manufacture and technology".

<sup>26</sup> Insofar as the Canadian Copyright Act gives the author of a literary work the exclusive right to make a contrivance, it exceeds the minimum mechanical right which is respected by members of the Berne Copyright Union. The author of a literary work is not afforded a mechanical right by the terms of the Berne Copyright Convention.

<sup>27</sup> [1900] 1 Ch. 122, decided under the Imperial Act of 1911. (The Canadian Act is modelled upon British legislation.) A similar result was reached in the U.S. case, *White-Smith Music Co. v. Apollo Co.*, 209 U.S. 1 (1908).

failed to prevent the defendant from manufacturing piano rolls because perforated sheets were held not to infringe the musical score. The perforated sheets were part of a mechanical contrivance for producing musical notes, and not a reproduction of the "musical work". The Canadian Act was amended subsequently to protect mechanical contrivances. A record presser must obtain authorization to make contrivances from the owner of copyright in the underlying musical work.<sup>28</sup> Similarly, the producer of a semiconductor chip is advised to obtain a licence to reproduce the underlying source code program to avoid infringing copyright in the literary work.

The Charter does not deal with protection of object code by means of the contrivance in which it is embedded, presumably because it rejects the characterization of source programs as literary works. Instead, the Charter accepts that any distinction between source code and object code is unwarranted, and recommends uniform copyright protection for source and object code.

## 2. *Semiconductor Chips*

The Charter further departs from the existing framework of copyright protection by recommending that semiconductor chip products be protected by *sui generis* legislation. The Report does not characterize a semiconductor chip product as a copyrightable work of "artistic craftsmanship."<sup>29</sup> Perhaps this is because a semiconductor chip is essentially an industrial object. Under the Canadian Copyright Act, designs which are intended as patterns to be multiplied by an industrial process are excluded from copyright if they are capable of being registered under the Industrial Designs Act.<sup>30</sup>

A semiconductor chip product is comprised of a three-dimensional pattern of circuits and components which are embedded in a semiconductor chip.<sup>31</sup> It is sometimes referred to as a "mask work", and that term will be used below. As indicated above, mask works are protected in the United States under the Semiconductor Chip Protection Act of 1984.<sup>32</sup>

Mask works by Canadians are protected in the United States because Canada has received an order issued under the authority of the United States Secretary of Commerce for interim protection of one year. This order was made in view of the good faith efforts and reasonable progress

<sup>28</sup> *Compo Company Limited v. Blue Crest Inc. et al* [1980] 1 S.C.R. 357.

<sup>29</sup> See note 6 *supra*, at Section 2, definition of "artistic work."

<sup>30</sup> Section 46 of the Copyright Act and Rule 11 Industrial Design Rules C.R.C. 1978, c.964 of the Industrial Designs Act R.S.C. 1970, C.I-8.

<sup>31</sup> This description is provided by the Charter of Rights for Creators at p. 47.

<sup>32</sup> See note 4, *supra*.

achieved toward development of effective legislation to protect mask works in Canada.<sup>33</sup> The order will expire in June, 1986. The Charter proposes that legislation be enacted to enable Canadians to benefit from the American Act. This would not be necessary if most works were already protected on the basis of existing industrial design or copyright legislation. If either of these Canadian Acts were broad enough to protect mask works, Canada could apply for protection of indefinite duration in the United States by Presidential Proclamation.<sup>34</sup> It is therefore appropriate to examine the scope of existing legislation to ascertain whether Canada could qualify for protection by Presidential Proclamation on the basis of the Industrial Designs Act or the Copyright Act.

Industrial design protection must be the first basis of analysis because, by definition, there is no copyright in a work which can be registered under the Industrial Designs Act.<sup>35</sup> A pattern or representation which the eye can see and which can be applied to a manufactured article is the sort of design which can be registered if it is ornamental.<sup>36</sup> The designer's objective must be to make an article appear more attractive.<sup>37</sup> To the astonishment of most practitioners, recent cases have held that copyright is excluded only if the design is applied to wallpaper, carpet or fabric.<sup>38</sup> The Charter accepts that a mask work is not the type of ornamental design which is intended to be covered by the Industrial Designs Act. This conclusion appears to be inescapable, regardless of whether current case law is correct that only wallpaper, carpet or fabric designs must be registered as industrial designs.

The producer of a mask work is not jeopardized by lack of protection under the Industrial Designs Act if the mask work can be protected by copyright; and indeed it is to the producer's advantage to protect a mask work as a work of copyright, rather than as an industrial design. The term of protection for industrial designs is only five years as compared with the longer term of copyright.<sup>39</sup> Registration of a design is manda-

<sup>33</sup> *Id.* Section 914 is designed to promote international comity in protection of mask works.

<sup>34</sup> *Id.*, Section 902(a)(2).

<sup>35</sup> See note 30, *supra*, as interpreted in *Eldon Industries Inv. v. Reliable Toy Co. Ltd. and National Sales Incentives Ltd.* (1965) 31 Fox Pat. Cases 195 (O.C.A.); *Cimon and Tiengo v. Bench Made Furniture Corp. and Edwards* (1967) 48 C.P.R. 31 (Ex.) approved in *Gandy v. The Commissioner* (1980) 47 C.P.R. (2d) 109 (Fed. T.D.).

<sup>36</sup> *Clatworthy & Son Ltd. v. Dale Display Fixtures Ltd.* [1929] S.C.R. 429. An industrial design registration is not intended to protect utilitarian aspects.

<sup>37</sup> *Cimon and Tiengo*, *supra* note 35.

<sup>38</sup> *Royal Doulton Tableware Ltd. et al v. Cassidy's Ltd.* (1985) 1 C.P.R. (3d) 214 (Fed. T.D.) and *supra*, note 18.

<sup>39</sup> See note 30, *supra*, at Section 10. An industrial design registration is subject to renewal for one further period of 5 years.

tory, whereas registration is not required to obtain copyright protection.<sup>40</sup> A design must be novel, whereas a work need only be original to warrant copyright.<sup>41</sup>

Mask works, or at least the drawings and photographs from which they are made, should be protectable under existing copyright law as artistic<sup>42</sup> or literary works. In the Canadian case of *Bayliner Marine Corporation v. Doral Boats Ltd.*<sup>43</sup>, it was held that copyright in drawings was infringed when the defendants copied boats which were designed by the plaintiff.<sup>44</sup> Engineering drawings are protected under the Canadian Copyright Act as literary works.<sup>45</sup> Copyright protection for "literary works" does not require aesthetic intent. Drawings of circuitry patterns, as charts, should be protected under existing legislation as literary works because they are in writing. A three-dimensional mask work could, by analogy, be protected by reference to reproduction of the circuitry drawings. Therefore, Canada could seek protection in the U.S. by means of a Presidential Proclamation, on the basis that mask works are already protected under the current Act as three-dimensional reproductions of literary works.

Nevertheless, the Charter objects to copyright in utilitarian objects. The Sub-Committee therefore recommends that *sui generis* chip legislation be introduced so that Canadian developers could obtain reciprocal protection under United States legislation.

### 3. *Reciprocity*

The Charter would reformulate both the scope of copyright protection and the identity of the beneficiaries.

At present, Canada is a net importer of copyrighted materials and

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<sup>40</sup> *Id.*, at Section 14.

<sup>41</sup> There is a lower threshold test for originality than there is for novelty. See *Kilvington Bros. Ltd. v. Goldberg* (1958) 28 C.P.R. 13 (O.H.C.) and *Bata Industries Limited v. Warrington Inc.* [1985] 5 C.P.R. (3d) 339 (Fed. T.D.).

<sup>42</sup> *But see Cuisenaire v. South West Imports* (1968) 37 Fox Pat. Cases 98 (Ex.), where Noel, J. rejected copyright in wooden rods, since artistic intent was the creator's "very secondary purpose." The trial result was affirmed by the Supreme Court of Canada, [1969] S.C.R. 208.

<sup>43</sup> See note 18, *supra*. Walsh, J. rejected the argument that the plaintiff should have sought protection under the Patent Act or the Industrial Designs Act. It appears that Walsh, J. relied upon expert evidence which compared the defendant's boats to the plaintiff's drawings.

<sup>44</sup> Infringement was found in one case where the defendant's changes were insignificant, but not in another, where the defendant had introduced significant modifications.

<sup>45</sup> The Charter recommends that maps, charts and plans be protected instead as artistic works.

technology. Therefore, strengthened copyright protection for computer programs would result in substantial royalties flowing to persons outside Canada. Perhaps it is for this reason that the Charter chooses to treat computer programs as "non-Convention" works which are protected separately from literary and artistic works. While Convention works are protected by existing copyright legislation on the basis of nationality or citizenship, computer programs and mask works would be protected on an entirely different basis, that of reciprocity. This is the compromise solution which the Charter adopts. This author submits, however, that this position begs the question as to whether computer programs and mask works are protected as literary and artistic works in Berne and Universal Copyright Convention countries. Although the Charter assumes that the Berne and Universal Copyright Conventions do not apply to computer programs or to mask works, no authority is cited for this view, nor are any cogent arguments offered in support. The Charter's position therefore appears to be based essentially on economic, rather than legal or moral considerations.

#### 4. *Recommendations*

Although a strong argument can be made that computer software and semiconductor chips are protectable by copyright under existing Canadian law, it is recommended that new legislation should be enacted dealing specifically with computer software and computer chips. Such new legislation would eliminate any uncertainty that the existing law applies to such works. Clearly, developers of software and semiconductor chips need and deserve the protection which copyright affords.

In addition, both the term and the scope of copyright in computer software and semiconductor chips should be defined carefully in order to ensure that the public interest is not adversely affected. The objective is to achieve a precise balance between incentive and reward for technological progress, and reasonable use by the public of technical information. Most, if not all, technical progress is derivative in nature, and it would not be appropriate to give the same scope of protection to industrial works such as computer software and semiconductor chips as is given to aesthetic works. The new legislation should deal specifically with the scope of protection of such works because the issue is essentially economic in nature. If the new legislation ignores the issue, the courts will eventually define the rules, using legal rather than economic considerations. The result will not necessarily achieve the balance referred to above. The Charter goes so far as to recommend that further study be given to the feasibility of permitting the reproduction of a substantial part of a pre-existing program as a non-substantial part of another.

Although this kind of notion may appear at first glance to be outrageous, there may well be circumstances where such a limitation would be in the public interest.

Likewise, the term of protection should be tailored to match the commercial life span of computer software and semiconductor chips, rather than the life of the author plus fifty years. A term of ten years from the date of first publication or sale anywhere would seem to be adequate.

## 5. Conclusion

Software developers argue that strong legislative protection would foster the environment for this industry to flourish. The developer must be adequately compensated and protection must be unequivocal for Canada to reap the benefits of international trade. On March 18, 1985, Prime Minister Brian Mulroney announced at the Quebec summit with President Ronald Reagan that action would be undertaken to protect intellectual property rights (arguably including software) from trade in counterfeit goods and other violations of copyright law.

The Charter departs from the current legislative framework. As the law stands now, computer programs should receive protection as literary works. Source code is simply a symbolic form of expression which is comprehensible to humans. Object code is likely a reproduction or adaptation. When embedded in a semi-conductor chip, the program should be protected as a contrivance which performs or delivers the source program. The pattern of circuitry could be protected as an artistic work, by reference to engineering drawings (and photographic images). Pursuant to Canada's treaty obligations under the Berne and Universal Copyright Conventions, protection for computer programs and semiconductor chips as literary and artistic works would require that copyright be afforded to foreign authors who are nationals of member states.

The Charter's departure from the current legislative framework is predicated on the fact that Canada is a net importer of technology. This impacts upon the desired scope of copyright protection for computer programs and semiconductor chips.

The Sub-Committee has attempted to resolve the international trade imbalance by moving away from a regime of international protection based on nationality, toward protection on the basis of reciprocity. Computer programs would no longer be classified as "literary works." Semiconductor chips would be protected by *sui generis* legislation. By removing programs from the ambit of literary works, and protecting semiconductor chips outside the category of artistic works, the Sub-Com-

mittee was able to base international protection on reciprocity, rather than nationality.

Protection of computer programs and semiconductor chips is clearly a pressing concern of the international community. The Sub-Committee has acted in response to a desire for clarification and international comity. The Report's critics will likely argue that re-classification of "works" could enable countries to circumvent their treaty obligations and to preclude legislative uniformity. This is neither the tenor nor the intention of the Report. The Sub-Committee is to be commended for its unequivocal protection for areas of technological activity which could not have been foreseen by the drafters of the Canadian Copyright Act. The Charter of Rights for Creators will likely serve as an inducement to enhanced protection of computer programs and semiconductor chips on both a domestic and international scale.

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## PART II

## LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

## 1. United States of America and Territories

## 133. U.S. COPYRIGHT OFFICE.

37 CFR 201. Cancellation of completed registrations. Proposed regulations. *Federal Register*, vol. 50, no. 159 (Aug. 16, 1985), pp. 33065-68.

The Copyright Office has proposed a new regulation setting out the conditions under which completed registrations will be cancelled. The proposed regulation describes the nature of such cancellations and codifies the practices under which they will be carried out.

## 134. U.S. COPYRIGHT OFFICE.

37 CFR 204. Privacy Act; policies and procedures notification of the existence of records. Final regulations. *Federal Register*, vol. 50, no. 157 (Aug. 14, 1985), pp. 32696-97.

The Copyright Office has adopted a final regulation amending Section 204.4 of its rules to change the frequency of reporting the Office's systems of records. Section 204.4 provides the procedure for notification of the existence of records in the Office pertaining to individuals. The purpose of the amendment is to bring the rule in conformity with Section 552a(e)(4) of title 5, as amended.

## 135. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 0, 73, 74, 76, and 78. Oversight of the radio, television, and cable television rules. Final rule. *Federal Register*, vol. 50, no. 155 (Aug. 12, 1985), pp. 32414-18.

The Federal Communications Commission has amended the broadcast station regulations in Part 76 and others of its rules. The amendments delete regulations that are no longer necessary, correct textual inaccuracies, contemporize certain requirements, and make needed revisions for clarification purposes.

## 136. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 1, 63, 76 and 78. Television broadcasting; implementing the provisions of the Cable Communications Policy Act of 1984. Order requesting comments. *Federal Register*, vol. 50, no. 182 (Sept. 19, 1985), p. 38016.

The Federal Communications Commission (FCC) has reopened for comment MM Docket No. 84-1296 regarding implementation of the Cable Communications Policy Act of 1984. Comments should specifically address how the appellate decision declaring the FCC's must carry rules unconstitutional affects the definition of basic cable service in Section 76.5(pp) of the Commission's rules.

## 137. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 1 and 76. Amendment to implement the equal employment opportunity provisions. Final rule. *Federal Register*, vol. 50, no. 194 (Oct. 7, 1985), pp. 40836-62.

The Federal Communications Commission has amended Parts 1 and 76 of its rules to implement the equal employment opportunity provisions of the Cable Communications Policy Act of 1984.

## 138. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 73, 74, 76, and 78. Oversight of the radio and TV broadcast rules. Final rule. *Federal Register*, vol. 50, no. 184 (Sept. 23, 1985), pp. 38529-38.

The Federal Communications Commission has corrected, updated and added listings to the Alphabetical Indices to its broadcast rules.

## 139. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of nationals, domiciliaries, and sovereign authorities of certain member states of the European Economic Community. Issuance of interim orders. *Federal Register*, vol. 50, no. 181 (Sept. 18, 1985), pp. 37892-95.

The Patent and Trademark Office has issued orders extending interim mask work protection to nationals, domiciliaries and sovereign authorities of the Member States of the European Economic Community. Member states include Belgium, Denmark, France, the Federal Republic of Germany, Greece, Ireland, Italy, and Luxembourg. The Netherlands, which also is a Member State,

was already issued an interim order; that order will be extended to expire September 12, 1986 with those of the above-named nations. Another Community Member, Great Britain, was granted full-term protection earlier this year.

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## PART IV

## BIBLIOGRAPHY

## A. BOOKS, TREATISES AND CASSETTES

## 1. United States Publications

140. BROWN, RALPH AND DENICOLA, ROBERT G. *Cases on copyright*. The Foundation Press (1985).

The first casebook in copyright was the Kaplan & Brown casebook published in 1960. The new edition of the casebook is by Professor Ralph S. Brown, Professor of Law Emeritus, Yale University (currently Visiting Professor, New York Law School) and Professor Robert G. Denicola of the University of Nebraska. This review does not concern whether or not any particular law school should adopt this particular casebook. The Brown & Denicola casebook is one of at least five outstanding books in the field.<sup>1</sup>

This review concerns how a practitioner can utilize the particular casebook for copyright analysis and for litigation. The Brown & Denicola casebook concerns rights, not risks. Therefore, problems concerning defamation are not included. The casebook, however, does examine the connections between copyright and other bodies of law, particularly unfair competition, moral rights, privacy, publicity and ideas. For the practitioner, it is the Notes to the cases and the subject matter which provide the greatest interest.

For my bi-monthly column for the *New York Law Journal*, I had written an article entitled "The Audio Publishing Dilemma: The Rights of Print Publishers in Audiocassettes".<sup>2</sup> The essential point of that article

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<sup>1</sup> LATMAN, GORMAN AND GINSBURG, *COPYRIGHT FOR THE EIGHTIES*, (2d ed. Michie Company, 1985); GOLDSTEIN, *COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES* (2d ed. The Foundation Press, Inc. 1981); NIMMER, *CASES AND MATERIALS ON COPYRIGHT* (3d ed. West Publishing Company, 1985); KITCH & PERLMAN, *LEGAL REGULATION OF THE COMPETITIVE PROCESS* (2d ed. The Foundation Press, 1979).

<sup>2</sup> *New York Law Journal*, Oct. 25, 1985, at 5, col. 1.

was to apply *Bartsch v. Metro Goldwyn Mayer, Inc.*<sup>3</sup> to an agreement between a publisher and author, which agreement made no specific mention of audiocassettes. It was through my reading of Brown & Denicola's discussion of contract interpretation with respect to new uses that I discovered the West German Copyright Law concerning the granting of licenses in respect of manners of exploitation not yet known. For that article, I cited both the Brown & Denicola casebook, as well as the West German Copyright Law. I was most grateful.

The best short description of trademarks and trademark problems is the Note on The Law of Trademarks and Unfair Competition that begins at page 439 of the casebook. The authors consider that an understanding of the scope of contemporary unfair competition laws calls for some knowledge of both common-law trademark protection and the federal statutory regime that supplements but does not supplant it. The concise descriptions that follow are indeed trademarks in a nutshell. Any practitioner concerned with trademark problems could profitably use this introduction as a preliminary before embarking upon further research in depth.

The delights of this brilliant casebook are incredible. Non-lawyers will find of particular interest the discussions of performing rights organizations at page 380, writers' and performers' collective agreements at page 394 and the industries affected by compulsory copyright licensing at page 407. Lawyers attempting to try a copyright action might find instructive the casebook's short handling of jurisdiction and remedies starting at page 327, including a discussion of the right to a trial by jury at page 337.

The casebook is noteworthy in its handling of the titles at page 327 and rights of characters at page 212 and 546. The Note on The Protection of Literary Titles at page 531 is exceptional.

I call attention to the Notes on The Standards for Copyright and Patents at page 76, the Denial of Copyright in Systems at page 100 and on The Effect of Conveyance of all Rights at page 301.

The intellectual breadth of this casebook is immense. The co-authors, Professors Brown and Denicola, are to be congratulated for a first-rate performance.

For years, I used the Kaplan & Brown casebook for the courses that I taught in copyright. Entertainment law courses describing business practices may fascinate lawyers, but the foundation of copyright is the

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<sup>3</sup> 391 F.2d 150 (2d. Cir 1968), *cert. denied*, 393 U.S. 826 (1969).

substantive law as embodied in this excellent casebook. It seems to me, for the reasons that I have stated, that lawyers in practice also should have abundant use for this scholarly book.

ALAN J. HARTNICK\*

## B. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

### 1. United States

141. GREGURAS, FRED M. and FRANCES FOSTER-SIMONS. Software protection in the People's Republic of China. Part I. *Software Protection*, vol. IV, no. 1 (June 1985), pp. 1-7.

This article discusses the practical and legal means of software protection in the People's Republic of China (PRC) under single license agreements and examines other important elements of the license contract. It also delineates the relevant provisions of PRC tax law and the U.S. Export Administration Act that must be considered in planning to export software to the PRC.

142. HOWARD, HERBERT H. and SIDNEY L. CARROLL. SMATV: a changing environment for private cable. *Com/Tech Report*, vol. 3, no. 2 (July 1984), pp. 1-25.

This report focuses on satellite master antenna television (SMATV) systems serving large apartment buildings, condominiums, and mobile home and private housing complexes. Included in the report is a history of SMATV, information regarding the technical operations of such systems, and an economic comparison of SMATV and other video distribution technologies. It also discusses the question of access to property and briefly outlines the major legal and legislative developments affecting such access.

143. JORDAN, CONRAD. *Fordham Law Review*, vol. 11, no. 6 (May 1984), pp. 1242-1261.

The author analyzes the National Stolen Property Act (NSPA), which prohibits interstate transportation of certain stolen goods.

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\*Mr. Hartnick is a member of the New York City law firm of Colton, Weissberg, Hartnick, Yamin & Sheresky, an adjunct professor at the New York University School of Law, the immediate past President of the Copyright Society of the U.S.A. and Editor-in-Chief of this Journal.

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This act is now used with criminal copyright laws as a deterrent against copyright pirates. A history of the judicial construction of the NSPA is included in this article.

144. MORRILL, STEPHEN S. *Harper & Row Publishers v. Nation Enterprises: Emasculating the fair use accommodation of competing copyright and First Amendment interests. Northwestern University Law Review*, vol. 79, no. 3 (Oct. 1984), pp. 587-623.

This article provides a factual background of the *Harper & Row* case (*Harper & Row Publishers, Inc. v. Nation Enterprises*) and the district court's decision. The author also investigates the accommodation of competing copyright and First Amendment interests and concludes with a study of the fair use doctrine.

145. NUSSABAUM, JAN L. *Apple Computer, Inc. v. Franklin Computer Corporation: Puts the byte back into copyright protection for computer programs. Golden Gate University Law Review*, vol. 14, no. 2 (Summer 1984), pp. 281-309.

The author reflects on the problem of protection for computer software and discusses the technical logistics of computer software. An historical overview of the Copyright Act is provided along with a discussion of the Third Circuit's opinion in the *Franklin* case.

146. RIFKIND, SIMON H. Music copyrights and antitrust: a turbulent courtship. *Cardozo Arts & Entertainment Law Journal*, vol. 4, no. 1 (1985), pp. 1-19.

This article discusses the history and future of ASCAP. An examination of antitrust laws and compulsory licensing of music and a discussion of *Herbert v. Shanley* and *K91, Inc. v. Gershwin Publishing Corp.* are included.

147. STIM, RICHARD W. The medium is the message: *Apple Computer, Inc. v. Franklin Computer Corporation. University of San Francisco Law Review*, vol. 18, no. 2 (Winter 1984), pp. 351-371.

The author analyzes several cases including *White-Smith Music Publishing Co. v. Apollo Music Co.*, *Apple Computer, Inc. v. Formula International, Inc.*, *Williams Electronics, Inc. v. Artic International Inc.*, and *Reiss v. National Quotation Bureau, Inc.* The article provides a discussion of the technology of the computer chip and copyright protection for computer programs.

148. WEISS, MICHAEL. Pirates and prizes: the difficulties of protecting computer software. *Western State University Law Review*, vol. 11, no. 1 (Fall 1983), pp. 1-25.

Mr. Weiss examines the problems involved with protecting software and the continuing problem of software piracy. The article reviews the *Apple Computer* case and *Reiss v. National Quotation Bureau, Inc.*

## 2. Foreign

149. BRETT, HUGH. Scott, Michael D., *Computer Law*, John Wiley & Sons, New York 1984, 640 pp. *EIPR*, vol. 7, no. 2 (Feb. 1985), p. 55.

Book review of a new textbook reporting on legal decisions involving computers. The author provides an introduction to the software industry, devotes chapters to the protection of software through copyright and patent law, and discusses trade secret and unfair competition principles. There is also a section on computer contracts and another on tort law.

150. BRETT, HUGH and LAWRENCE PERRY. The legal protection of computer software, ESC Publishing Ltd., Oxford (1981), p. 197. *EIPR*, vol. 6, no. 11 (Nov. 1984), p. 32.

The authors examine the protection of computer software and the variety of new software systems that are being considered.

151. DIETZ, BERNARD. U.S. copyright protection for videogames. *EIPR*, vol. 7, no. 2 (Feb. 1985), pp. 39-43.

Mr. Dietz analyzes the development of copyright protection for videogames, including the case of *Stern Electronics, Inc. v. Kaufman & Others*, which discusses the concept of videogames being audiovisual works in some respects. Mr. Dietz also discusses substantial similarity and the concept of idea versus expression.

152. HARMS, L. T. C. *Northern Office Micro Computers v. Rosenstein*. The protection of computer programs in South Africa. *EIPR*, vol. 7, no. 4 (Apr. 1985), pp. 116-118.

A look at the South African Patents Act of 1978, which is based on a European model and states that computer programs

are not patentable. In the *Northern Office* case (1981), Judge Marais held that "a copyright can subsist in source code which was recorded on a computer print-out." The author discusses whether copyright protection can extend to an object code and if the Australian decision in the *Apple Computer Inc.* case "holds good" for South African law.

153. HURRELL, JANET. The development of collective rights for writers. *EIPR*, vol. 7, no. 1, pp. 3-6.

In this article, Ms. Hurrell discusses lending rights, reprographic rights, off-air and private recordings, and "steps taken to develop collective rights for writers."

154. KINGSTON, WILLIAM. Who should protect intellectual property? *EIPR*, vol. 7, no. 3 (March 1985), pp. 75-78.

The author states that in general intellectual property law places the burden of protecting the rights on the shoulders of their owner. Mr. Kingston questions whether intellectual property rights are adequately protected and states that consideration should be given to state involvement in the enforcement of such rights.

155. LANE, SHELLEY. Holly Hobbie in no-man's land. *EIPR*, vol. 7, no. 1 (Jan. 1985), pp. 6-10.

This article looks at the issue of whether a character in merchandise is property. The author discusses the *Holly Hobbie* case (*Re American Greetings Appln.* [1984] 1 All ER 426) and the concept of trademark protection.

156. McMURCHIE, SONIA E. Will the Jolly Roger fly again? Can pirate databanks be prevented? *EIPR*, vol. 6, no. 11 (Nov. 1984), pp. 299-302.

This article provides a brief discussion of the problems of pirate radio stations in Great Britain during the 1960's and the author's belief that a similar problem could occur with pirate electronic databanks, for example, "databanks operating outside territorial waters in order to avoid statutory restrictions on the storing and processing of electronic data."

157. PURI, KANWAL. Writers and the law of copyright. *Victoria University of Wellington*, vol. 15, no. 2 (Feb. 1985), pp. 93-99.

This article is part of an address delivered in New Zealand in September 1984 in which Dr. Puri explored the justification for copyright in light of modern technological changes. The author states that the duration of copyright protection is too long.

158. SCOTT, MICHAEL D. Computers and liberty. *EIPR*, vol. 7, no. 3 (Mar. 1985), pp. 59-61.

The author discusses the impact of computers on constitutional rights. Specifically, the author raises issues of freedom of speech and the press where large corporations control the information provided on teletext/videotex systems and databases and such information is only available to individuals who can afford to pay the price; Fourth Amendment issues such as whether computer records are protected from unreasonable searches and seizures and whether it is permissible to issue warrants based solely on computer-based information; and the issue of whether it violates an individual's due process rights where there is misplaced reliance on a computer system with no procedural safeguards to provide the individual with an opportunity to be heard.



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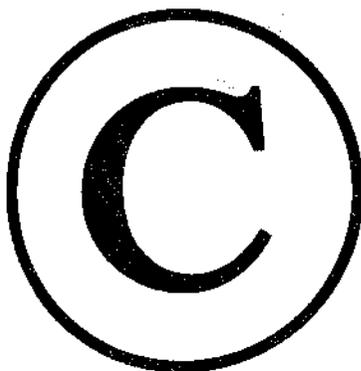
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**PART I****ARTICLES**

159. **PRELIMINARY REPORT OF THE AD HOC WORKING GROUP ON U.S. ADHERENCE TO THE BERNE CONVENTION, December 1985**

**EDITOR'S NOTE:** At the request of the U.S. State Department, an Ad Hoc Working Group was formed to review the various provisions of the United States Copyright Law for the purpose of analyzing its compatibility with the Berne Convention.

While the Preliminary Report of the Ad Hoc Working Group has great importance and usefulness to members of the copyright community in the U.S. and abroad, it was previously distributed only on a limited basis. For this reason, the **JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A.** has decided to publish the preliminary report in full, making it a permanent part of the published literature on U.S. Copyright Law.

**ALAN J. HARTNICK**

**MARGARET FRENKEL GOLDSTEIN**

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## FOREWORD

This is a preliminary report on the compatibility of basic provisions of the United States copyright and other relevant law with the Berne Copyright Convention. It was prepared by the Ad Hoc Working Group on U.S. Adherence to the Berne Convention ("The Ad Hoc Working Group").

This foreword discusses the formation and membership of the Group, its procedures (including those for completing its Final Report), the method for evaluating compatibility, and the fundamental distinction between "works of foreign origin" and "works of U.S. origin", which is central to evaluating the compatibility of the various provisions considered in this Report.

### 1. *Background*

On the eve of the 100th Anniversary of the Berne Copyright Convention (September 9, 1886), there is renewed interest in United States accession to the Convention. This May, the Senate Judiciary Committee's Subcommittee on Patents, Copyrights and Trademarks, chaired by Senator Charles McC. Mathias, heard testimony from several witnesses on the implications of U.S. adherence to Berne.

Donald C. Curran (Associate Librarian of Congress and then Acting Register of Copyrights), Barbara Ringer (former Register of Copyrights), Arpad Bogsch (Director-General of the World Intellectual Property Organization, "WIPO", which administers the Convention); Elinor Constable, Acting Assistant Secretary of State, Bureau of Economic and Business Affairs; Donald J. Quigg, Commissioner of Patents and Trademarks; and C. Michael Hathaway, Deputy General Counsel, Office of the United States Trade Representative, all supported U.S. adherence to the Berne Convention.

### 2. *The Ad Hoc Working Group*

Consideration of U.S. adherence to Berne involves a fundamental copyright issue: are the provisions of United States law compatible with the provisions of the 1971 Paris Act of the Berne Convention\*? This is the Berne text to which the U.S. would accede if the President and Senate took the necessary action to make this country a member of the Convention. Article 36(2) of the Convention requires a country to "be in a position under its domestic law to give effect to the provisions of" the Convention at the time when it becomes a new member.

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\*Unless otherwise noted, all references in this Report to "the Berne Convention" refer to the 1971 Paris Act, which is the most recent text of the Convention.

At the request of the State Department, several individuals who have had long experience in the copyright field joined together as an "Ad Hoc Working Group" to identify those basic provisions of U.S. law relevant to U.S. adherence to the Berne Convention, and to analyze their compatibility with Berne. The issue addressed by the Group is: do the U.S. Copyright Act, other Federal and State statutes, and common law provide protection of the nature required by the Convention for works originating in other Berne member-countries?

The Ad Hoc Group's purpose was to prepare a Report on this technical issue that might assist the Congress (including the Senate and House Judiciary Committees and the Copyright Office) and the Executive Branch, in their consideration of United States adherence to Berne.

The Ad Hoc Working Group, as such, does not take any position on the basic policy question of whether the United States should join Berne. Some members believe it should; and some represent organizations which may support adherence. But the sole focus of the Ad Hoc Group's work, and this Report, is on whether relevant provisions of U.S. law are compatible with the Berne Convention. The Group does not make any recommendations for revisions of U.S. law that might be required to eliminate incompatibilities which may exist.

### *3. Membership of the Ad Hoc Working Group*

These are the members of the Ad Hoc Working Group. They served as individuals; the names of various organizations they represent or are affiliated with are given solely for identification and do not imply endorsement by those organizations of the Preliminary Report:

Irwin Karp, Chairman [Authors League of America]

Norman Alterman [Motion Picture Export Association of America, Inc.]

Jon A. Baumgarten [Association of American Publishers]

Leonard Feist [National Music Publishers Association, Inc.]

Morton David Goldberg [Information Industry Association]

Bella Linden [The Songwriters Guild]

I. Fred Koenigsberg [American Society of Composers, Authors & Publishers]

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Hamish R. Sandison [Recording Industry Association of America]

Augustus W. Steinhilber [National School Boards Association]

Robert Wedgeworth [American Library Association]

## Ex Officio:

Harvey J. Winter, Executive Secretary [Department of State]  
Donald C. Curran [Former Acting Register of Copyrights]  
Lewis Flacks [Copyright Office]  
Michael S. Keplinger [Office of Legislation and International  
Affairs, U.S. Patent and Trademark Office]

4. *Method of Procedure*

At its initial meeting, the Ad Hoc Working Group decided on the fourteen basic subjects that should be studied. These are listed in the table of contents of this report. Members of the Group drafted study papers on each subject, and these were reviewed and revised by the Group. These papers, constituting the chapters of this Report, are presented as the joint work of the Group and represent a general consensus, but this does not imply unanimous agreement of the Group on any particular point.

The Report is being distributed to individuals and organizations interested in copyright matters and the question of U.S. adherence to Berne, and they are invited to submit their comments in writing, prior to January 15, 1986, to:

Mr. Harvey J. Winter  
Office of Business Practices  
Department of State  
Washington, D.C. 20520

The Ad Hoc Working Group will review all such written comments and make any further revisions it deems necessary in light of them. It will then publish a Final Report, with an Appendix that will include the comments received as well as any individual views of Working Group members who may differ on specific sections of the Report.

5. *"Compatibility" and Works of U.S. Origin*

The Report's conclusion that certain provisions of U.S. law are incompatible with Berne applies only to *works of foreign origin*. The Berne Convention does not require that a member country grant the protection required by the Convention's text to works of which that country is "the country of origin".

Article 5 of the Berne Convention provides:

"(1) 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.*" (emphasis supplied)

\* \* \* \* \*

"(3) Protection in the country of origin is governed by domestic law. However, when the author is not a national of the country of origin of the work for which he is protected under this convention, he shall enjoy in that country the same rights as national authors."

The question of incompatibility, therefore, is really a question of whether a given provision of U.S. law is incompatible with Berne's requirements when that U.S. provision is applied to works of foreign origin. For example, Sec. 601 of the U.S. Copyright Act limits the right of authors to import or distribute in the United States copies, manufactured outside the U.S. or Canada, of a work that consists preponderantly of nondramatic literary material in English. Berne provisions do not permit that limitation. But section 601 is not incompatible with Berne when it is applied to works of U.S. origin.

From the U.S. perspective, provisions of U.S. law would have to be compatible with Berne when applied to:

(a) works first published in another Berne country, alone or simultaneously with publication in any other country (except the U.S.), Berne or non-Berne;

(b) works first published simultaneously in the U.S. and another Berne country which gave a shorter period of protection; or

(c) works first published in a non-Berne country without a simultaneous Berne-country publication, if the author is a national of any Berne country other than the U.S.;

(d) unpublished works by nationals of other Berne countries. Under Article 5(4) of Berne, these are works of which the U.S. is not the country of origin.

On the other hand, provisions of U.S. law need not be compatible with Berne when applied to the following categories of works since, under Article 5(4), the U.S. would be their "country of origin":

(i) Works first published in the U.S.

(ii) Works first published simultaneously in the U.S. and another Berne country which gave a longer period of protection.\*

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\*The Convention is ambiguous with respect to the country of origin of a work which is simultaneously published in two Berne countries that give the same term of protection.

(iii) Works first published simultaneously in the U.S. and a non-Berne country.

(iv) Works by U.S. nationals first published in a non-Berne country without simultaneous publication in any Berne country.

(v) Unpublished works whose authors are U.S. nationals.

(vi) Cinematographic works whose makers have their headquarters or habitual residence here and that are unpublished, or are first published in a non-Berne country without simultaneous publication in any Berne Country. In addition, provisions of U.S. law would not have to be compatible with Berne when applied to works whose country of origin was not a Berne member.

#### 6. *Determination of Compatibility*

The President and Congress determine whether U.S. copyright law, other statutes and common law are compatible with Berne, and what changes, if any, are required to provide compatibility, i.e., protection of a nature that satisfies the requirements of Berne with respect to works of foreign origin.

If the President, with the advice and consent of the Senate, signs the necessary instrument of United States accession to the Berne Convention and it is deposited with the Director General of WIPO, this country would become a party to the Convention and a member of the Union 3 months after the Director General notifies other Berne members of the deposit (unless a later date is indicated in the instrument). See Article 29.

The Director General, Arpad Bogsch, advised the Ad Hoc Working Group that the International Bureau which administers Berne (Article 24) has no procedure for reviewing the instrument of accession filed by a prospective member to determine whether its laws are compatible with Berne, and that no instrument of accession ever has been rejected on the ground of incompatibility.

Any complaint by another member country that U.S. law is not compatible with Berne probably would have to be settled under Article 33(1) which provides that disputes between members concerning interpretation or application of the Convention shall be brought before the Court of International Justice. However, Article 33(2) provides that when a country deposits its instrument of accession to Berne, it may declare that it does not consider itself bound by the provisions of Art. 33(1) which then would not apply to it.

#### 7. *Conclusion*

With publication of its Final Report, the Ad Hoc Working Group will have completed its work, and will dissolve. The members of the

---

Working Group wish to express their deep gratitude to Harvey J. Winter for his invaluable administrative assistance, and even more, for his tireless efforts on behalf of international protection for intellectual and artistic works, in the fields of copyright, patent and trademark. He has made a significant contribution to the development of international law in these areas.

## CHAPTER 1: Cable Compulsory License

- A. *Issue*: Is the cable compulsory license provision of the United States Copyright Act, 17 U.S.C. § 111, compatible with the Berne Convention?
- B. *Conclusion*: The cable compulsory license is compatible with the Berne Convention.
- C. *Relevant Berne Provisions*: The Berne Convention requires that the author enjoy exclusive rights over public performances by cable. Article 11 *bis* (1) (ii) states:

(1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing:

...  
 (ii) any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one

However, the Berne Convention also allows such rights to be exercised in the absence of voluntary agreement, under a system of compulsory licensing as long as the author has the right to "equitable remuneration," which "shall be fixed by competent authority," there is no extraterritorial application, and moral rights are not jeopardized. Article 11 *bis* (2) states:

(2) It shall be a matter for legislation in the countries of the Union to determine the conditions under which the rights mentioned in the preceding paragraph may be exercised, but those conditions shall apply only in the countries where they have been prescribed. They shall not under any circumstances be prejudicial to the moral rights of the author, nor to his right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.

- D. *Relevant U.S. Provisions*: The 1976 Copyright Act contains a compulsory license which allows cable operators to retransmit over-the-air broadcasts to their subscribers. 17 U.S.C. § 111. Cable operators pay a fee, based on the number of distant broadcast signals carried, which was initially established by statute, and subsequently adjusted by the Copyright Royalty Tribunal. The adjustments made were of two sorts: 1) to maintain the real dollar level of compulsory license fee payments; and 2) in certain circumstances, to adjust the fees to "reasonable" levels.

- E. *Discussion*: The cable compulsory license appears to fall within the provisions of Article 11 *bis* (2). The compulsory license fees have been deemed "equitable" by "competent authority"—Congress and the Copyright Royalty Tribunal. It might be argued that the Article does not apply because there is no provision for voluntary agreement in the statute. In fact, however, such agreement is possible regarding the rate adjustments. And, in any event, such a reading strains the reasonable inference from the Article which allows such compulsory licensing. It might be argued that the cable compulsory license is incompatible with Article 11 *bis* (2) because it does not prescribe remuneration for the retransmission of local, as opposed to distant, broadcast signals. However, the fact is that all cable systems—whether they carry distant signals or not—pay some compulsory license fees, pursuant to 17 U.S.C. § 111. And, the proponents of the cable compulsory license argue in response, under the American system of broadcasting, local cable carriage increases audience, which is the basis for remuneration of copyright owners. The other requirements of Article 11 *bis* (2) seem to be met: there is no extraterritorial application of the compulsory license, and moral rights are not jeopardized.

## Chapter II: Exemptions to the Rights of Public Performance and Display

### A. *Issue*

Are the exemptions to exclusive rights of public performance and display in section 110 of the 1976 Copyright Act compatible with the Berne Convention?

### B. *Conclusions*

1. The exemptions to the right of public display are compatible with the Berne Convention.

2. The exemptions to the exclusive rights of public performance in section 110 of the U.S. Copyright Act are substantially compatible with the Berne Convention, particularly in light of the laws of Berne States interpreting these obligations. Minor questions of compatibility exist with respect to section 110(2) and (9).

### C. *Relevant Provisions of the Berne Convention*

Art. 10(2) of the Berne Convention provides:

It shall be a matter for legislation in the countries of the Union and for special agreements existing or to be concluded between them, to permit the utilization, to the extent justified by the purpose, of literary or artistic works by way of illustration in publications, broadcasts or sound or visual recordings for teaching, provided such utilization is compatible with fair practice.

Article 10(3) provides:

Where use is made of works in accordance with the preceding paragraphs of this Article, mention shall be made of the source and the name of the author if it appears thereon.

Article 11(1) provides:

Authors of dramatic, dramatico-musical and musical works shall enjoy the exclusive right of authorizing:

- (i) the public performance of their works including such public performance by any means or process;
- (ii) any communication to the public of the performance of their works.

Article 11 *bis* (1) provides:

Authors of literary and artistic works shall enjoy the exclusive right of authorizing:

- (i) the broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion or signs, sounds or images;
- (ii) any communication to the public by wire or rebroad-

casting of the broadcast of the work, when this communication is made by an organization other than the original one;

(iii) the public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds, or images, the broadcast of the work.

Article 11*ter* provides:

Authors of literary works shall enjoy the exclusive right of authorizing:

(i) the public recitation of their works, including such public recitation by any means or process;

(ii) any communication to the public of the recitation of their works.

#### D. *Relevant Provisions of U.S. Law*

Section 110 of the 1976 Copyright Act creates specific, limited exemptions to the exclusive rights of public performance and display under section 106. These exemptions relate to the following: 1) face-to-face teaching activities; 2) instructional broadcasting; 3) religious services; 4) non-profit, live, performances; 5) public reception of broadcasts; 6) agricultural fairs; 7) performances in the course of retail record sales; 8) transmissions to handicapped audiences; and, 9) performances by veterans' and fraternal groups.

#### E. *Discussion*

##### 1. *Exclusive right of public display*

The exclusive right of public display of works created by section 106(5) of the U.S. copyright law is not a right stipulated in the Berne Convention. Consequently, the exceptions under 110 are compatible with Berne.<sup>1</sup>

Articles 11, 11*bis* and 11*ter* concerning public performance rights do not expressly deal with exemptions to such rights.<sup>2</sup> Nonetheless, it is clear that the nations which adhered to the texts of Berne never intended the performance, broadcasting and recitation rights of Arts. 11-11*ter* to be absolutely exclusive. Indeed, until the Brussels Act (1948),

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<sup>1</sup> This is not, however, to say that because a minimum right is not stipulated in the Berne Convention that states party to the Convention are free to ignore other provisions of the Convention when a right is provided for at the national level. Thus, the rule of national treatment in Art. 5(1) of the Convention must be applied, even with respect to rights which do not form convention minima. WIPO, GUIDE TO THE BERNE CONVENTION 103 (1978), hereinafter cited as GUIDE.

<sup>2</sup> Art. 10(2) concerning the use of works in teaching contexts has applicability to public performances in schools. However, apart from this limited provision, Articles 11-11*ter* are not qualified by a provision similar to Article 9(2) of the Convention which concerns the right to reproduction.

public performance rights were not fully established in the Convention on an exclusive basis.<sup>3</sup>

Resistance to the recognition of exclusive public performance rights was based in part upon the desire of many states to maintain free of potential copyright controls "cases of gratuitous performances given by popular societies, military bands, students and the like."<sup>4</sup> The present situation under Berne is a unique product of the Union's commitment to recognition of exclusive public performance rights and the preservation of well-established exceptions. This was achieved at the Brussels Conference and confirmed at the Stockholm Conference in 1967. At these Conferences, declarations were made expressing the understanding of the states of the Union to this effect:

It is in relation to (Art. 11) that the question of *minor reservations* arises. These cover such things as religious ceremonies and performances by military bands at public fetes. It was agreed that these exceptions (which apply also to Articles 11*bis*, 11*ter*, 13 and 14) were valid. At Stockholm it was again agreed that the Convention did not stop member countries from preserving their law on exceptions which come under this heading of 'minor reservations.' (emphasis added).<sup>5</sup>

Apart from the examples given, what additional meaning may be given to the phrase minor reservations?

The programme for revision of the Berne Convention presented to the Brussels Conference by the Berne Bureau and the Belgian government noted, in respect to exclusive public performance rights:

Let us suppose now that this right is adopted unconditionally: the result would be that no Contracting State would have the right to make the least restriction in it. It would be impractical to expect to obtain such a result. The great majority of Union countries enumerate a more or less considerable number of cases in which the representation or performance of a protected work is free. . . . Here are some examples of performances declared free by a large number of national laws: musical performances which are part of religious services, concerts given by military bands, charity con-

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<sup>3</sup> The GUIDE notes that Art. 11 was revised at Rome, Brussels and Stockholm, but does not mention that exclusivity was achieved in recognizing the right only at Brussels. GUIDE, *supra* note 1, at 64; 1 LADAS, THE INTERNATIONAL PROTECTION OF LITERARY AND ARTISTIC PROPERTY 404-05 (1938).

<sup>4</sup> LADAS, *supra* note 3, at 396.

<sup>5</sup> GUIDE, *supra* note 1, at 65.

certs, public concerts organized for certain occasions. It is not possible to enumerate specifically in the Convention all these special cases: they are too varied. Many of them are based upon old local customs which the countries concerned would not wish to give up. One cannot, therefore, contemplate the suppression of these exceptions.<sup>6</sup>

The Report of the Brussels Conference noted:

(Y)our reporter was asked to point out specifically the possibility of what are generally termed 'small reservations' on the part of national legislatures. The delegates of Norway, Sweden, Denmark, Finland, Switzerland and Hungary have asked that limited exemptions be made for religious ceremonies, military fanfares and for works which are essential for schools and the promotion of general culture. You will appreciate that these points are simply noted here and do not in any way weaken the principle of the right.<sup>7</sup>

The Report of the Stockholm Conference in 1967 affirmed that the Convention as modified did not alter the agreement reached at Brussels: states of the Union were not precluded from "maintaining in their national legislation provisions based upon the declaration contained in the General Report of the Brussels Conference."<sup>8</sup>

Thus, no state which has exceptions to performing rights such as those discussed in the Brussels and Stockholm Reports appear to have ratified the Brussels, Stockholm or Paris Acts of Berne with an express reservation of "minor performing rights exceptions." The term "reservations" is not used here in a technical sense; it imports instead an understanding that derogations from the literal language of Articles 11, 11*bis*, 11*ter*, 13 and 14 can be made in relatively minor instances without giving rise to a violation of the Convention.<sup>9</sup>

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<sup>6</sup> *Proposed Revisions and Commentary Thereon Prepared by the Belgian Government and the Bureau of the Union*, Prelim. Docs., Pt. 1, 2d Ed., revised, January, 1947, at 76.

<sup>7</sup> *General Report on the Work of the Diplomatic Conference for the Revision of the Berne Convention*, presented by Marcel Plaisant (C.O. Translation, September, 1948), at 13.

<sup>8</sup> Report on the Work of Main Committee I, para. 210, in RECORDS OF THE INTELLECTUAL PROPERTY CONFERENCE OF STOCKHOLM (1967), at 1131, 1166.

<sup>9</sup> The term "minor" should be interpreted on the basis of the established practices of members of the Convention and the ordinary meaning of the word itself in context.

### 3. *The specific exemptions of section 110 of the U.S. Copyright Act*

#### Section 110(1): *educational exemption in face-to-face teaching*

The applicability of the minor reservations understanding to educational uses is clearly established. The comments of the Rapporteur-General of the Brussels Conference made express reference to educational uses as one of the kinds of uses coming within the understanding. There is no evidence that the subsequent addition to the Convention of Article 10(2) represents a superseding agreement on the permissible free use of works in educational contexts.

Either Art. 10(2) or the minor reservations understanding may serve to bring section 110(1) within the framework of Berne's public performance rights obligations. Section 110(1) is limited to face-to-face teaching activities; the performance must be executed by pupils or the instructors; and, the institution in which this takes place must itself be non-profit. Although section 110(1) does not contain limitations such as those found in Art. 10(2), namely that the utilization be only "to the extent justified by the purpose" and that it be "compatible with fair practice", it may be argued that the conditions of 110(1) tend strongly toward enforcing such limitations in practice. For example, the restrictions on who may perform, on locale and the nature of the institution do tend to assure that exempt classroom performances are used with pedagogical justification. And, while "fair practice" is not defined in the Berne Convention, there is some indication that the meaning duplicates the provisions of Art. 9(2) of the Convention.<sup>10</sup>

The questions of compatibility between section 110(1) and Art. 10(2) arising out of the specific limitations of the Article could be resolved by reference to the laws of Berne states. A number of Berne countries have educational exemptions applicable to face-to-face teaching situations, without the protective limitations of Art. 10(2). Art. 20 of the Danish copyright law permits the public performance of works other than films or dramas "for educational purposes"; Sweden's law is to the same effect. Art. 21(1) of the Hungarian copyright law permits performances of published works at "school celebrations or for other school purposes."<sup>11</sup>

The various conditions limiting the exercise and the scope of the

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<sup>10</sup> For example, the WIPO GLOSSARY OF TERMS OF THE LAW OF COPYRIGHT AND NEIGHBORING RIGHTS defines "fair practice" with reference to key elements in the text of Art. 9(2) of the Berne Convention: absence of a conflict with a normal exploitation of the work and not unreasonably prejudicial to the legitimate interests of the author.

<sup>11</sup> All citations to national copyright legislation are to WIPO, UNESCO, BNA, COPYRIGHT LAWS AND TREATIES OF THE WORLD (1983), hereinafter, CLTW.

110(1) exemption are calculated to confine exempt performances to student-teacher interactions whose commercial significance is arguably minimal. In the absence of an express prohibition derived from the text of the Convention itself, the declarations including educational uses under the minor reservations understanding should reasonably extend to section 110(1).

### Section 110(2): *instructional transmissions*

Section 110(2) deals with instructional television transmissions. Article 11*bis* of the Convention establishes the exclusive right of authors to authorize "the broadcasting of their works or the communication thereof to the public. . . ." According to the GUIDE TO THE BERNE CONVENTION, "there must be a public element to the operation. The meaning of broadcasting is found in the Radio-communications Regulations; it is a matter of transmissions intended to be received directly by the general public."<sup>12</sup>

Prof. Nimmer concluded that the "minor reservations" understanding could sustain a limited instructional television performance exemption as compatible with the Berne Convention.<sup>13</sup> In this respect it is interesting to note that educational or other instructional broadcasting exemptions are to be found in the laws of a number of Berne Union states.<sup>14</sup> However, the provisions of these exemptions strongly suggest that they rest upon an acceptance of Art. 11*bis* (by assuring compensation in accordance with Art. 11*bis*(2)), or Art. 10(2) (by applying the limitations on use appearing in that Article).

Article 10(2) clearly applies to the use of protected works in the course of instructional transmissions and the various limitations of section 110(2) may be said to comport with the requirements of that Article. If a clear conflict may be said to exist at all, it probably arises out of the failure of section 110(2) to provide the crediting by the user called for in Article 10(3).

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<sup>12</sup> GUIDE, *supra* note 1, at 67.

<sup>13</sup> Nimmer, *The United States Copyright Law and the Berne Convention: The Implications of the Prospective Revision of Each*, 2 COPYRIGHT 94, 112 (April, 1966); I LADAS, *supra* note 3, at 400.

<sup>14</sup> Japanese copyright law has an elaborate exemption concerning performances of works in the course of transmissions for school purposes. While Art. 34(1) of that country's law dispenses with the requirement of prior authorization, it calls for payment of "a reasonable amount of compensation." Austria's copyright law allows literary works to be used, including in broadcasts for schools, "to the extent justified by the purpose." Canada's copyright law, in Sec. 17(3), contains a fairly broad educational exemption for the performance of musical works. Japan's exemption points to compliance with Art. 11*bis*(2) as the norm, Austria's toward Art. 10(2) of the Convention. USA and Canadian law points nowhere in particular.

Section 110(3): *performances of non-dramatic literary and musical works in the course of religious services*

This exemption falls squarely within the express language of the Brussels and Stockholm Conference declarations on minor reservations and is one of the most widely adopted public performance exemptions in the laws of Berne Union countries.<sup>15</sup> Indeed, the scope of section 110(3) is narrower than many Berne country provisions covering the same sorts of activities.<sup>16</sup>

Section 110(4): *non-profit and charitable performances*

Although the Berne Convention does not provide for any sort of non-profit limitation to any of the minimum exclusive rights, the minor reservations understanding has long underpinned a series of exemptions in the laws of Union members which relate to charitable and other non-profit performances of a variety of works.<sup>17</sup>

Austrian copyright law is closest in structure to section 110(4). Section 50(1) of the Austrian copyright law permits public delivery of a

<sup>15</sup> For example, Sec. 53(2) of the Copyright Statute of Austria; Art. 17c, Copyright Statute of the Netherlands; Sec. 17(3), Copyright Statute of Canada; Sec. 20(a), Copyright Statute of Denmark; Sec. 20, Copyright Statute of Sweden; art. 52(1)(2), Copyright Statute of the Federal Republic of Germany, all reprinted in *CLTW*.

<sup>16</sup> Section 110(3) extends only to non-dramatic or musical works, whereas, for example, Art. 52(1)(2) of the German copyright law exempts performances of "works" generally at religious services. Section 110(3) exempts certain performances "in the course of services" while German law includes religious "celebrations" as well as more formal services. Certain laws limit religious exemptions to musical works (e.g., Austria and Canada) while others extend the exemption to all works, except for films or dramatic works (e.g., Sweden, Denmark).

<sup>17</sup> Art. 52(1)(1) of the Federal Republic of Germany's copyright law permits the public communication of a work so long as it is done without "gainful purpose" and no admission charges are levied and no payment is made to the performers. Art. 21(2) of the Hungarian copyright law permits the performance of published works "on the occasion of mass meetings (festive processions, etc.)" so long as it does not directly or indirectly "increase receipts" and so long as performers are not paid. Art. 38(1) of Japan's copyright law permits the free performance of published works (including in transmissions) where there is no profit motive, no admission fees and no payment to performers. Canadian law, in the ubiquitous Art. 17(3), overlaps many of the areas covered by U.S. section 110(4). Articles 20 (c) and (d) of Danish copyright law exempts the public performance of works other than films and dramas where the performance of the works in question are "not the main feature of an event conducted for other than commercial purposes" or are "in aid of charity." Section 20 of the Swedish copyright law is to the same effect.

published work where there is no admission charge and the delivery is not for profit; or "receipts are destined exclusively for charitable purposes" and the participants do not receive compensation for the delivery. Public performance of musical works is free under Art. 53(3) of Austrian copyright law where the performance is not for any commercial purpose or the receipts are "destined exclusively for charitable purposes."

Section 110(5): *public reception of broadcasts*

The House Report accompanying the copyright revision bill suggests that section 110(5) is a most minor reservation:

The basic rationale of this clause is that the secondary use of the transmission by turning on an ordinary receiver in public is so remote and minimal that no further liability should be imposed. In the vast majority of these cases no royalties are collected today and the exemption should be made explicit in the statute. This clause has nothing to do with cable television systems and the exemption would be denied in any case where the audience is charged directly to see or hear the transmission.<sup>18</sup>

Article 11*bis*(1) (iii) of the Convention establishes the exclusive right of the author to authorize the "public communication by loudspeaker or any other analogous instrument transmitting by signs, sounds, or images, the broadcast of the work." The GUIDE TO THE BERNE CONVENTION observes:

Finally, the third case dealt with in this paragraph is that in which the work which has been broadcast is publicly communicated e.g. by loudspeaker or otherwise, to the public. The case is becoming more common. In places where people gather (cafes, restaurants, tearooms, hotels, large shops, trains, aircraft, etc.) the practice is growing of providing broadcast programs. . . . The question is whether the license given by the author to the broadcasting station covers, in addition, all the use made of the broadcast, which may or may not be for commercial ends.

The Convention's answer is "no".<sup>19</sup>

While it is of interest that Art. 38(2) of Japanese copyright law is closely analogous to section 110(5), the history of the relevant article of

<sup>18</sup> H.R. REP. 94-1476, 87.

<sup>19</sup> GUIDE, *supra* note 1, at 68.

the Convention itself is adequate to establish the acceptability of section 110(5) with the Convention text.

The question of communicating a broadcast to the public through loudspeakers in public places occupied much attention in the programme for revision of the Berne Convention at Brussels. The Berne Bureau and the Belgian government were rather firmly of the opinion that the use of a loudspeaker in a public place to communicate the contents of a broadcast constituted a new use of the broadcast to reach a new public; that is, a public other than the diffuse one using lower-amplification home receivers.<sup>20</sup> The programme went so far as to propose that the provisions of Art. 11*bis*(2), under which governments were authorized to regulate the conditions for exercise of the broadcasting right, not be extended to loudspeaker communications.<sup>21</sup>

The programme of the Brussels Conference suggests that the principal concern of the drafters—and the Conference itself—was with the *loudspeaker* as opposed to the simpler home receiver.<sup>22</sup> It may be that the provisions of the Berne Convention assuring to the author the exclusive right to communicate to the public broadcasts of his or her work via loudspeakers implies the use of a technology qualitatively different from the ordinary home receiver. In such a light, section 110(5) would be compatible with the requirements of Article 11*bis*. The exemption does not extend to the use of “loudspeakers” or any sort of speaker arrangement which has the characteristics of a commercial sound system. This interpretation of section 110(5) has been confirmed in recent litigation.<sup>23</sup>

#### Section 110(6): *performances at annual horticultural or agricultural fairs*

This exemption also appears to be an appropriate subject for a minor reservation. Only one Berne member expressly exempts the performance of music at agricultural (or agricultural-industrial) fairs or expositions.<sup>24</sup> Nonetheless, the activities covered under section 110(6), with its limitations, would probably be exempted under more commonly

<sup>20</sup> *Proposed Revisions and Commentary Thereon*, . . . , *supra* note 6, at 86.

<sup>21</sup> *Id.*, 87.

<sup>22</sup> *Id.*, 84.

<sup>23</sup> *Sailor Music v. The Gap Stores, Inc.*, 516 F. Supp. 923 (S.D.N.Y., 1981), *aff'd*, 668 F.2d 84 (2d Cir., 1981); *BMI v. United States Shoe Corp.*, 211 U.S.P.Q. 43 (D.C. Cal. 1980).

<sup>24</sup> Section 17(2)(g), Copyright Statute of Canada.

encountered provisions of Berne Union copyright laws which are similar to section 110(4).<sup>25</sup>

Section 110(7): *performances in vending establishments*

Two states party to the Berne Convention have provisions in their copyright laws closely analogous to section 110(7). Art. 56(I) of the copyright law of the Federal Republic of Germany exempts the public communication of visual or audio recordings by businesses which sell or repair equipment for the performance of such works, insofar as the performances are necessary "to exhibit such equipment or devices to the public or for the repair thereof." Austrian copyright law reaches the same result.<sup>26</sup>

Section 110(8) and (9): *performance exemptions for handicapped audiences*

Only a handful of countries have provisions in their copyright laws relating to the use of works for the benefit of the handicapped. All but one deal principally with the making of reproductions of published works into a format accessible to users who have one or more handicaps which prevent the enjoyment of such works in the formats of conventional mass publication. Most Berne and U.C.C. states deal with the licensing of works for use by the handicapped through voluntary arrangements. The U.S. is the only country which has enacted an exemption permitting the limited use of literary works in broadcasting for the benefit of the handicapped.

Model provisions developed within the Secretariats for the Berne and Universal Conventions to deal with facilitating access by the handicapped to works protected by copyright appear to assume that free use of works for broadcasting in radio-reading services for the visually hand-

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<sup>25</sup> The history of section 110(6) suggests that it evolved out of the more general exception in section 110(4). U.S. Copyright Office, SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON COPYRIGHT LAW REVISION: 1965 BILL, 38-40. Nimmer notes the occasional overlapping of section 110(4) with other activities exempted in section 110. 2 NIMMER ON COPYRIGHT, Sec. 8.15(E), note 77.

<sup>26</sup> According to Dr. Robert Dittrich, the distinguished copyright specialist with the Austrian Ministry of Justice,

Use within commercial establishments, the objectives of which comprise the production or distribution of videograms or phonograms or the manufacture or distribution of broadcasting equipment, is always permissible insofar as it is necessary in order to properly serve their customers.

Dittrich, *Copyright in Austria*, in S. STEWART, INTERNATIONAL COPYRIGHT AND NEIGHBORING RIGHTS 322 (1983).

icapped is permissible. The question is whether the minor reservations understanding, which does extend to Art. 11bis obligations, is sufficient to include the exemptions in sections 110(8) and (9).<sup>27</sup>

Certain factors weigh in favour of these exemptions as properly coming within the minor reservations understanding: section 110(9), in particular, limits the exposure of a dramatic literary work to only one performance, limits the works which may be used to those at least 10 years old as of the date of the performance and requires that the transmission be over special, non-broadcast, facilities.

Section 110(8) draws short of authorizing dramatizations of non-dramatic literary works and the facilities through which the programs may be transmitted to handicapped audiences are also limited—though not as extensively as is the case in section 110(9). Both subsections require that the performances must be without direct or indirect commercial advantage, thereby cutting out performances with gainful intent.

This may be an area of the law in which the U.S. would wish to assert expressly its interpretation of the minor reservations understanding as a part of implementing legislation or as a Senate “understanding” as part of the ratification of the Convention. Given the highly restricted area in which these exemptions operate, such a position is not unreasonable and may command considerable support within the Berne Union.

Section 110(10): *non-profit performances by fraternal or veterans' organizations*

Although arguably less protective of authors' rights than the basic performance exemption in favour of charitable functions, this new exemption does not clearly exceed the limitations imposed in similar provisions of the copyright laws of Berne Union countries. Only Canada appears to have a public performance exemption specifically benefitting “fraternal organizations” and it is limited to performances of musical works.

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<sup>27</sup> Report of the Working Group on Access to Works Protected By Copyright By the Visually and Auditory Handicapped, Unesco House, 25-27 October, 1982, UNESCO/WIPO/WGH/I/3, 3 January 1983; Application of the Berne Convention and the Universal Copyright Convention to Material Intended for the Blind, Doc. IG C/IV/15, 5 Nov. 1981 for the Fourth Session of the Intergovernmental Committee of the UCC, 30 November-7 December, 1981 and, in particular, Annex I, “Analysis of Comments of States on a Study by the World Council for the Welfare of the Blind on the Application of the Berne Convention and the Universal Convention to Material Specially Intended for the Blind.”

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### CHAPTER 3: Jukebox License

#### A. *Issue*

Is the jukebox license in section 116 of the U.S. Copyright Act compatible with the Berne Convention?

#### B. *Conclusions*

We conclude that: (1) with respect to musical works of foreign origin, the jukebox license under the current U.S. statute is probably incompatible with the Convention insofar as it permits the public performance of such works without the consent of the owners of copyright therein; (2) with respect to musical works of U.S. origin, however, the statute is compatible.

#### C. *Relevant Berne Provisions*

Article 11(1) of the Berne Convention provides that:

Authors of dramatic, dramatico-musical and musical works shall enjoy the exclusive right of authorizing:

- (i) the public performance of their works, including such public performance by any means or process;
- (ii) any communication to the public of the performance of their works.

#### D. *Relevant U.S. Provisions*

The jukebox license in section 116 of the Copyright Act is one of four compulsory licenses in the current U.S. statute,<sup>1</sup> and it allows a jukebox operator to perform recorded musical works in public without the consent of the copyright owners upon compliance with the terms and conditions specified under the law.<sup>2</sup> The royalty rate, initially set forth in the statute, is subject to periodic adjustment by the Copyright Royalty Tribunal.<sup>3</sup>

#### E. *Discussion*

Article 11(1) of the Berne Convention calls for copyright owners to enjoy the exclusive right of authorizing public performances of their musical works. The reference in Article 11(1)(i) to public performance "by any means or process" is a reference to public performance by means of recordings.<sup>4</sup> Thus, there is no question that performances of record-

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<sup>1</sup> The other three licenses are considered elsewhere in this Report. See Chapter 1, Compulsory Cable License; Chapter 5, Mechanical License; Chapter 8, Public Broadcasting License.

<sup>2</sup> 17 U.S.C. § 116.

<sup>3</sup> See 17 U.S.C. § 804.

<sup>4</sup> See WORLD INTELLECTUAL PROPERTY ORGANIZATION, GUIDE TO THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS (PARIS ACT 1971) ¶ 11.4 (1978) ("WIPO Guide"); S. Stewart, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS III (1983).

ings on a jukebox in a public place are public performances of the underlying musical works within the meaning of this Article.<sup>5</sup>

On its face, the jukebox license in section 116 of the U.S. law deprives copyright owners of the exclusive right of authorizing public performances of their musical works on a jukebox. The only issue, therefore, is whether this compulsory jukebox license represents a permissible exception to the public performance right mandated by the Berne Convention. We believe that section 116 is probably not a permissible exception, at least insofar as it applies to works of foreign origin.<sup>6</sup>

Unlike other provisions of the Convention,<sup>7</sup> the public performance right in Article 11(1) does not expressly sanction compulsory licensing. Thus, the existence of expressly-approved compulsory licenses elsewhere in the Convention makes it difficult to infer the existence of an implied compulsory license in Article 11(1). As William Wallace has noted, “[t]his article does not contain any provisions similar to that of Article 11*bis*(2) [authorizing compulsory licensing of the broadcasting right], and it must be therefore assumed that no exception to the exclusive right is allowed.”<sup>8</sup>

It is true that the 1967 Stockholm Conference confirmed that member countries should be allowed to preserve in their national legislation so-called “minor reservations” to Articles 11 and 11*bis*, among others, even though this possibility is not expressly acknowledged in the present text of the Convention.<sup>9</sup> Nevertheless, the Conference made clear that the concept of “minor reservations” was intended to refer to exceptions such as “religious ceremonies, performances by military bands and the requirements of education and popularization”;<sup>10</sup> there is no indication that it was meant to extend to a system of compulsory licensing. Indeed, if a compulsory license were considered one of the “minor reservations” implicitly permitted under the broadcasting right in Article 11*bis*, there

<sup>5</sup> See W. WALLACE, UNITED STATES COPYRIGHT LAW AND THE BERNE CONVENTION ¶ 7(c) (1978) (“WALLACE (1978)”).

<sup>6</sup> With respect to works of U.S. origin, the Convention provides that protection in the country of origin is governed by domestic law, so that the question of compatibility does not arise. See Foreword.

<sup>7</sup> As discussed elsewhere in this Report, the broadcasting right in Article 11*bis* is expressly made subject to a permissible form of compulsory licensing. See Chapter 1, Compulsory Cable License; Chapter 8, Public Broadcasting License. The right to record musical works also allows a compulsory license under Article 13(1). See Chapter 5, Mechanical License.

<sup>8</sup> W. WALLACE, THE NEW U.S. COPYRIGHT LAW AND COMPATIBILITY WITH THE BERNE CONVENTION 14 (1977) (“WALLACE (1977)”).

<sup>9</sup> See S. Bergstrom, *Report of Main Committee I* ¶ 209 (1967) (“Stockholm Report”); WIPO GUIDE at ¶ 11.6.

<sup>10</sup> Stockholm Report at ¶ 209. See also WIPO GUIDE at ¶ 11.6.

would have been no need to include an explicit compulsory licensing provision in that Article.

Further evidence that compulsory licensing of the public performance right is not permitted under Article 11(1) is found in the history of the mechanical license in Article 13.<sup>11</sup> The 1948 Brussels text of Article 13(1) originally included a right to record musical works *and* to perform them by means of recordings.<sup>12</sup> Both of these rights were subject to compulsory licensing in Article 13(2).<sup>13</sup> At the Stockholm Conference in 1967, it was decided that Article 13(1) was superfluous, both because a general right of reproduction was created for the first time in the Stockholm text and because the right of public performance by means of recordings was already included in the public performance right in Article 11(1).<sup>14</sup> Accordingly, Article 13(1) was eliminated and the compulsory license in Article 13(2) (now renumbered Article 13(1)) was expressly limited to permit a compulsory license only to record musical works but not to perform them.<sup>15</sup> Indeed, one of the arguments advanced in favor of the Stockholm revision of Article 13 was that “[old Article 13(1)] should be deleted in the interest of authors, because the compulsory license cannot apply to the public performance by instruments of mechanical reproduction [*i.e.*, by means of recordings].”<sup>16</sup> Thus, it could scarcely be clearer that the Stockholm Conference intended to disapprove any compulsory license for the public performance of recorded music.<sup>17</sup>

William Wallace, after initially concluding in 1977 that our jukebox license was “probably the only case where such a [compulsory licensing] system is to be considered as incompatible with the provisions of the Berne Convention,”<sup>18</sup> subsequently suggested that the jukebox license might be found permissible under the general consensus of the Stockholm participants that member countries could “take all necessary measures to restrict possible abuse of monopolies.”<sup>19</sup> Because it could be

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<sup>11</sup> The mechanical license is discussed in greater detail in Chapter 5 of this Report.

<sup>12</sup> See Stockholm Report at ¶ 227; WIPO GUIDE at ¶ 13.2.

<sup>13</sup> See Stockholm Report at ¶ 227; WIPO GUIDE at ¶ 13.6.

<sup>14</sup> See Stockholm Report at ¶ 229; WIPO GUIDE at ¶ 13.2.

<sup>15</sup> See Stockholm Report at ¶ 232; WIPO GUIDE at ¶ 13.6.

<sup>16</sup> Records of the Stockholm Conference ¶ 1344.4 (1967) (remarks of Mr. Straschnov). It is interesting to note that these remarks were supported by William Wallace. See *id.* at ¶ 1345.

<sup>17</sup> The Stockholm text of Article 13(1) was confirmed without change at the 1971 Paris Conference, which established the most recent text of the Convention. See WIPO GUIDE at ¶ 13.6.

<sup>18</sup> WALLACE (1977) at 13.

<sup>19</sup> WALLACE (1978) at ¶ 7(c), quoting from Stockholm Report at ¶ 263. See also WIPO GUIDE at ¶ 17.4.

argued that section 116 was designed to ensure that there was "no abuse of the monopoly position enjoyed by" the performing right societies in determining the royalty rates of jukebox performances, and because the rate was subject to periodic adjustment in proceedings at which authors would be able to make their case, Wallace was "hesitant" to conclude that section 116 was in conflict with the Convention.<sup>20</sup>

This line of argument is not without difficulty. While it is true that the Stockholm Conference acknowledged every member country's sovereign authority to restrict possible "abuse of monopoly," it is not clear that this authority extends to the creation of a compulsory licensing system in cases where none is permitted by the Convention itself. The WIPO GUIDE indicates only that the "abuse of monopoly" principle sanctions the laws of countries within the Anglo-Saxon legal tradition which provide for tribunals to arbitrate between collecting societies and users of copyrighted works; it does not suggest that these countries may deprive individual copyright owners of the right to consent to the licensing of their works.<sup>21</sup> On the contrary, it was agreed at the Stockholm Conference that Article 17 (under which the "abuse of monopoly" principle was recognized) did not permit a government to introduce any kind of compulsory license.<sup>22</sup> At most, it was conceded that a country could override an author's consent to disseminate a work in order to maintain public order, e.g., "to allow the police to publish or broadcast a photograph of a wanted criminal."<sup>23</sup>

Another problem with the "abuse of monopoly" argument is that it presupposes that the performing right societies enjoy a "monopoly" in determining the royalty rates for public performances of recorded music—a conclusion that the U.S. courts have consistently rejected.<sup>24</sup> Thus, even assuming that this principle sanctions a system of compulsory

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<sup>20</sup> WALLACE (1978) at ¶ 7(c). A similar argument was recently made by the Director General of the World Intellectual Property Organization in response to written questions submitted by Senator Mathias. See letter from Dr. Arpad Bogsch to Mr. Harvey J. Winter, Attachment at 3 (June 19, 1985).

<sup>21</sup> See WIPO GUIDE at ¶ 17.4.

<sup>22</sup> See Stockholm Report at ¶ 262; WIPO GUIDE at ¶ 17.3.

<sup>23</sup> WIPO GUIDE at ¶ 17.3.

<sup>24</sup> See *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1 (1979), *on remand sub nom. Columbia Broadcasting System, Inc. v. American Society of Composers, Authors and Publishers*, 607 F.2d 543 (2d Cir. 1979), *on remand*, 620 F.2d 930 (2d Cir. 1980), *cert. denied*, 450 U.S. 970, *rehearing denied*, 450 U.S. 1050 (1981); *Buffalo Broadcasting Co. v. American Society of Composers, Authors and Publishers*, 744 F.2d 917 (2d Cir. 1984), *cert. denied*, 53 U.S.L.W. 3597 (1985); *K-91, Inc. v. Gershwin Publishing Corp.*, 372 F.2d 1 (9th Cir. 1967), *cert. denied*, 389 U.S. 1045 (1968); *Broadcast Music, Inc. v. Moor-Law, Inc.*, 527 F. Supp. 758 (D. Del. 1981), *aff'd mem.*, 691 F.2d 490 (3d Cir. 1982).

licensing to prevent an "abuse of monopoly," there is no evidence to suggest that such a monopoly exists with respect to the licensing of jukebox performances or that a compulsory license is needed to prevent its abuse.

In recent testimony before the United States Senate, Dr. Arpad Bogsch, WIPO's Director General, argued that the U.S. jukebox license, although "theoretically" providing a lower level of protection than that required by the Berne Convention,<sup>25</sup> is "not of sufficient importance from an economic viewpoint" to require any change in U.S. law to permit Berne adherence.<sup>26</sup> Whatever its political appeal, this economic argument does not appear to overcome the substantive legal incompatibility identified in this Report. In the first place, it may be questioned whether total jukebox royalties amounting to \$5,197,548 in 1984<sup>27</sup> are economically unimportant. Certainly, these royalty payments are of considerable economic significance to the industries affected. Second, as a legal matter, it may be doubted whether the Convention sanctions a lower level of protection based upon the relative economic value of the activity involved. It would surely set a dangerous precedent for the United States to argue that an author's right need not be protected where it generates less than \$5 million per year in total royalty payments.

In response to written questions, Dr. Bogsch also suggested that the jukebox license should be regarded as compatible on the ground that coin-operated jukeboxes "may well be on their way out since better techniques and less bulky devices are taking their place."<sup>28</sup> Whatever the future may hold for the coin-operated jukebox, it is not clear how this prediction of its future obsolescence can rectify the incompatibility that is found on the face of the present statute.

Two recent developments relating to the jukebox license also deserve to be mentioned. First, in testimony before the United States Senate, the Copyright Office has taken the position that the jukebox license "appears to be inconsistent with the minimum obligations of Article 11(1)

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<sup>25</sup> *Hearing Before the Senate Subcommittee on Patents, Copyrights and Trademarks, Senate Judiciary Committee, 99th Cong., 1st Sess.,* unofficial transcript at 12 (May 16, 1985) (remarks of Dr. Bogsch).

<sup>26</sup> *Id.* at 23. See also letter from Dr. Arpad Bogsch to Mr. Harvey J. Winter, Attachment at 2 (June 19, 1985) (where Dr. Bogsch argues in response to a written question from Senator Mathias that "the economic significance, for authors and composers, of the use of [jukebox] players is marginal").

<sup>27</sup> Telephone interview with George Lanier, Licensing Division, Copyright Office (August 5, 1985).

<sup>28</sup> Letter from Dr. Arpad Bogsch to Mr. Harvey J. Winter, Attachment at 2 (June 19, 1985).

of the Berne Convention."<sup>29</sup> The Copyright Office has reiterated this position in response to written questions submitted by Senator Mathias.<sup>30</sup>

Second, representatives of the principal performing right societies and the jukebox owners have announced a voluntary agreement concerning future compliance with the jukebox license.<sup>31</sup> Under this agreement, jukebox owners may obtain a rebate from the jukebox compulsory license fee if they satisfy certain conditions agreed to between the parties, including compliance with all the provisions of the copyright law for the year in which the rebate is sought. The rebate scheme will be administered by the parties, and rebates will be issued by the performing right societies after receipt of their compulsory license fees. The agreement also contains other provisions designed to encourage jukebox owners to comply with the existing law and regulations.

This voluntary agreement does not appear to resolve the basic incompatibility between the statutory jukebox license and the Berne Convention. Obviously, it does not purport to modify the statute itself. Most significantly, it does not afford copyright owners the exclusive right of authorizing jukebox performances of their works. At most, it represents a voluntary adjustment of the amount of fees paid under a compulsory license, not an agreement to substitute voluntary licensing for compulsory licensing.

Finally, it bears noting that there is no Berne member nation whose law provides for compulsory licensing of jukebox performances.<sup>32</sup>

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<sup>29</sup> Statement of Donald C. Curran, Associate Librarian of Congress and Acting Register of Copyrights, Copyright Office, Before the Senate Subcommittee on Patents, Copyrights and Trademarks, Senate Judiciary Committee, 99th Cong., 1st Sess. 34 (May 16, 1985).

<sup>30</sup> See Letter from Donald C. Curran, Acting Register of Copyrights, to Senator Charles McC. Mathias, Attachment at 2 (July 3, 1985) ("The jukebox license is the only major incompatible compulsory license.").

<sup>31</sup> See Press Release, "Music Performing Rights Organizations and Jukebox Owners Reach Agreement" (May 13, 1985). It should be stressed that our analysis of the agreement is based solely on this press release: the agreement itself has not been publicly disclosed.

<sup>32</sup> Telephone interview with Gillian Davies, Associate Director General and Chief Legal Adviser, International Federation of Phonogram and Videogram Producers (May 17, 1985). *But see* letter from Dr. Arpad Bogsch to Mr. Harvey J. Winter, Attachment at 2 (June 19, 1985) (arguing that jukebox performances are subject to "a *de facto* compulsory licensing system" in several Berne countries).

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**CHAPTER 4: Domestic Manufacturing Requirements**

- A. *Issue* Is Section 601 of the 1976 Copyright Act compatible with the Berne Convention?
- B. *Conclusion* Section 601 is not compatible with the Berne Convention to the extent that it applies to works of foreign origin.
- C. *Relevant Berne Provisions*  
Article 5(1) of the Convention provides:

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 specifically granted by this Convention.

Article 5(2) further provides that the “enjoyment and the exercise of these rights shall not be subject to any formality.”

D. *Relevant U.S.A. Provisions*

Section 601 of the U.S. copyright Act prohibits importation and distribution in the United States of copies of any U.S.-copyrighted work consisting preponderantly of non-dramatic literary material in English, unless manufactured in the U.S. or Canada. There are several exceptions to this ban including: works of foreign authors not domiciled here on the date of importation; up to 2,000 copies of any work covered by the clause may be brought into the U.S. under an Import Statement; works of U.S. authors domiciled abroad or first published abroad, under specified conditions. Section 601 (“the manufacturing clause”) is enforced by seizure provisions under Section 603 and by allowing failure of domestic manufacture as a defense to actions for infringement of the publishing rights in a work imported in violation of Section 601.

E. *Discussion*

There can be no doubt that the manufacturing clause is a formality within the meaning of, and prohibited by, Article 5(2) of the Berne Convention.<sup>1</sup> Despite its substantial liberalization in the 1976 Copyright Act, failure to comply with the conditions of Section 601 causes a suspension of the enforceability of fundamental rights in non-dramatic

<sup>1</sup> The WIPO GLOSSARY OF THE TERMS OF THE LAW OF COPYRIGHT AND NEIGHBORING RIGHTS states:

Some countries still require in the field of copyright compliance with *certain formalities* such as copyright notice, deposit, registration or *manufacture* in those countries. (emphasis added)

literary works, as well as authorizing the seizure by the Customs Service of copies of works sent to the U.S. for distribution.

By limiting the right of an author or other copyright owner to exercise rights of public distribution and reproduction in non-dramatic literary materials to copies manufactured locally, Section 601 conditions the "enjoyment" of copyright. By conditioning the power of an aggrieved rightsholder to enforce reproduction and distribution rights against infringers upon local manufacture of copies, Section 601 impedes the "exercise" of copyright.

Section 601 can be applied to works of U.S. origin, for the reasons discussed in the introduction to these papers. It cannot be applied to works whose country of origin is a state of the Berne Union, whether created by foreign or U.S. authors. For example: if a U.S. author's work is first published in the United Kingdom, that is its country of origin. Under Berne, the U.S. could not apply Section 601 or 603 to importation of copies, even if the work did not qualify for the exemption granted by Section 601(b)(7).

Copyrighted non-dramatic literary works of foreign authors may also be caught up in the proscriptions and penalties of the clause. A valid claim to copyright by a foreign author may exist in a contribution to a collective work consisting substantially of U.S.-authored contributions. In such cases—of particular concern in connection with compilations and collective works—foreign authored material may become subject to the manufacturing requirements of Section 601.

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**CHAPTER 5: Mechanical License****A. Issue**

Is the mechanical license in section 115 of the U.S. Copyright Act compatible with the Berne Convention?

**B. Conclusion**

We conclude that the mechanical license is compatible with the Convention.

**C. Relevant Berne Provisions**

Article 13(1) of the Berne Convention provides that:

Each country of the Union may impose for itself reservations and conditions on the exclusive right granted to the author of a musical work and to the author of any words, the recording of which together with the musical work has already been authorized by the latter, to authorize the sound recording of that musical work, together with such words, if any; but all such reservations and conditions shall apply only in the countries which have imposed them and shall not, in any circumstances, be prejudicial to the rights of these authors to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.

**D. Relevant U.S. Provisions**

The mechanical license in section 115 of the Copyright Act, one of four compulsory licenses in the current U.S. statute,<sup>1</sup> permits any person to make and distribute phonorecords of a nondramatic musical work (including any accompanying words) without the copyright owner's consent upon compliance with the terms and conditions specified under the law.<sup>2</sup> The mechanical license is available only after the owner of copyright in the underlying musical work has first authorized the distribution of phonorecords embodying the work.<sup>3</sup> The royalty rate under the mechanical license, initially prescribed by Congress, is subject to periodic adjustment by the Copyright Royalty Tribunal.<sup>4</sup>

**E. Discussion**

According to Claude Masouye, Article 13(1) of the Berne Convention is expressly intended to allow "member countries to provide for

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<sup>1</sup> The other three compulsory licenses are considered elsewhere in this Report. See Chapter 1, Compulsory Cable License; Chapter 3, Jukebox License; Chapter 8, Public Broadcasting License.

<sup>2</sup> 17 U.S.C. § 115.

<sup>3</sup> 17 U.S.C. § 115(a)(1).

<sup>4</sup> See 17 U.S.C. § 804.

compulsory licenses to record musical works.”<sup>5</sup> To satisfy the Convention requirements, any compulsory licensing system must include the following features: (1) the owner of copyright in the underlying musical work (including any accompanying words) must already have consented to an earlier recording of the work;<sup>6</sup> (2) the compulsory license must apply only in the country granting it;<sup>7</sup> and (3) the copyright owner must obtain “equitable remuneration” fixed, in the absence of agreement, by “competent authority.”<sup>8</sup> This last requirement means that the country must lay down a “proper procedure” to determine a fair remuneration, *e.g.*, “by fixing the level of compensation . . . or by setting up a tribunal to arbitrate the point between the parties.”<sup>9</sup> In addition, the compulsory licensing scheme must not prejudice the moral rights afforded by Article 6*bis* of the Convention.<sup>10</sup>

There is uniform agreement that section 115 of the U.S. Copyright Act is compatible with these Convention requirements.<sup>11</sup> Our mechanical license clearly satisfies the three main conditions for compulsory licensing set forth in Article 13(1), and it contains an explicit recognition of the more important moral rights.<sup>12</sup> It is also worth noting that similar mechanical licenses exist in other countries—including the United Kingdom and West Germany—which were expressly cited at the 1967 Stock-

<sup>5</sup> World Intellectual Property Organization, GUIDE TO THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS (PARIS ACT, 1971) ¶ 13.6 (1978) (“WIPO Guide”).

<sup>6</sup> See WIPO GUIDE at ¶ 13.8.

<sup>7</sup> See WIPO GUIDE at ¶ 13.9.

<sup>8</sup> Article 13(1). See also WIPO GUIDE at ¶ 13.9.

<sup>9</sup> WIPO GUIDE at ¶ 11*bis* 16.

<sup>10</sup> See WIPO GUIDE at ¶ 13.9; S. STEWART, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS 115 (1983). The question of moral rights is considered in greater detail in Chapter 6 of this Report.

<sup>11</sup> See Statement of Donald C. Curran, Associate Librarian of Congress and Acting Register of Copyrights, Copyright Office, Before the Senate Subcommittee on Patents, Copyrights and Trademarks, Senate Judiciary Committee, 99th Cong., 1st Sess. 47 (May 16, 1985); W. WALLACE, THE NEW U.S. COPYRIGHT LAW AND COMPATIBILITY WITH THE BERNE CONVENTION 13 (Jul 21, 1977); W. WALLACE, UNITED STATES COPYRIGHT LAW AND THE BERNE CONVENTION ¶ 7(a) (Mar. 1978).

<sup>12</sup> Section 115(a)(2) provides that “[a] compulsory license includes the privilege of making a musical arrangement of the work to the extent necessary to conform it to the style or manner of interpretation of the performance involved, *but the arrangement shall not change the basic melody or fundamental character of the work, . . .*” 17 U.S.C. § 115(a)(2) (emphasis added). This provision appears to satisfy the moral right to object to distortion, mutilation, or modification of the underlying musical work. The other aspect of the moral right—the right of authorship—is discussed in Chapter 6 of this Report.

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holm Conference of Berne members as a model for the present text of Article 13(1).<sup>13</sup>

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<sup>13</sup> See S. Bergstrom, *Report on the Work of Main Committee I* ¶ 236 (1967) ("Stockholm Report"); S. STEWART, *supra*, at 115. The Stockholm text of Article 13(1) was confirmed at the 1971 Paris Conference, which established the most recent text of Article 13(1). See WIPO GUIDE at ¶ 13.6.

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## CHAPTER 6: Moral Rights

### A. *Issue*

Is protection of "moral rights" in the U.S. compatible with the Berne Convention?

### B. *Conclusion*

Given the substantial protection now available for the real equivalent of moral rights under statutory and common law in the U.S., the lack of uniformity in protection of other Berne nations, the absence of moral rights provisions in some of their copyright laws, and the reservation of control over remedies to each Berne country, the protection of moral rights in the United States is compatible with the Berne Convention.

### C. *Relevant Berne Provisions*

The provisions on moral rights are contained in Article 6*bis*:

(1) 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.

(2) The rights granted to the author in accordance with the preceding paragraph shall, after his death, be maintained, at least until the expiry of the economic rights, and shall be exercisable by the persons or institutions authorized by the legislation of the country where protection is claimed. However, those countries whose legislation, at the moment of their ratification of or accession to this Act, does not provide for the protection after the death of the author of all the rights set out in the preceding paragraph may provide that some of these rights may, after his death, cease to be maintained.

(3) The means of redress for safeguarding the rights granted by this Article shall be governed by the legislation of the country where protection is claimed.

### D. *Relevant U.S. Provisions*

There are no explicit "moral rights" provisions in the United States Copyright Act. The relevant federal statutory provisions and other sources of protection are:

1. Sec. 106 (2) of the Copyright Act, which grants authors the exclusive right to make derivative works based on their works; and section 101 which defines "derivative work" to include abridgements, condensations, editorial revisions or other modifications. In addition, the me-

chanical license of Section 115 (a)(2) contains a moral rights provision. (See Chapter 5, Mechanical License)

2. Sec. 43(a) of the Lanham Act (15 U.S.C.A. 1125(a)), which prohibits false designations of origins of works, including intellectual and artistic works, and prohibits false descriptions and representations of such works.

3. Decisions under Sec. 43(a).

4. State and Federal decisions protecting various rights equivalent to those granted in Article 6*bis* under state common law principles.

5. State statutes protecting rights equivalent to those granted by Article 6*bis*.

#### E. Discussion

##### 1. SOURCE OF PROTECTION

Our Copyright Act and Sec. 43(a) of the Lanham Act do not protect all the moral rights specified by Berne. Even assuming that state common law protected those rights not secured by Federal statutes, would that satisfy the Berne requirement that redress be governed by the "legislation" of the country where protection is claimed?

Dr. Boytha, in his Copyright Office presentation (6/84) said that

"several member states of the Berne Union still do not have statutory provisions for the protection of moral rights. The wording of the Berne Convention leaves sufficient room for implementation of Article 6*bis* in various ways."

William Wallace, in his memorandum annexed to Letter C.425 (7/79) says that U.S. copyright law does not differ markedly from that of Great Britain or other members whose copyright laws do not contain moral rights provisions, but "rely on their general law, including particularly the law of defamation, to meet these convention obligations."

It appears state law can fill the gaps in federal protection of moral rights. Dr. Bogsch advises that "legislation", as used in Article 6*bis*, includes a country's decisional as well as statutory law. Australia has a federal system and no moral rights provision in its national legislation, and its adherence to Berne is unchallenged.

##### 2. CATEGORIES OF MORAL RIGHTS

Various foreign countries have recognized one or more of the following categories of moral rights:

- (a) The right of publication.
- (b) The right of recall.
- (c) The right to claim authorship.
- (d) The right to protect the integrity of the work.

### 3. THE RIGHT OF PUBLICATION

Some Berne countries (e.g. West Germany and France) grant a *moral* right of publication, i.e. a right to decide whether, and in what form, the work shall be presented to the public. Other Berne countries do not grant that right, as distinct from a copyright right of publication, e.g. Denmark, India, Italy, and Sweden. The moral right of publication is not provided for in the Berne Convention; see *GUIDE TO THE BERNE CONVENTION* [Paris Act, 1971] (herein "WIPO GUIDE"), pp. 42-3. Consequently, absence of a moral right of publication in the United States would not pose any incompatibility with Berne. The U.S. Copyright Act, moreover, does grant authors the exclusive right of publication (section 106(3)).

### 4. THE RIGHT OF RECALL

Some Berne countries (e.g. West Germany, France and Italy) grant the author a moral right to withdraw a work from use if it no longer represents the author's views. Several Berne countries that grant moral rights in their legislation do not include a right of recall (e.g. Belgium, Denmark, Netherlands, and Norway). The Berne convention does not explicitly grant a right of recall, and the absence of that provision from the laws of several members indicates that "recall" cannot be considered a right granted by Article 6*bis*. Absence of a right of recall in U.S. law would not, therefore, constitute an incompatibility with Berne.

### 5. THE RIGHT TO CLAIM AUTHORSHIP

#### I. PROVISIONS OF BERNE MEMBERS

Article 6*bis* grants "the author the right to claim authorship of the work . . .". The phrase encompasses the author's rights: to have the work published anonymously or pseudonymously, to prevent it from being attributed to another author; and to prevent his name from being applied to the work of another person (WIPO GUIDE, p. 41).

Most Berne members grant the right to claim authorship, in varying forms, in their legislation. However some Berne nations do not grant the right to claim authorship or other moral rights: i.e. Australia, Ireland, Liechtenstein, and South Africa. The United Kingdom's Copyright Act does not grant moral rights but does prohibit anyone from affixing a person's name to a work if he is not its author. But the provision (section 43) does not grant an author the right to have his name placed on the work. Switzerland's copyright statute prohibits use of an author's name on copies of a reproduction not originating from him, and failing to indicate the source in cases where the law requires. But the statute does not contain any other moral rights provisions, although it does give *Swiss* authors the protection of moral rights provided in Berne's Article 6*bis*.

#### II. U.S. PROTECTION OF THE RIGHT TO CLAIM AUTHORSHIP

The Copyright Act does not grant authors a right to claim author-

ship. It does require that the "author" of a work be named in the application for registration. But that does not afford the protection commonly understood to be provided in Berne's affirmative moral right of paternity—the author's right to have his or her name placed on the work. (WIPO GUIDE, p. 41)

No other United States statute explicitly grants the right to claim authorship, nor do state statutes provide that protection. A few states provide a right of paternity to works of graphic art (N.Y. Gen. Business Law, Article 12J; Cal. Civ. Code, Sec. 987 (West Supp. 1983), but do not extend the right to authors of other works. Most states do not even grant that limited statutory protection.

However, as some commentators believe, sufficient protection of the right to claim authorship is provided by a combination of common-law rights and section 43(a) of the Lanham Act (herein "Sec. 43(a)") to satisfy Article 6bis. (See, e.g., Nimmer, *Implications of the Prospective Revisions of the Berne Convention and the United States Copyright Law*, 19 STANFORD LAW REVIEW 499, 518–521, February 1967.) Although courts have stated that "moral rights" do not exist under U.S. law [e.g., *Geisel v. Poynter Products*, 295 F. Supp. 331, 340 (S.D.N.Y. 1968)], if in reality the rights of paternity and integrity are adequately protected by other legal principles and statutory provisions, then the totality of United States law should be recognized as sufficiently compatible with Article 6bis.

#### (i) THE RIGHT TO BE IDENTIFIED AS AUTHOR

##### (a) *Contract Theory*

As Professor Nimmer points out, some decisions have held that an author cannot require that his name be applied to his work unless the contract explicitly requires it. NIMMER ON COPYRIGHT (1984) (herein cited as "NIMMER"), Sec. 8.21[E]. E.g., *Harris v. Twentieth Century-Fox Film Corp.*, 43 F. Supp. 119 (S.D.N.Y. 1942); *Vargas v. Esquire, Inc.*, 164 F.2d 522 (7th Cir. 1947).

Although the names of authors who are not employees-for-hire usually are applied to their work in many media: e.g. books, magazine articles, graphic works, sheet music, records, etc.—the *Vargas* opinion concluded there was no implied obligation to do so. But more recent opinions involving literary property have emphasized the implied covenant of fair dealing. *Van Valkenburgh v. Hayden*, 30 N.Y. 2d 34 (1972); see also *Zilg v. Prentice-Hall*, 717 F.2d 671 (2d Cir. 1983) [implied covenant of good faith imposed obligations as to number of copies and amount of promotion a publisher must provide]. Given the prevailing practice of attributing authorship, the public policy favoring it, the cataloging practices of libraries, the public interest in identifying authors of works, and the inherent unfairness of withholding recognition of paternity, it is likely that courts will apply the implied covenant of fair

dealing or good faith to require identification of authors when there is a direct or indirect contractual nexus. Of course, where the contract for use explicitly requires identification, the courts will enforce it; and injunctive relief should be available. *Cf. Harms, Inc. v. Tops Music Enterprises*, 160 F. Supp. 77 (S.D. Cal. 1958).

(b) *Unfair Competition Theory*

As Professor Nimmer notes, *Smith v. Montoro*, 684 F.2d 602 (9th Cir. 1982) indicates, in dicta, that omission of an author's name from his work may constitute a "an implied reverse passing off" and thus violate section 43(a) of the Lanham Act. Although the prior *Vargas* opinion rejected a similar contention, publication without attribution of authorship does suggest that the work is a work-made-for-hire; or, to laymen, that the publisher or producer was responsible for creating the work rather than the actual author. This is a false designation of origin under section 43(a).

(c) *Tort Theory*

Omission of an author's name can cause him economic injury, and a user's refusal or failure, without just cause, to attribute paternity may constitute a willful/prima facie tort.

(ii) PROHIBITING IDENTIFICATION OF ANOTHER AS CREATOR OF THE AUTHOR'S WORK

Professor Nimmer says that the rights to prevent false identification of authorship "are more completely recognized within the United States. Thus, an author of a work may prevent the false identification of another as the author", citing *DeBekker v. Stokes Co.*, 106 App. Div. 452, *modified*, 172 App. Div. 960 (1916); *Harris v. 20th-Century Fox Film Corp.*, 43 F. Supp. 119 (S.D.N.Y. 1942); and *Jones v. American Law Book Co.*, 125 App. Div. 519 (1908). (19 STANFORD LAW REVIEW, p. 499). False-identification of another as author also may give rise to a claim by the actual author under Sec. 43(a) of the Lanham Act. *Smith v. Montoro*, 648 F.2d 602, and section 43(a) cases cited below.

(iii) PROHIBITING IDENTIFICATION OF THE AUTHOR AS CREATOR OF ANOTHER'S WORK

Several decisions have sustained an author's right not to be falsely identified as creator of someone else's work. Some decisions have found false identification to violate section 43(a) of the Lanham Act; e.g., *Follett v. Arbor House*, 497 F. Supp. 304 (S.D.N.Y. 1980) and *Geisel v. Poynter Products, Inc.*, 295 F. Supp. 331 (S.D.N.Y. 1968). Section 43(a) cases involving recording artists also invoke the same theory of protection.

Protection also may be granted on the ground that false attribution of authorship is a libel; e.g., *Clevenger v. Baker Voorhis & Co.*, 8 N.Y.2d 187 (1960) and 14 N.Y.2d 536 (1964); *Ben Oliel v. Press Pub. Co.*, 251 N.Y. 250 (1929); and *Kerby v. Hal Roach Studios*, 53 Cal. App. 2d 207

(1942). Authors also may have redress on the theory that false attribution violates their common-law or statutory right of privacy/publicity, e.g., *Eliot v. Jones*, 120 N.Y.S. 989 (Sup. Ct. 1910), *Jaeger v. American International Pictures, Inc.*, 330 F. Supp. 274 (S.D.N.Y. 1971).

## 6. THE RIGHT TO PROTECT THE INTEGRITY OF THE WORK

### I. PROVISIONS OF BERNE MEMBERS

Article 6bis gives the author the "right . . . to object to any distortion, mutilation, or other modification" of the work "which would be prejudicial to his honor or reputation." As written, the clause does not permit "objection" to all changes in a work, only to those that prejudice the author's honor and reputation. Similarly, the second aspect of the right, to object to "other derogatory action in relation to" the work, is subject to the condition: "which would be prejudicial to his honor or reputation."

The WIPO GUIDE says that this "formula is very elastic and leaves a good deal of latitude for the courts." Berne-member legislation also is elastic—stretching from total absence of statutory protection of integrity to detailed provisions in countries such as Germany.

### II. PROTECTION OF INTEGRITY IN THE UNITED STATES

#### (i) Copyright Act Protection

The Copyright Act does not grant a general moral right to prevent distortion, mutilation or other modification of a work.\* Section 106(2) does, however, prevent anyone from making a derivative work based on the author's work without his consent. And a "derivative work", as defined in section 101, includes abridgments, condensations, or any other "forms in which a work may be recast, transformed or adapted", including "editorial revisions" or "other modifications." Thus, as commentators have noted, unauthorized "distortion, mutilation or other modifications" would be actionable as infringements—whether or not prejudicial to the author's honor or reputation.

#### (ii) Section 43(a) Protection

Courts increasingly have granted authors protection for the integrity of their work under section 43(a) of the Lanham Act. A leading case is *Gilliam v. American Broadcasting Co.*, 538 F.2d 14 (2d Cir. 1976). See also *Jaeger v. American International Pictures, Inc.*, 330 F. Supp. 274 (S.D.N.Y. 1971); *Prouty v. NBC*, 26 F. Supp. 265 (D. Mass. 1939); *Autry v. Republic Productions*, 104 F. Supp. 918 (S.D. Cal. 1952).

#### (iii) Other Grounds for Protection

Some decisions have indicated that protection against mutilation, distortion or other modifications can be obtained under a claim of libel:

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\*However, a specific moral right is granted in the mechanical license of Section 115(a)(2).

*Kerby v. Hal Roach Studios*, 53 Cal. App. 205 (1942); *Edison v. Viva Intl. Ltd.*, 70 A.D. 2d 379 (1980); *Clevenger v. Baker Voorhis & Co.*, 8 N.Y.2d 187 (1960) and 14 N.Y.2d 536 (1964). Too, publication under the author's name, with unauthorized changes, may violate his right of privacy or publicity. *Zim v. Western Publishing Co.*, 573 F.2d 1318 (5th Cir. 1978); *Jaeger v. American International Pictures, Inc.*, 330 F. Supp. 274 (S.D.N.Y. 1971); *Big Seven Music v. Lennon et al.*, 554 F.2d 504 (2d Cir. 1977); *Stevens v. NBC*, 76 Cal. Repr. 106. (1969)

It also is conceivable that courts will extend protection against substantial invasions of integrity by invoking implied covenants of fair dealing and good faith, and also resorting to industry practice to close contractual loopholes that have sometimes shielded users who make substantial changes that affect the author's honor or reputation.

#### 7. COMPATIBILITY OF U.S. AND BERNE PROTECTION FOR MORAL RIGHTS

Although the United States does not have a statute that grants, in *haec verba*, the moral rights set forth in Article 6bis, there are substantial grounds for concluding that the totality of U.S. law provides protection for the rights of paternity and integrity sufficient to comply with 6bis, as it is applied by various Berne countries. Several do not explicitly grant moral rights in their statutes. There is not a comprehensive body of case law from each and every Berne country against which the sufficiency of U.S. law can be tested for compatibility. And the cumulative protection of U.S. law indicates that substantial recognition is provided for the right of paternity and the right of integrity, particularly given the "elasticity" of the formula for the latter right, which "leaves for a good deal of latitude to the courts." WIPO GUIDE, p. 42.

#### 8. DURATION OF RIGHTS

Berne appears to require protection until the author's economic rights expire, but it does grandfather, to some degree, the termination of protection on death. The WIPO GUIDE states that the Convention "allows the Union countries to permit one of the rights comprising the moral right to lapse, after" the author's death (p. 42). Moreover, protection under various of the U.S. sources, e.g. section 106(2) of the Copyright Act, section 43(a) of the Lanham Act and implied covenants, would survive the author's death and be available to his heirs.

#### 9. TRANSFERABILITY OF MORAL RIGHTS

Does Berne require protection of moral rights after the author transfers them? The language of Article 6 can be read to suggest that the protection survives alienation. However, some Berne-member legislation prohibits various incursions of the right of integrity "without the author's consent." Professor Nimmer, discussing the interpretation that the rights are alienable, cites Sr. Caselli, Rapporteur of the Rome conference (19

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STANFORD LAW REVIEW 524). The WIPO GUIDE (p. 423) suggests the rights are inalienable, but says that "However, on this point, too, the courts have some freedom of action."

#### 10. SELF-EXECUTION

Would U.S. adherence to Berne expand the rights of authors, and grant them new causes of action not now available under existing statutes or common law? Leaving aside the general principles and decisions governing the "self-executing" effect of ratification of treaties, it should be noted that Article 6*bis* specifically reserves to the country in which protection is claimed control over the "means" of providing "redress for safeguarding the rights granted by this article . . .", providing that those means of redress "shall be governed by its legislation." [Par. (3)]

Applied literally, the paragraph would foreclose the granting of remedies for violation of Berne moral rights, unless U.S. statutes or existing common law provided those remedies *dehors* Berne.

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**CHAPTER 7: Notice****A. Issue**

Are the notice requirements of Sections 401 and 402 of the Copyright Act of 1976 in conflict with the provision of the Berne Convention?

**B. Conclusion**

With respect to works of foreign origin, the provisions of Section 401 of the U.S. law are incompatible with the provisions of Article 5 (2) of the Berne Convention. With respect to works of U.S. origin, the Convention provides that protection in the country of origin is governed by domestic law, so that the question of compatibility does not arise. See Foreword.

**C. Relevant Berne Provisions**

Article 5, paragraph (2) of the Berne Convention states:

(2) The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.

**D. Relevant U.S. Provisions**

Section 401 of the U.S. law requires that copyrighted works contain the symbol "©" or the word "copyright" or an abbreviation, the year of publication, and the name of the owner. Section 402 has similar provisions for sound recordings. Section 405 states that the failure to provide notice does not invalidate copyright if the notice was omitted from a relatively small number of copies, or if registration has been or is made within five years after the publication of the copies from which the notice is omitted and a reasonable effort is made to add notice to copies distributed in the U.S. after the omission is discovered, or if notice was omitted in breach of an express condition imposed by the copyright owner.

**E. Discussion**

The failure to meet the notice requirement of Section 401 of U.S. law could lead to the loss of copyright. Article 5, paragraph (2) of Berne considers this kind of provision a breach of the Berne Convention.

Section 405 does not cure this incompatibility. The Berne prohibition on formalities is not dependent on the number of copies subject to the requirement, nor does it permit the substitution of another formality (registration) or a delayed formality of the same notice (efforts

to add notice) to assure protection. And the Convention does not permit the imposition of formalities where the copyright owner himself fails to comply with them, or fails to especially require compliance by others.

There is a debate whether sound recordings are covered by separate conventions and therefore not subject to Berne. Thus no comment is made about Section 402 and its compatibility with Berne.

## CHAPTER 8: Public Broadcasting Compulsory License

A. *Issue*: Is the public broadcasting compulsory license provision of the United States Copyright Act, 17 U.S.C. § 118, compatible with the Berne Convention?

B. *Conclusions*:

1. The public broadcasting compulsory license is compatible with the Berne Convention in the performing rights area.
2. It is not clear whether the public broadcasting compulsory license is compatible with the Berne Convention in the reproduction rights area.

C. *Relevant Berne Provisions*: The Berne Convention requires that the author enjoy exclusive rights over public performances by broadcasting. Article 11 bis (1) (ii) states:

(1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing:

...

(ii) any communication to the public by wire or by rebroadcasting of the broadcast of the work, when this communication is made by an organization other than the original one.

However, the Berne Convention also allows such rights to be exercised under a system of compulsory licensing as long as the author has the right to "equitable remuneration" in the absence of voluntary agreement, which remuneration "shall be fixed by competent authority". Article 11 bis (2) states:

(2) It shall be a matter for legislation in the countries of the Union to determine the conditions under which the rights mentioned in the preceding paragraph may be exercised, but those conditions shall apply only in the countries where they have been prescribed. They shall not under any circumstances be prejudicial to the moral rights of the author, nor to his right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.

Article 11 bis (3) allows for the making of "ephemeral recordings," which are limited to those made by "a broadcasting organization by means of its own facilities and used on its own broadcasts":

(3) In the absence of any contrary stipulation, permission granted in accordance with paragraph (1) of this Article shall not imply permission to record, by means of instruments, recording sounds or images, the work broadcast. It shall, however, be a matter for legislation in the countries of the Union to determine the regulations for ephemeral recordings made by a broadcasting organization by means of its own facilities and used

for its own broadcasts. The preservation of these recordings in official archives may, on the ground of their exceptional documentary character, be authorized by such legislation.

Article 9 (2) allows for reproduction of literary and artistic works "in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author":

(2) It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

- D. *Relevant U.S. Provisions:* The 1976 Copyright Act contains a compulsory license which allows public broadcasting entities to: 1) perform or display published nondramatic musical works and pictorial, graphic, and sculptural works in the course of transmissions by non-commercial educational broadcast stations; and 2) produce such programs for such transmissions, entailing reproduction of the works (including the "synchronization" right for music, and the reproduction of pictorial, graphic and sculptural works, on film or videotape). 17 U.S.C. § 118. License fees are arrived at voluntarily by the copyright owners and public broadcasting entities; in the absence of an agreement, the Copyright Royalty Tribunal sets a "reasonable" license fee.
- E. *Discussion:* The public broadcasting compulsory license appears to fall within the provisions of Article 11 *bis* (2) insofar as the performing right (and, by analogy, the display right) is concerned. Voluntary license agreements are in force; should the compulsory license be invoked, the "reasonable" compulsory license fees to be determined by the Copyright Royalty Tribunal would likely meet the requirement that they be "equitable" and fixed by "competent authority".

The question as regards reproduction rights is not so clear-cut. The reproduction could not be justified under the "ephemeral recording" provisions of Article 11 *bis* (3), because such recordings are limited to those made by "a broadcasting organization by means of its own facilities and used on its own broadcasts." Such is not the case here, where independent, non-broadcasting-organization program producers have the benefit of the compulsory license. It might be argued that the public broadcasting compulsory license does not fit the "special cases" exception of Article 9 (2), for the Convention specifically lists the permissible (and thus, by inference, the impermissible) compulsory licenses; no compulsory license is specifically allowed for any reproduction right other than the mechanical right.

On the other hand, it might be argued that the limited compulsory license for reproduction rights granted in § 118, for a limited class of works (published musical and pictorial, graphic and sculptural works) and a limited class of users (public broadcasting entities) is such a special case, meets the other tests of Article 9 (2), and is therefore compatible with the letter and spirit of Article 9.

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**CHAPTER 9: Registration, Recordation and Deposit****A. ISSUES**

1. Are the registration provisions of Sec. 405(a)(2), 405(b), 408(a), 410(a), 411 and 412 of the U.S. Copyright Law compatible with the Berne Convention?
2. Are the recordation provisions of Sec. 205(c)(2) and 205(d) of the U.S. Copyright Law compatible with the Berne Convention?
3. Are the deposit provisions of Sec. 407 and 408 of the U.S. Copyright Law compatible with the Berne Convention?

**B. CONCLUSIONS<sup>1</sup>**1. *Registration*

- a. With respect to works of foreign origin<sup>2</sup>, Sec. 405(a) is incompatible with Berne since subsection (2) thereof refers to registration as a cure for omission of notice.
- b. It is unclear whether Sec. 405(b) which governs relief against innocent infringers is compatible with Berne.
- c. Sec. 408 is compatible with Berne since its permissive registration requirements are not a condition of copyright protection.
- d. Sec. 410(c) is compatible with Berne, since it only deals with the evidentiary effect of a certificate of registration.
- e. Sec. 411 is compatible with Berne to the extent that it requires registration of a work of which the U.S. is the country of origin and is not compatible with Berne to the extent that it requires registration of a work of which the U.S. is not the country of origin as a prerequisite to instituting an infringement action.
- f. Sec. 412 is compatible with Berne since it deals with certain specific remedies rather than the ability to obtain redress at all.

2. *Recordation*

With respect to works of foreign origin<sup>3</sup>, Sec. 205(d) is incompatible with Berne, since it requires recordation as a prerequisite to suit and thereby may affect the exercise of copyright.

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<sup>1</sup> Actual practices in a number of Berne countries are set forth in the Appendix.

<sup>2</sup> With respect to works of U.S. origin, the Convention provides that protection in the country of origin is governed by domestic law, so that the question of compatibility does not arise. See Foreward.

<sup>3</sup> *Id.*

### 3. *Deposit*

- a. Sec. 407 is compatible with Berne, since the mandatory deposit is not a condition of copyright protection.
- b. Sec. 408 is compatible with Berne, since the required deposit is not a condition of copyright protection.

## C. *RELEVANT BERNE PROVISIONS*

### *Formalities of Registration, Recordation and Deposit*

#### 1. Art. 5, par. (2): AUTOMATIC PROTECTION AND INDEPENDENCE OF PROTECTION

(2) The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.

#### 2. Art. 5, par. (4): DEFINITION OF THE COUNTRY OF ORIGIN OF A WORK

(4) The country of origin shall be considered to be:

- (a) in the case of works first published in a country of the Union, that country; in the case of works published simultaneously in several countries of the Union which grant different terms of protection, the country whose legislation grants the shortest term of protection;
- (b) in the case of works published simultaneously in a country outside the Union and in a country of the Union, the latter country;
- (c) in the case of unpublished works first published in a country outside the Union, without simultaneous publication in a country of the Union, the country of the Union of which the author is a national provided that:
  - (i) when these are cinematographic works the maker of which has his headquarters or his habitual residence in a country of the Union, the country of origin shall be that country, and
  - (ii) when these are works of architecture erected in a country of the Union or other artistic works incorporated in a building or other structure located in a country of the Union, the country of origin shall be that country.

**D. RELEVANT U.S. PROVISIONS****1. Registration and Recordation****a. Sec. 205(c)(2): RECORDATION AS CONSTRUCTIVE NOTICE.**

Recordation of a document in the Copyright Office gives all persons constructive notice of the facts stated in the recorded documents, but only if . . . registration has been made for the work.

**b. Sec. 205(d): RECORDATION AS PREREQUISITE TO INFRINGEMENT SUIT.**

No person claiming by virtue of a transfer . . . is entitled to institute an infringement action . . . until the instrument of transfer . . . has been recorded in the Copyright Office . . .

**c. Sec. 405(a)(2): EFFECT OF OMISSION ON COPYRIGHT.**

(a) The omission of the copyright notice does not invalidate the copyright in a work if . . . registration . . . has been made before . . . five years after the publication without notice, and a reasonable effort is made to add notice to all copies or phonorecords that are distributed . . . after the omission has been discovered . . .

**d. Sec. 405(b): EFFECT OF OMISSION ON INNOCENT INFRINGERS.**

Any person who innocently infringes a copyright, in reliance upon an (omission of) . . . notice . . . incurs no liability . . . for any infringing acts committed before receiving actual notice that registration . . . has been made . . . if . . . he . . . was misled by the omission . . . . in such a case the court may allow . . . recovery of . . . profits . . . may enjoin the continuation . . . or may require . . . that the infringer pay . . . a reasonable license fee . . . on terms fixed by the court.

**e. Sec. 408(a): REGISTRATION PERMISSIVE.**

At any time . . . the owner . . . may obtain registration . . . by delivering . . . the deposit specified . . . together with the application and fee . . .

**f. Sec. 410(c): (Certificate)**

In any judicial proceedings the certificate of a registration made . . . within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate.

**g. Sec. 411(a): (Prerequisite to suit)**

. . . no action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made . . .

- h. **Sec. 412: Registration as prerequisite to certain remedies for infringement**

In any action . . . no award of statutory damages or of attorney's fees . . . unless . . . registration is made within three months after the first publication of the work.

2. *Deposit*

- a. **Sec. 407: Deposit of copies or phonorecords for Library of Congress.**

(a) . . . the owner of . . . a work published with notice of copyright in the United States shall deposit, within three months after the date of such publication—

(1) two complete copies of the best edition; or

(2) if the work is a sound recording, two complete phonorecords of the best edition, together with any printed or other visually perceptible material published with such phonorecords.

- b. **Sec. 408: Copyright registration in general.**

(b) **DEPOSIT FOR COPYRIGHT REGISTRATION.**

Except as provided by subsection (c), the material deposited for registration shall include—

(1) in the case of an unpublished work, one complete copy or phonorecord;

(2) in the case of a published work, two complete copies or phonorecords of the best edition;

(3) in the case of a work first published outside the United States, one complete copy or phonorecord as so published;

(4) in the case of a contribution to a collective work, one complete copy or phonorecord of the best edition of the collective work.

Copies or phonorecords deposited for the Library of Congress under section 407 may be used to satisfy the deposit provisions of this section . . .

E. *DISCUSSION*

1. *Registration and Recordation*

Registration of copyright is permissive under the U.S. Copyright Act. Sec. 408(a), captioned "REGISTRATION PERMISSIVE," provides that registration "may" be obtained, and that "such registration is not a condition of copyright protection." (See also Sec. 102(a), which states: "Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression. . .")

While registration is permissive, it is a prerequisite to bringing an action for copyright infringement under Sec. 411(a). In like manner Sec.

205(d) makes recordation of transfers or assignments a prerequisite to infringement actions by the assignees or transferees.<sup>4</sup> Further, under Sec. 412, no award of statutory damages (Sec. 504) or attorney's fees (Sec. 505) may be made for "(1) any infringement of copyright in an unpublished work commenced before the effective date of its registration; or (2) any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work."

Moreover, timely registration has the following consequences:

- a. Omission of a proper copyright notice from copies or phonorecords may be cured within five years. Sec. 405(a)(2).
- b. An innocent infringer may be relieved of liability for infringing acts committed before receipt of actual notice. See WIPO "GUIDE TO THE BERNE CONVENTION," which states in Par. 16.5 on page 98 that "all sanctions on infringers are left to national legislation." Sec. 405(b).
- c. A certificate of registration may constitute *prima facie* evidence in any judicial proceeding. Sec. 410(c).
- d. Recordation of a document in the Copyright Office may give constructive notice of the facts therein stated. Sec. 205(c)(2).

## 2. Deposit

### a. Mandatory Deposit Under Section 407.

Subject to exemptions that the Register of Copyrights may make by regulation, the owner of copyright or of the exclusive right of publication in a work "published with notice of copyright in the United States" is required under Section 407(a) to deposit within three (3) months after

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<sup>4</sup> In testimony before the Senate Subcommittee on Patents, Copyrights and Trademarks of the Senate Judiciary Committee on May 16, 1985, the Associate Librarian of Congress and Acting Register of Copyrights Donald C. Curran took the position that the present registration system is compatible with the Berne Convention citing only "ample legal justification for the view" and without authority other than "the view of the Copyright Office" that registration and recordation as prerequisites to an infringement suit are permissible because they do not affect the existence of copyright. His remarks do not address the issue of registration and recordation as prerequisites to an infringement suit as affecting "the enjoyment and the exercise" of copyrights which is usually identified as the area of incompatibility with Berne.

the date of such publication (1) two complete copies of the best edition<sup>5</sup>, or (2) if the work is a sound recording, two complete phonorecords of the best edition<sup>6</sup>, together with any printed or other visually perceptible material published with such phonorecords.

The foregoing requirement applies only to works published with notice of copyright in the United States. However, the House Report accompanying the 1976 Copyright Act (H. REP. NO. 94-1476, 94th Cong., 2d Sess., 1976) states at p. 151: "Although the basic deposit requirements are limited to works 'published with notice of copyright in the United States,' they would become applicable as soon as a work first published abroad is published in this country through the distribution of copies or phonorecords that are either imported or are part of an American edition."

Sec. 407(a) expressly provides that these deposit requirements are *not* conditions of copyright protection. However, under Sec. 407(d), at any time after publication explained above, the Register of Copyrights may make written demand for the required deposit, and unless deposit is made within three months after the demand is received, the copyright owner or owner of the exclusive right of publication is liable to monetary penalties.

Sec. 407(b) provides that the deposit is to be made in the Copyright Office for the use and disposition of the Library of Congress. See also Sec. 704(b): "In the case of published works, all copies, phonorecords, and identifying material deposited are available to the Library of Congress for its collections, or for exchange or transfer to any other library."

Pursuant to Sec. 407(c), the Register of Copyrights is empowered to issue regulations exempting categories of material from the deposit requirements or allowing for alternate forms of deposit. The Register of Copyrights has issued regulations under this Section, which are set forth in 37 C.F.R. 202.19. The exceptions were apparently intended to apply to materials that the Library of Congress neither needs nor wants for its archival purposes. H. REP. NO. 94-1476, *supra* at p. 150.

b. *Deposit With Registration Under Sec. 408.*

Deposit is a necessary element of registration. In contrast to the Sec.

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<sup>5</sup> "Best edition" is defined in Sec. 101 as the "edition, published in the United States at any time before the date of deposit, that the Library of Congress determines to be most suitable for its purposes." 37 C.F.R. 202.19(b)(ii) provides that criteria for selection of the "best edition" from among two or more published editions of the same version of the same work are set forth in "Best Edition of Published Copyrighted Works for the Collections of the Library of Congress" in effect at the time of deposit. 37 C.F.R. 202.19(b)(iii) further elaborates on "best edition."

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

407 deposit requirements for works first published in the United States, the deposit requirements of Sec. 408 apply to unpublished works and to works first published outside the United States.

Pursuant to Sec. 408(c)(1), the Register of Copyrights is empowered to issue regulations requiring or permitting, for particular classes, the deposit of identifying materials instead of copies or phonorecords, or the deposit of one (1) copy or phonorecord where two would normally be required. However, entire categories of works may not be exempted, in contrast to Sec. 407. The Copyright Office regulations under this section are published in 37 C.F.R. 202.20.

A deposit under Sec. 407 will satisfy the Sec. 408(b) deposit requirements if such deposit is accompanied by the prescribed application and fee, and by any additional identifying material that the Register may require by regulation. (See Sec. 408(b); 37 C.F.R. 202.20(e), 202.19(f)(1).)

Registration (with its attendant deposit requirements) is not a condition of copyright protection, but a copyright cannot be enforced and protected absent a registration (and as appropriate, recordation). Compliance with Sec. 407 mandatory deposit is not a condition of copyright protection. Failure to comply may result only in monetary penalties.

### 3. *Berne Convention*

Under the Berne Convention, copyright protection may not be conditioned on the observance of any formalities. Art. 5(2) of the 1971 Paris Revision provides: "The enjoyment and the exercise of these rights shall not be subject to any formality . . ." The term "formality" is not defined. This provision, however, is believed to have been inserted originally to force France to eliminate the then mandatory nature of its registration system.

Under the Berne Convention, registration, recordation and deposit may be required in the country of origin of a work as a precondition to the enjoyment and/or exercise of copyright. Where a country is not the country of origin, however, it cannot make registration, recordation or deposit a precondition to the enjoyment or exercise of copyright.

Under the Berne Convention, each member country which is not the country of origin of the work must afford some degree of protection and relief from copyright infringement not conditioned upon registration, recordation or deposit.

#### a. *Registration and Recordation*

A number of Berne Countries have permissive registration, apparently not regarded as a formality. (See Appendix).<sup>7</sup> While Sec. 408(a) of the U.S. law provides that registration is permissive, Section 411 makes

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<sup>7</sup> The copyright statute of each Berne member has not been reviewed, and thus there may be other countries with copyright registration provisions.

registration a prerequisite to enforcing the copyright in an action for infringement. None of the Berne countries having a permissive registration procedure makes such registration a prerequisite to enforcing the copyright. Such a precondition may well be viewed as affecting the "enjoyment" and "exercise" of the copyright and hence be considered a formality under the Berne Convention. In S. STEWART, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS, Par. 5.35 (1983), the author states at p. 106:

"In the United States for instance, which has a registration system, non-registration does not deprive the author completely of his copyright but he cannot sue for an infringement without registering his copyright first. Thus, if the United States became a member of the Berne Convention the registration system as such would not constitute a violation of the Convention, because the 'existence' of the right does not depend on it. However, the necessity to register before bringing an action would probably be regarded as a 'formality' as it negates the 'exercise' of the right without such registration."

See also M. Gabay, *The United States Copyright System and The Berne Convention*, 26 BULL. COPR. SOC'Y. 202, 208 (1979), who states that the U.S. registration provisions:

". . . would certainly seem to offend the 'exercise' of the rights (if not the 'enjoyment') vested in a copyright owner as determined in Art. 5(2) of the Berne Convention. It is true that registration is 'permissive' and does not, under the 1976 Act, constitute a condition precedent for *acquisition* of copyright. But these factors merely give rise to a *bare right* that is incapable of being *exercised* in a U.S. court of law until registration is effected."

Accord, Note, *Abandon Restrictions, All Ye Who Enter: The New United States Copyright Law and the Berne Convention*, 9 N.Y.U.J. INT'L. L. & POL. 455, 473 (1977).

Further, M. Gabay, *supra*, suggests that registration also becomes a mandatory formality conflicting with Art. 5(2) of the Berne Convention under the U.S. law as an alternative to notice in order to avoid the invalidation of copyright where notice has been omitted under Sec. 405(a)(2). M. Gabay, *supra* at 208-09. Accord, M. Nimmer, *Implications of the Prospective Revisions of the Berne Convention and the United States Copyright Law*, 19 STAN. L. REV. 499, 513 (1967).

Where registration is necessary for copyright protection in the Berne countries noted above, such formality is not applied to non-nationals of

that country. Art. 5(3) of the Paris revision of Berne states that "Protection in the country of origin is governed by domestic law," and the Berne Convention does not preclude a member nation from imposing formalities where it is the country of origin. S. STEWART, *supra* Par. 5.35 at p. 106 ("The country of origin may subject the work to any formalities it chooses as a matter of domestic law, but outside the country of origin the author if he is a 'Union Author' is entitled to protection in any country of the Union without any formalities"). WORLD INTELLECTUAL PROPERTY ORGANIZATION, GUIDE TO THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS (PARIS ACT, 1971) (1978) 33, 34, 35.<sup>8</sup>

The fact that registration affords certain benefits would not appear to constitute an impermissible formality. In Canada, India, and Mexico, registration is evidence of the validity of the copyright. *Cf.* Sec. 410(c) of the U.S. law. In Canada, registration precludes an innocent infringement defense. *Cf.* Sec. 405(b) of the U.S. law. It has also been suggested that Section 412 of the U.S. law, which makes registration a condition precedent to an award of statutory damages and attorney's fees, would not offend Article 5(2) of the Berne Convention since the Berne Convention does not require that a country provide for such recoveries. M. Gabay, *supra* at 209-10; M. Nimmer, *supra* at 514.

b. *Deposit*

Some Berne member countries have registration systems as noted above outside their respective copyright laws, some of which also include deposit. In addition, a number of Berne member countries require deposits for national libraries. Note Appendix.<sup>9</sup>

Deposit requirements, such as those listed in the Appendix, while mandatory, and while subjecting a publisher to monetary penalties for noncompliance, do not affect the enjoyment or exercise of the copyright, and hence would not appear to be considered formalities. S. STEWART, *supra* 5.35 at 106, so states. Sec. 407 of the U.S. law, while providing for mandatory deposit, and also subjecting the copyright owner to monetary penalties for noncompliance, expressly provides that the deposit requirement is not a condition of copyright protection. Accordingly, Sec. 407 should not present an obstacle to U.S. adherence to Berne.

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<sup>8</sup> Uruguay and Argentina exempt foreigners from their registration requirements if they have complied with the requirements of protection in their countries of origin. However, Art. 5(2) of the Berne Convention provides that enjoyment and exercise of rights "shall be independent of the existence of protection in the country of origin of the work," and thus it is difficult to reconcile these statutes with Berne.

<sup>9</sup> The copyright statute of every Berne member has not been reviewed, and thus there may be other countries with deposit requirements.

## APPENDIX

REGISTRY AND DEPOSIT SYSTEMS OF SOME BERNE  
MEMBERS

The following survey is intended to be illustrative rather than exhaustive. The countries examined were selected as having contemporary copyright laws and practices. The information about each does not necessarily include all registers and systems, but is intended to provide a sampling of systems used in developed countries.

*ARGENTINA:*

Under the Copyright Statute, registration, accomplished by deposit, is mandatory for published works. Under Art. 57, the publisher must deposit copies of a work within three (3) months of publication. Art. 61 makes deposit "compulsory for the publisher" and failure to comply is punishable by fine. Further, it is such deposit that "fully secures the rights of the author in his work and those of the publisher in his edition." (Art. 62).

Art. 63 provides: "Failure to register shall result in the suspension of the rights of the author until such registration is accomplished. The rights of the author shall be recovered by the act of registration for the corresponding term and under corresponding conditions, without prejudice to the validity of the reproductions, editions, performances or any other publications made during the time the work was unregistered."

*AUSTRALIA:*

A voluntary register is maintained by the Australian Copyright Council to provide commercial information to the public with respect to books. This is designed to assist those in remote locations who otherwise would have difficulty in determining the proper seller/licensor of the desired materials.

Sec. 201 of the Copyright Act provides that the publisher of any "library material" (as therein defined) published in Australia and in which copyright subsists under the Act shall within one month of publication deliver a copy at its

own expense to the National Library, failure to do so subjecting the publisher to a monetary fine.

*BRAZIL:*

Art. 17 of the Law on the Rights of Authors and Other Provisions allows for permissive registration.

*CANADA:*

The Canadian Copyright Act has a permissive registration procedure. Sec. 37(2) provides that the author, publisher, or owner of, or other person interested in the copyright of a work "may" cause the particulars respecting the work to be entered in the register. The statute does not provide that such registration is a condition of copyright protection or of its enforcement. However, registration does confer two advantages. Under Sec. 36(2), a registration certificate is evidence that copyright subsists in the work and that the person registered is the owner of the copyright. Under Sec. 22, if in an infringement proceeding the defendant alleges that he was unaware of the copyright in the work, plaintiff is limited to injunctive relief if defendant proves he was unaware of the copyright on the date of infringement and had no reasonable grounds to suspect copyright subsisted. However, if on the date of infringement the copyright was registered, the defendant shall be deemed to have had reasonable grounds for suspecting that copyright subsisted.

Because it is not used now as extensively as when it was originally created, the current copyright revision proposals recommend dismantling the procedure.

The Canadian Copyright Act does not contain a deposit provision. However, the National Library Act (R.S.C. 1970), in section II, requires that where a book is published in Canada, the publisher, at its own expense, must deposit two (2) copies (if the retail value of the book is not more than \$50.00) to the National Librarian within one week of publication. Failure to make such deposit is an offense and may result in a fine. Sec. 11(4).

*COSTA RICA:*

The Law on Copyright and Related Rights contains a permissive registration procedure. Art. 101 provides that copyright protection originates with the mere fact of creation, independently of any procedure or formality. Art. 102 provides that for greater security, the owners of copyright and related rights "may" register their works, such registration having merely declaratory effect. (Arts. 106-108 set forth deposit requirements to accompany registration.)

*CHILE:*

Art. 1 of the Copyright Statute provides that copyright is acquired by the sole fact of creation, but Arts. 72-77 make registration (with accompanying deposit) obligatory for works and for contracts for the assignment of rights. However, Art. 2 provides that the rights of foreign authors not domiciled in Chile enjoy the protection to which they are entitled by virtue of the national conventions which Chile has subscribed to and ratified.

*E.E.C.:*

The Fifth Films Directive of the council of the E.E.C. proposes a Public Films Register designed to provide better safeguards to those who finance films. The register would record economic rights and related commercial information. It is noted that France, Belgium and Italy already have such registers. Thus, this would function as a Community-wide lien register for films.

*FRANCE:*

The Centre National de la Cinematographie (CNC) maintains a public register with legal effect that not only operates as a lien register, but also has effect on titles, subsidies and related matters. The registration number is required for both French and foreign films in order to exhibit the film in France.

The existing collection societies for literary authors and music composers maintain deposit systems for works registered with them.

Obviously, compliance is high with registration in the public register and with registration and deposit in the voluntary collection society registries.

A deposit system for films is maintained by Cinematheque Francaise, which is purely voluntary as to foreign films.

A proposal has been made that the public film register include television.

*GERMANY:*

The censorship board maintains a film title register of titles submitted for censorship. This registry has no legal effect.

The collection societies maintain registries of their members' works, certainly at least for music and separately for sound carriers (records and tapes) and artistes.

*INDIA:*

Chap. X of the Copyright Act, entitled "Registration of Copyright," allows for permissive registration. Pursuant to Art. 44, a register is established in which works "may" be entered. Under Art. 45(1), the author, publisher, owner, or other interested person "may make an application." The statute does not provide that copyright protection or the enforcement thereof are conditioned upon registration. However, under Art. 48, the copyright register is *prima facie* evidence of the particulars entered therein, and documents purporting to be copies of any entries therein or extracts therefrom certified by the Registrar are admissible in evidence in the courts.

*MEXICO:*

The Copyright Statute allows for permissive registration. Art. 7 provides that copyright protection inheres on creation and fixation. While Chap. VII establishes a registration procedure (including attendant deposit, Art. 130), Art. 8 provides that works remain protected even when they have not been registered. However, entries in the Register shall create the presumption that the facts and acts therein stated are correct, unless the contrary is proved. (Art. 122).

Pursuant to a decree of 1965, Mexican publishers are required to send to two designated libraries two copies of each of the editions of books, periodicals, and reviews published with commercial objectives (and in certain cases if

distributed gratuitously). If a publisher is in default and fails to comply within 30 days of notice, it is liable to a monetary fine.

*SWEDEN:*

For printed publications, there has been a mandatory deposit requirement for national works since 1661. There are also archives for films (Swedish Film Institute), radio and television programs (Swedish Broadcasting Corporation), and audio and video (National Archives of Recorded Sound and Moving Images). Deposits in the selected depositories include all material connected with Sweden and having a special documentary character plus other desired material. Such deposits are voluntary and covered by agreements.

The recording of the deposits by the archives is in the form of an informal register.

*UNITED KINGDOM:*

A film title registry is maintained by the British Film and Television Producers Association. A separate register is currently maintained by the Department of Trade for subsidy, screen quota and similar purposes. It is designed to record those films which can be properly designated as British and those which can not, since those which are British benefit from both the subsidy and the screen quota.

The Board of Trade registry focuses on nationality and production costs, unlike the French register which focuses on financing, production, ownership and exhibition of French films with lesser information for foreign films.

The British Film Institute maintains a voluntary deposit system for films and generally is able to obtain copies of most British films as well as major foreign films under voluntary negotiated agreements.

Sec. 15 of the Copyright Act of 1911 (which was not repealed by the Copyright Act of 1956 (Sec. 50(2)) requires the delivery of copies of books to the British Library Board. Sec. 15(1) provides that the publisher of every "book" (defined in subsection (7)) published in the U.K. shall within one month of publication deliver at its

own expense a copy thereof to the British Library Board. (As of July 1, 1973, delivery is to the British Library Board instead of the British Museum, pursuant to the British Library Act of 1972.) Under Sec. 15(2), if written demand is made before the expiration of 12 months after publication, the publisher must also deliver within one month of receipt of demand, or if demand is made before publication, then within a month after publication, a copy of the book in accordance with the directions of the authority having control of certain designated libraries. If the publisher fails to comply, it is liable on summary conviction to a fine. Sec. 15(6).

*URUGUAY:*

Under the Copyright Statute, registration is mandatory. Art. 6 provides that entry in the appropriate Register shall be required in order to secure protection under the law. Registration, with accompanying deposit, is to be made within two (2) years of the date of publication, exhibition, or performance, in Uruguay, or three (3) years where a Uruguayan publishes, exhibits, or performs abroad. (Art. 53). However, Article 6 makes an exception for foreign works: "In the case of foreign works, it shall be sufficient to prove compliance with the requirements of their protection in the country of origin, in accordance with the laws in force therein."

However, the statute provides an exemption for foreign works. Art. 13 specifically exempts Art. 57 from applicability to works published in foreign countries, whatever may be the nationality of their authors, provided they belong to countries which recognize copyright. Further, Art. 14 provides that in order to secure the protection of Argentine law, the author of a foreign work need only prove fulfillment of the formalities established for the protection of the work by the laws of the country in which publication took place.

*MISCELLANEOUS:**(General**Observations)*

Obviously, collective management societies, such as performing rights licensing societies, must maintain registry systems in connection with the works they represent. In Civil Law countries and those which have adopted neighboring rights legislation, there are usually a number of societies which record and register a variety of rights.

In many countries, broadcasters and telecasters are required to maintain broadcast logs and to file these with the appropriate ministries.

Deposit systems are common for printed publications (more so for books than periodicals) with the deposits being maintained by the national library. These collections have sometimes been expanded to include sound recordings and occasionally moving images. Film collections are commonly maintained by government entities and, in no case outside the United States are these mandatory for foreign works.

Where designs are considered major subjects of protection, design registries are normally maintained, with legal effect.

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## CHAPTER 10: Renewal and Duration

### A. *Issue*

Are the renewal provisions of §304(a) and the durational provisions regarding anonymous or pseudonymous works of §302(c) of the Copyright Law compatible with the Berne Convention?

### B. *Conclusion*

The renewal registration requirement and duration of renewed copyrights under the Copyright Law with respect to works of foreign origin are incompatible with Berne because of the imposition of formalities and a shorter than required total term.

The duration of anonymous and pseudonymous works of foreign origin under U.S. Law is incompatible with Berne because such works published more than 50 years after creation would be protected for less time than Berne requires.

### C. *Relevant Berne Provisions*

The provisions of the Berne Convention that will be discussed herein are as follows:

Article 5(2):

The enjoyment and exercise of [the Berne] rights shall not be subject to any formality. . . .

Article 5(3)

Protection in the country of origin is governed by domestic law. . . .

Article 7(1):

The term of protection granted by this Convention shall be the life of the author and fifty years after his death.

Article 7(3):

In the case of anonymous or pseudonymous works, the term of protection granted by this Convention shall expire fifty years after the work has been lawfully made available to the public. However, when the pseudonym adopted by the author leaves no doubt as to his identity, the term of protection shall be that provided in paragraph (1). If the author of an anonymous or pseudonymous work discloses his identity during the above-mentioned period, the term of protection applicable shall be that provided in paragraph (1). The countries of the Union shall not be required to protect anonymous or pseudonymous works in respect of which it is reasonable to presume that their author has been dead for fifty years.

Article 7(6):

The countries of the Union may grant a term of protection in excess of those provided by the preceding paragraphs.

Article 18(1):

This Convention shall apply 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 expiry of the term of protection.

Article 18(4):

The preceding provisions shall also apply in the case of new accessions to the Union. . . .

Article 30(1):

. . . [R]atification or accession shall automatically entail acceptance of all the provisions and admission to all the advantages of this Convention.

Article 36(2):

It is understood that, at the time a country becomes bound by this Convention, it will be in a position under its domestic law to give effect to the provisions of this Convention.

#### D. *Relevant U.S. Provisions*

Section 304(a) of the U.S. Copyright Law provides that if renewal registration is timely made, protection for works which were in their first term of copyright on January 1, 1978 will exist for a total term of 75 years from first copyright. If renewal registration is not properly secured, such works will fall into the public domain at the end of their 28th year.

Section 302(c) of the Copyright Law provides that the term of anonymous and pseudonymous works runs for the shorter of 75 years from first publication or 100 years from creation. If before the end of that term, the author's identity is revealed in Copyright Office records, the term will revert to the revealed author's life plus 50 years.

#### E. *Discussion*

Two provisions of Berne seem to be at odds with the renewal provisions contained in Section 304(a) of the Copyright Law. The most obvious conflict is with Article 7(1). Since all works not written anonymously or under a pseudonym that were in their first term of copyright on January 1, 1978, even if renewed, generally will have a total term of protection of 75 years from first copyright, the duration afforded by the Law seems to be an obstacle to Berne, inasmuch as in many cases a term of protection at least equal to life-plus-fifty will not exist. Despite the fact

that we are in compliance with the Berne copyright term now with respect to works created since January 1, 1978, read together, Articles 18 and 36 of Berne nevertheless seem to command a strict adherence to the Article 7(1) durational requirement for prior works. Second, even if 75 years from first copyright would equal or exceed a term of protection measured by the author's life plus fifty years, the formality of mandatory registration in order to acquire the renewal term at the risk of losing copyright protection violates the prohibition of Article 5(2). Inasmuch as Article 18(1) of Berne brings existing copyrighted works under the Convention, all first-term copyrights would automatically be embraced. As such, the renewal registration requirement, as well as the possible shorter duration for this group of covered works, would constitute barriers to our accession, since, although such works are subject to Berne, U.S. law imposes criteria for their continued protection, forbidden by Article 36(2).

However, since Article 5(3) of Berne provides that domestic law controls works in the country of origin, the seeming conflicts with the Convention do not act as impediments to accession with respect to U.S. works. See Foreward. For a discussion as to whether the provisions of Berne Article 18(3) might be interpreted to make renewal registration and shortened duration compatible with the Convention, see Chapter 11, Retroactivity.

With respect to anonymous and pseudonymous works, comparison of Section 302(c) of the Copyright Law and Article 7(3) of Berne reveals that Berne provides for a 50-year duration following public availability (rather than "publication", to account for works disseminated by a public authority, such as folklore, but the distinction is not significant enough in the context of this discussion to be relevant) with the shorter life-plus-fifty term when it is clear who is using the pseudonym or the author reveals himself within 50 years of public availability. U.S. law only gives a term of the shorter of 75 years from first publication or 100 years from creation and reverts back to life-plus-fifty if the author is revealed in copyright records before the term expires.

Because of the 25-year differential between the creation and publication date reference points in the Law and the same differential between the U.S. law's publication date reference and Berne's public availability time frame, a significant number of works are likely to end up with a longer term in the U.S. than under Berne, if the facts allow. For example, an anonymous work created in 1980 which is published in 1985 will have its copyright protection under U.S. law expire in 2060; under Berne, the work would have expired in 2035. This pattern is true with respect to works published less than 50 years after their creation.

This result presents no problem, since the Berne term is a minimum requirement.

However, there will likely be a body of works whose dates of creation and publication in the U.S. could cause them to have a shorter term than Berne, thus being in contravention of Article 7(3). If a work created in 1980 was not published until 2035, the Copyright Law would cause protection to end in 2080 (100 years from creation being shorter than 75 years from publication); Berne, however, would protect it until 2085, 50 years after publication, assuming that publication is the first "public availability" of the work. Given this possibility, the Law as it now reads constitutes an impediment to Berne as regards this group of works when they are of foreign origin, since again, Articles 18 and 36 would command a strict adherence to the fifty years after public availability term at the date of accession for all works. As previously indicated, the shorter term resulting in these cases would not be an impediment to Berne with respect to U.S. works, by virtue of the provisions of Article 5(3).

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**CHAPTER 11: Retroactivity<sup>1</sup>****A. Issue**

1. Is U.S. treatment of pre-accession works that have not yet fallen into the public domain in their country of origin through the expiration of the term of protection compatible with Article 18 of the Berne Convention?
2. Do the retroactivity provisions of Article 18 provide a possible basis for reconciling §304 of the U.S. Copyright Act (requiring *renewal* of certain pre-1978 works) with other provisions of the Berne Convention?

**B. Conclusion**

1. The retroactivity provisions of the Berne Convention are clearly an issue to be addressed in connection with Berne accession. Because it initially appears to focus on whether a work is or is not in the public domain in its country of origin, the Berne Convention may require some "revival" or "recapture" of copyright in works now in the public domain in this country. To the extent it does so, questions of practical, legal and perhaps even Constitutional dimension are raised.
  - a. In any event, the relevant provisions of the Convention, taken together, seem to offer sufficient flexibility to reach an accommodation with U.S. law and interests. The details of this accommodation, including several alternatives, require more detailed consideration.
  - b. However, in view of current initiatives to improve protection of U.S. intellectual property abroad, and the handling in that context of certain issues pertaining to retroactive protection of U.S. works in particular countries, the Berne retroactivity issue must be carefully handled to avoid prejudicing or compromising meaningful protection of U.S. works from foreign piracy.
2. Article 18(3) (second sentence) of the Berne Convention may provide a basis for reconciling, as a special transitional case, the renewal requirements of 17 U.S.C. §304 with the normal Berne requirements governing duration and precluding formalities. See fn. 7 & accompanying text; *cf.* Chapter 10.

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<sup>1</sup> Although chapter 10 discusses possible conflicts between 17 U.S.C. §304 (*renewals*) and the Berne Convention, this chapter will also deal with one aspect of that question.

### C. *Relevant Berne Provisions*

Article 18 of the Berne Convention provides:

“(1) This Convention shall apply 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 expiry of the term of protection.

“(2) If, however, through the expiry of the term of protection which was previously granted, a work has fallen into the public domain of the country where protection is claimed, that work shall not be protected anew.

“(3) The application of this principle shall be subject to any provisions contained in special conventions to that effect existing or to be concluded between countries of the Union. In the absence of such provisions, the respective countries shall determine, each insofar as it is concerned, the conditions of application of this principle.

“(4) The preceding provisions shall also apply in the case of new accessions to the Union and to cases in which protection is extended by the application of Article 7 or by the abandonment of reservations.” (Emphasis added.)

### D. *Relevant U.S. Provisions*

There are no explicit retroactivity provisions of general application in the U.S. Copyright Act. However, Sec. 103 of the Transitional and Supplementary Provisions of P.L. 94-553 (October 19, 1976), enacting the Omnibus Copyright Revision Act of 1976, provided that that Act “does not provide protection for any work that goes into the public domain before January 1, 1978.” Additionally, possibly pertinent provisions of the U.S. Constitution and legislative history of the 1976 Act are noted in the discussion below.

### E. *Discussion*

#### 1. *The Initial Principle*

Articles 18(1) and (4) appear to require a newly adhering country to apply the Convention, and hence protect, “all works which [then] have not yet fallen into the public domain *in [their] country of origin* through the expiry of the term of protection.” (The “country of origin” is, generally, a *Berne* country of first or simultaneous publication. See Foreword.) This principle is substantially different from the retroactivity rule of the Universal Copyright Convention, which determines a new adherent’s obligations with respect to pre-existing works by considering their status in that country. See UCC Art. VII.

There are a number of cases where works may be protected in their *Berne* country of origin at the time of U.S. adherence, yet be in the public domain in the United States. Strict application of Articles 18(1) and (4) would therefore appear to require their “recapture” or “renewal”

from the public domain in this country. These cases may include the following classes:<sup>2</sup>

- a. Published works that did not meet the national eligibility requirements of the 1909 or 1976 Copyright Acts upon first publication. (This would include foreign works first or simultaneously published in a Berne country or, in some cases, of a Berne national wherever published, where the Berne country was not also a UCC member or in another copyright relationship with the U.S., or publication occurred prior to the UCC or other relationship.)
- b. Works, other than those subject to *ad interim* copyright, first published outside of the U.S. without notice prior to January 1, 1978 (unless omission was excused under the 1909 Act). (*Note*: it is unclear whether such works did in fact enter the public domain in the U.S. Case law is conflicting. A Copyright Office position that such publication—at least after June 18, 1959—did forfeit U.S. protection is open to substantial question and has not been tested.)
- c. Works first or subsequently published within the United States without notice prior to January 1, 1978 (unless omission was excused under the 1909 Act).
- d. Works published on or after January 1, 1978 and prior to Berne adherence, other than in compliance with the notice provisions of 17 U.S.C. Ch. 4, where such omission is not excused and can no longer be cured.
- e. Works published prior to January 1, 1978, in violation of the domestic manufacturing and *ad interim* provisions of the 1909 Act. (This includes Commonwealth and other English language

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<sup>2</sup> There may be an additional class: once-protected works which entered the public domain in the U.S. *prior to adherence for failure of renewal*. These would seem to be *exempt from retroactivity* and recapture under Berne Art. 18(2). (*Note*: this is *separate* from the question of whether existing renewal requirements [17 U.S.C. §304] could be applied to Berne origin works after adherence. *See* Chapter 10.) *But* arguments may be made that an “expiry of . . . term of protection which was previously granted” [Art. 18(2)] did not contemplate an “expiry” attributable to the failure to take an action (i.e., file a renewal) as opposed to the automatic expiration of a single term of years—particularly where the need for action was unknown to the foreign creator and/or ignored or “mishandled” by its domestic licensee, and is alien to Berne and virtually all other foreign copyright laws.

Another case for possible consideration under Article 18 is that of categories of works, *if any*, “protected” under Berne Article 2(1) but possibly “not protected” under the 1976 and/or 1909 U.S. Acts. It seems most appropriate to treat these issues, if at all, in connection with subject matter rather than retroactivity. *See* Chapter 13.

works published prior to UCC adherence, notwithstanding the existence of earlier bilateral relationships.) (*Note*: it is unclear whether such “violations” did inject works into the public domain in the U.S. A Copyright Office position to that effect is open to substantial question and has not been squarely tested.)

The magnitude of works falling within these classes is unclear—the first and fifth classes, for example, could be of broad theoretical but quite limited practical application. It may also be argued that public domain works falling within these classes but *first published prior to 1958*<sup>3</sup> are not subject to recapture in any event, because (i) any possible U.S. copyright therein would have expired by passage of the first 28-year term and failure of renewal; and (ii) in such cases Berne Art. 18(2)—exempting retroactive protection of works whose prior terms of copyright have expired in the forum country—excludes retroactivity. However, the application of Article 18(2) to such circumstances does not appear to have been previously discussed and is not entirely clear in any event (e.g., because the Copyright Office would not have knowingly permitted renewal, or may have actually rejected a claim. See also, fn. 1).

It may also be noted that, while prior discussions of Berne retroactivity have focused on recapturing “foreign” works from the public domain, the application of Article 18(1) to public domain *U.S. authored works* (i) first published in the U.S., (ii) first published in a Berne country, and (iii) simultaneously published in the U.S. and a Berne country, should not be dismissed and may well call for further study. Cf., e.g., Berne Art. 18(1) with Art. 5(4), and Arts. 5(3) and 7(8). See also, fn. 9, below.

To the extent that Article 18(1) does call for the recapture of works from the public domain in this country, it raises several questions:

- a. The treatment to be given entirely new post-adherence uses of previously public domain works.
- b. The treatment to be given post-adherence exploitation (reproduction, adaptation, performance, display, and distribution) of copies that (i) were created earlier, and (ii) incorporated, without authorization, a preexisting work considered to be in the public domain at that time. (This includes simple reproductions, as well as literary translations, musical arrangements and recordings, dramatizations and other adaptations; and uses—e.g., in an anthology or a motion picture soundtrack—in a larger work.)

<sup>3</sup> This is based on a 1986 adherence (1958 + 28 = 1986). A later adherence would move this date forward. Because of the effects of UCC adherence, this argument would substantially diminish the number of works falling within the first and fifth classes.

c. The identification of works still protected in a Berne "country of origin," the identification of that country, and whether the term of protection there has expired. See Art. 5(4). (In this connection it should be recalled that, not only do the terms of protection vary among Berne members, but works may acquire protection in a particular Berne country of origin by reason of the place of first or simultaneous publication—the nationality of a work's author or producer, even if known, is not a sufficient guide. See Foreword.)

d. Possible Constitutional obstacles to reviving copyright for works previously in the public domain. See, e.g., 1 Nimmer, Copyright §105[A] at 1-35 ("... neither the copyright clause nor the First Amendment would permit the granting of copyright to works which have theretofore entered the public domain.") See also H.R. REP. NO. 94-1476, 94th Cong., 2d Sess. (1976) at 180 and S. REP. NO. 94-473, 94th Cong., 1st Sess. (1975) at 159 ("... there *can be no* protection for any work that has fallen into the public domain. . . ." This is perhaps a more emphatic statement than appeared in the Register of Copyrights' 1965 Supplementary Report. See *id.* at 160).<sup>4</sup>

e. Amendment of Trans. & Supp. Sec. 103 of the 1976 Copyright Act. ("This Act does not provide copyright protection for any work that goes into the public domain before January 1, 1978"); and adjustment of other provisions (e.g., 17 U.S.C. §§303; 304; Ch. 4; etc.).

f. To the extent that U.S. law is amended to increase protection in compliance with Berne obligations, the extension of such new protections to pre-existing (though not public domain) works.

## 2. *Qualifications and Exceptions*

It is significant that the Convention itself qualifies the initial principle in several respects.

*First*, Article 18(2) excludes protection of works that have entered the public domain *in the country where protection is claimed* (i.e., in our case, the U.S.) "through the expiry of the term of protection which was previously granted." The application of this exception to works which have entered the public domain in the U.S. for failure of renewal or expiration of 28 years from first publication has previously been noted. See footnote 2. A more sweeping application of this exception was suggested during a June, 1978 meeting of a "Group of Consultants" convened by WIPO "to examine the compatibility of the new Copyright Law of the United

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<sup>4</sup> A cursory review of authorities does not indicate any express consideration of a possible difference between "reviving" copyright in previously published (or registered) works, and those which never acquired statutory protection.

States . . . with the Berne Convention. . . .”<sup>5</sup> It was there noted that prior to January 1, 1978, all *unpublished* works were protected in the United States under the common law without regard to nationality. E.g., *Roberts v. Petrova*, 213 N.Y. Supp. 434 (Sup. Ct. 1925). Therefore, there was a “term of protection which was previously granted” to all such works that “expired” at the moment they were published without complying with U.S. formalities, manufacturing provisions, or national eligibility requirements. Under this theory, the retroactivity principle would not require the recapture of *any* works from the U.S. public domain. While some have informally suggested that the history of the Berne Convention and the at least implicit focus of international agreements on the protection of published works do not support this theory, a substantial body of opinion at the 1978 meeting suggested that, if the U.S. interprets Article 18(2) in this manner, any inconsistency between current United States law and the Berne Convention with respect to retroactivity would be effectively removed.

*Second*, under the first sentence of Article 18(3) the application of Article 18(1) is expressly made “subject to any provisions contained in special conventions . . . between countries of the Union.” During the 1978 Geneva meeting referred to above it was suggested that this clause may be construed to include the Universal Copyright Convention, which—as noted above—excludes protection of works in the public domain in the country in which protection is claimed.<sup>6</sup> Under this theory, any Berne country that is also a member of the UCC may be said to have concluded a special convention with the United States, varying the principle of Article 18(1). Although not discussed at that meeting or explored since, it may be argued that a similar conclusion may be “implied” with the three non-UCC Berne countries with which the U.S. shares earlier bilateral arrangements (Philippines, Rumania, South Africa). Nevertheless, the United States would still be left to consider special agreements with those 23 or so Berne countries that are not members of the UCC or in a prior bilateral status.

*Third*, under the second sentence of Article 18(3), countries are left

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<sup>5</sup> BE/GC/I June 14, 1978 ¶1. The following interpretation is not reflected in the official documents of the meeting, and is based on this writer’s participation in and recollection of that meeting.

<sup>6</sup> See note 5. (Although Article 20 of the Berne Convention permits “special agreements” in *any* case, these must either (a) grant more extensive rights than the Convention or (b) at least not be contrary to the Convention. However, Article 18(3) arguably supersedes these conditions for the purpose of retroactivity. Moreover, Article 20 would seem to be helpful in avoiding any argument that the UCC is an “agreement” varying Berne (and hence diminishing protection of U.S. works abroad) in cases *other than* retroactivity.)

to “determine, each insofar as it is concerned,” the conditions under which retroactivity is to be applied. The exact scope of discretion given by this clause is uncertain; several views have been expressed by commentators, including:<sup>7</sup>

- a. That, as a matter of Convention theory and/or actual practice of Berne countries, it is permissible to abrogate the principle of retroactivity entirely; or
- b. That a country must give some reasonable application to the principle of Article 18(1) by protecting at least some preexisting works<sup>8</sup>; or
- c. That a country can modify the principle of Article 18(1) to the extent necessary to “protect” those who acted in reliance on the assumed or earlier public domain status of a work, whether by legislation or by judicial consideration in particular cases.

Finally, additional arguments may be made to avoid retroactivity. See, e.g., Art. 7(8) (“In any case, the term [of protection] shall be governed by the legislation of the country where protection is obtained.” In the five classes noted earlier, the “term” of protection in the forum country—the U.S.—may be “zero”).

Although there does not appear to be any recent comprehensive study of how other newly adhering Berne countries have treated the question of retroactivity, earlier commentators have suggested that the practices have varied widely or been left to silence.

### 3. *Additional Considerations*

It is apparent that the interests of U.S. copyright owners cannot be simply aligned “for” or “against” retroactivity. In some cases, domestic interests may benefit from retroactivity, as owners or licensees of newly recognized exclusive rights; in others, where works have previously been used without authorization, retroactivity could be a hindrance to continued exploitation and may impair prior investments. Consideration of industry trends and practices (including those pertaining to the extent of clearing rights in U.S. public domain works for the purpose of foreign exploitation) would be pertinent.

Retroactivity may also not simply be a question of recapturing co-

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<sup>7</sup> The “self determination” clause of Article 18(3) has been particularly noted as a basis for preserving—as a special transitional case—the renewal requirements of 17 U.S.C. §304, notwithstanding the general Berne rules on duration, formalities, and retroactivity. *Cf.* Chapter 10.

<sup>8</sup> One class of preexisting Berne-origin works that clearly remains protected under current U.S. law is that of unpublished works, at least if not registered under the 1909 Act. See *Roberts v. Petrova, supra*; 17 U.S.C. 104(a); 17 U.S.C. 303.

pyrights in this country. Upon adherence, Article 18(1) could<sup>9</sup> lead to the revival of copyright in U.S. works now in the public domain in Berne countries (e.g., countries not sharing prior copyright relationships with the U.S.; or even Commonwealth and other countries with which the U.S. did have bilateral relations with respect to works not meeting pre-UCC place-of-publication requirements or other formalities). The U.S. attitude toward application of the retroactivity principle to foreign works in the U.S. can affect the treatment of U.S. works now in the public domain in Berne countries.

A recent development pertaining to "retroactive" protection of U.S. works abroad must be particularly noted. Under the impetus of several diplomatic and trade initiatives, including the Generalized System of Preferences Renewal Act, the International Trade and Investment Act of 1984, and the Caribbean Basin Economic Recovery Act, major efforts are now under way to improve protection of U.S. intellectual properties in foreign countries. In several countries that have not previously protected U.S. works, assurance of "retroactive" protection for preexisting U.S. works is an important objective; this is particularly true for those interests, including textbook, professional and reference, and software authors and publishers, who regularly revise or enhance their products. In these cases an absence of retroactive protection could lead to newly protected versions being unfairly crowded out of the market by rampant piracy of public domain (albeit relatively current) editions. Creators of "new" works—trade books, motion pictures, and music, for example, will also face unfair competition from pirated public domain works of the same *genre*. These considerations must be taken into account in further consideration of the question of retroactivity as it applies to U.S. adherence to the Berne Convention.

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<sup>9</sup> Notwithstanding the assumptions of some commentators that this would follow, the literal text of Articles 5, 7 and 18 of the Berne Convention appear to raise some question as to this result. This is textually related to the question of Article 18(1)'s application to U.S.-authored works in this country and both should be considered further.

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**CHAPTER 12: Is Berne a Self-Executing or an Executory Treaty?****A. Issue**

Is the Berne Convention a “self-executing” treaty whose provisions, therefore, would automatically become law in the United States upon its accession to the Convention? Or is Berne an “executory” treaty which would not, of itself, give rise to rights or rights of action in the U.S.?

**B. Conclusion**

If ratified by the United States, the Berne Convention would not be a self-executing treaty in this country. The protection it stipulates for authors and their successors could only be enforced here to the extent provided by existing U.S. law or by further legislation Congress enacted to implement ratification of the Convention.

**C. Relevant Berne Provisions**

Berne does not contain any statement that it is a self-executing convention. Instead, Article 36 provides:

- (1) Any country party to this Convention undertakes to adopt, in accordance with its constitution, the measures necessary to ensure the application of this Convention.
- (2) It is understood that, at the time a country becomes bound by this Convention, it will be in a position under its domestic law to give effect to the provisions of this Convention.

This Article was added “during the (1967) Stockholm revision”. Previously, Berne required new members to “make provision for the legal protection of the rights forming the object of the convention”. Article 36 was adopted to state expressly “that all Union countries, not only those joining, must adopt measures necessary to insure its application.” WIPO GUIDE, p. 141.

Also relevant is Article 2, Par. 6, which provides

“The works mentioned in this Article shall enjoy protection in all countries of the Union. This protection shall operate for the benefit of the author and his successors in title.”

This provision was added by the 1948 Brussels Revision of Berne. The WIPO GUIDE (p. 21) says that earlier Berne texts only provided that member countries “were bound to make provision for the protection of works”, but that the 1948 text “provided for a protection founded on the Convention itself.” In many countries, ratification incorporates a treaty into its domestic law. When such a country ratifies Berne, “the Convention becomes part of that country’s law.” Thus if the Convention’s

“wording is apt to confer rights directly, individuals may bring action based on the Convention itself to enforce them. The Brussels wording (particularly in the French text—‘jouissant’) has this result.”

The Guide declares, however, that in other countries, including those following the British tradition, ratification “does not make any difference to individual rights enjoyed there.” In those countries the Convention must be implemented by domestic legislation and

“It is that legislation, and not the Convention itself, that gives Convention nationals the right to sue in their courts. The change in wording made in Brussels (1948) made no difference in such countries; the matter is governed by each country’s constitutional rules.” (p. 21)

#### D. *Relevant U.S. Provisions*

Article VI, Section 2, of the United States Constitution provides

“This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land.”

Article II, Section 2, provides that the President

“ . . . shall have the power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur . . . ”

#### D. *Discussion*

##### 1. DISTINCTION BETWEEN “SELF-EXECUTING” AND “NON-SELF-EXECUTING” TREATIES.

The distinction between “self-executing” and “non-self-executing” (or “executory”) treaties is explained in *Whitney v. Robertson*, 124 U.S. 190, 194 (1888), quoted in *British Caledonian Airways v. Bond*, 665 F.2d 1153, 1159 (D.C. Cir. 1981):

“A treaty is primarily a contract between two or more independent nations . . .

For the infraction of its provisions a remedy must be sought by the injured party through reclamations upon the other.

When the stipulations (of the treaty) are not self-executing, they can only be enforced pursuant to legislation to carry them into effect . . .

If the treaty contains stipulations which are self-executing, that is, require no legislation to make them operative, to that extent they have the force and effect of a legislative enactment.”

As the Third Circuit Court of Appeals has noted, "unless a treaty is self-executing, it must be implemented by legislation before it gives rise to a private cause of action." *Mannington Mills, Inc. v. Congoleum Corporation*, 593 F.2d 1287, 1298 (1979). Non-self-executing treaties depend for their enforcement on "the honor of the governments which are parties to it." If a government fails to implement such a treaty with the legislation required to protect private rights, as stipulated by the treaty, "it becomes the subject of international negotiations . . . it is obvious that with all this the judicial courts have nothing to do and can give no redress." *Head Money Cases*, 112 U.S. 580, 598-99 (1884)

However, "Courts are empowered to give direct legal effect to treaties (only) insofar as they are self-executing and therefore operate as the law of the land." *Hopson v. Kreps*, 622 F.2d 1375, 1380 (9th Cir. 1980) (citations and authorities omitted).

## 2. DETERMINATION OF A TREATY'S STATUS.

"Whether a given treaty is self-executing or requires special implementing legislation to give force and effect to its provisions is *primarily a domestic question of construction for the courts.*" *British Caledonian Airways v. Bond*, *supra*, 665 F.2d at 1160 (emphasis added) (citing *Diggs v. Richardson*, 555 F.2d 848, 851 (D.C. Cir. 1976) and RESTATEMENT (SECOND), FOREIGN RELATIONS LAW OF THE UNITED STATES, Sec. 150 (1965)).

Whether a treaty is or is not self-executing must be determined in each case by reference to many contextual factors:

'the purposes of the treaty and the objectives of its creators, the existence of domestic procedures and institutions appropriate for direct implementation, the availability and feasibility of alternative enforcement methods, and the immediate and long range-social consequences of self- or non-self-execution' " *People of Saipan v. United States Dept. of Interior*, 502 F.2d 90, 97 (9th Cir. 1974) (authorities omitted).

## 3. THE BERNE CONVENTION IS NOT A SELF-EXECUTING TREATY.

It can be argued that given the statutory scheme of copyright in the United States, with Section 301 of the Act providing that all rights "within the general scope of copyright" shall be "governed exclusively by this title", Berne cannot be deemed self-executing under various of the cited United States judicial principles, which determine if it has that status here. In several instances, for example, there do not exist "domestic procedures . . . appropriate for direct implementation." On the contrary, several direct "procedures" provided in incompatible provisions of the Copyright Act would not be "appropriate for direct implemen-

tation". Because both Berne and the U.S. Copyright Act contain so many detailed provisions that give rise to private rights of action (and, sometimes, criminal penalties), it appears that the "social consequences" of self-execution would be unacceptable under U.S. principles of construction. (Cf. *United States v. Postal*, 589 F.2d 862, 877 (5th Cir. 1979); *The Over The Top*, 5 F.2d 838, 845 (D.C. Conn. 1925).

But it is not necessary to evaluate these various criteria in depth since a rule of construction applied in recent decisions seems to answer directly the question of whether Berne is a self-executing treaty. Where a treaty "expressly provide(s) for legislative action" it is not self-executing. *United States v. Postal*, *supra* 589 F.2d at 876, citing as an example Articles 27-29 of the Convention on the High Seas "each of which begins with the preamble 'Every State shall take the necessary legislative measures to . . .'".

Following this canon of construction, the Third Circuit, in *Mannington Mills, Inc. v. Congoleum Corp.*, *supra*, held that the 1883 Paris Convention for the Protection of Industrial Property, as amended, was not a self-executing treaty, because "we find (in the Convention) an expression (Article 17) contrary to the concept of a private right of action. It reads:

'Every country party to this convention undertakes to adopt, in accordance with its constitution, the measures necessary to insure the application of this Convention.'

'It is understood that at the time an instrument of ratification or accession is deposited on behalf of a country, such country shall be in a position under its domestic law to give effect to the provisions of this Convention.' [1962] 13 U.S.T. 1, 41.' 593 F.2d, at 1298-99)

The first of these paragraphs is identical with Par. (1) of Berne's Article 36. The second paragraph is identical, except for a minor change in wording, with Par. (2) of Article 36. Applying the Court's analysis in *Mannington Mills*, it follows that under U.S. law Berne is a non-self-executing treaty, and does not give rise to any private rights of action. While the WIPO GUIDE interprets the 1948 (Brussels) Article 2 (6) to provide "for a protection directly founded on the Convention itself", there is no explicit statement to that effect in Berne. On the other hand, Article 36, containing the provisions for domestic legislative action identical to those relied on in *Mannington Mills*, was written into the Convention more recently (1967).

Even if there were any doubt about Berne's non-self-executing status in the United States, it could be resolved by a Senate statement of intent

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that Berne is not to be construed as self-executing in the U.S. Professor Henkin observes:

“Legal effect has been given, however, to incidental provisions in a treaty (or in Senate reservations upon consenting to it) which themselves contain no international obligations, for example a provision that a treaty shall not be self-executing in the United States . . .” HENKIN, FOREIGN AFFAIRS AND THE CONSTITUTION 160 (1972, The Foundation Press).

Such a statement is not a “reservation” of the kind inhibited by Article 30. As the WIPO GUIDE emphasizes, the determination of whether Berne is a self-executing treaty in a given member country is a “matter governed by (that) country’s constitutional rules.” And as Professor Henkin notes, a Senate “reservation” negating self-executing status for Berne in the U.S. would not impair the U.S. obligations under the Convention; it would affect only a matter of domestic law, to be determined by U.S. courts.

For the reasons indicated, we conclude that Berne is a non-self-executing treaty.

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**CHAPTER 13: Subject Matter****A. Issue**

Are the provisions under United States law for subject matter protected compatible with the Berne Convention?

**B. Conclusion**

We conclude that:

(1) With respect to works of foreign origin, the provisions under United States law for subject matter protected are compatible with the Berne Convention, with the apparent exception of

(a) buildings and other works of architecture;

and the possible exception of

(b) mask works for semiconductor chips; and

(c) those works of applied art whose artistic features are not separate from, and independent of, the utilitarian aspects of a useful article.

2) With respect to all works of U.S. origin, United States law is compatible.

**C. Relevant Berne Provisions**

The provisions most relevant are Articles 1, 2 and 7(4):

**Article 1**

The countries to which this Convention applies constitute a Union for the protection of the rights of authors in their literary and artistic works.

**Article 2**

(1) The expression "literary and artistic works" shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science.

(2) It shall, however, be a matter for legislation in the countries of the Union to prescribe that works in general or any

specified categories of works shall not be protected unless they have been fixed in some material form.

(3) Translations, adaptations, arrangements of music and other alterations of a literary or artistic work shall be protected as original works without prejudice to the copyright in the original work.

(4) It shall be a matter for legislation in the countries of the Union to determine the protection to be granted to official texts of a legislative, administrative and legal nature, and to official translations of such texts.

(5) Collections of literary or artistic works such as encyclopaedias and anthologies which, by reason of the selection and arrangement of their contents, constitute intellectual creations shall be protected as such, without prejudice to the copyright in each of the works forming part of such collections.

(6) The works mentioned in this Article shall enjoy protection in all countries of the Union. This protection shall operate for the benefit of the author and his successors in title.

(7) Subject to the provisions of Article 7(4) of this Convention, 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 another country of the Union only to such special protection as is granted in that country to designs and models; however, if no such special protection is granted in that country, such works shall be protected as artistic works.

(8) 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 7

(4) It shall be a matter for legislation in the countries of the Union to determine the terms of protection of photographic works and that of works of applied art in so far as they are protected as artistic works; however, this term shall last at least until the end of a period of twenty-five years from the making of such a work.

#### D. *Relevant U.S. Provisions*

The most relevant provisions of U.S. law are:

1. the Copyright Act, 17 U.S.C., sections—
  - 101 (definitions of “pictorial, graphic, and sculptural works” and “useful article”)
  - 102 (subject matter of copyright: in general)
  - 103 (compilations and derivative works)
  - 104(a) and (b)(1) (subject matter of copyright: national origin [as to works of foreign governments])
  - 113 (scope of exclusive rights in pictorial, graphic and sculptural works), and
2. the Semiconductor Chip Protection Act, 17 U.S.C. §§901-914;
3. the design provisions of the patent law, 35 U.S.C. §§171-173;
4. §43(a) of the Lanham Act, 15 U.S.C. §1125(a); and
5. trademark and unfair competition principles under state statutes and common law.

#### E. Discussion

1. *Generally.* The requirement of Berne Articles 1, 2(1) and 2(6) that members protect “literary and artistic works” (Art. 1) [*i.e.*, inclusive of “every production in the literary, scientific and artistic domain” (Art. 2(1))] is generally complied with by the breadth of 17 U.S.C. §§102 and 103. Our requirement of tangible fixation is permitted by Article 2(2), and the requirement of originality is also compatible with Berne (*cf.* the Berne references to “original works” (Art. 2(3)) and “intellectual creations” (Art. 2(5))). See MASOUBE/WALLACE, GUIDE TO THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS (PARIS ACT, 1971) (WIPO 1978) [“WIPO GUIDE”] at p. 17, ¶2.8.

2. *Works of Foreign Governments.* Under 17 U.S.C. §105, U.S. Government works are not copyrightable. But §104(b)(1) protects published works of foreign governments which are parties to a copyright treaty to which the U.S. is also a party, and §104(a) protects their unpublished works (along with the unpublished works of all others). Thus, we would comply with the implied requirement of Article 2(4) for protection of “official texts” other than those of purely a legislative, administrative or legal nature. See WIPO GUIDE at p. 20, ¶2.18.

3. *Computer Programs and Data Bases.* Our protection of computer programs and data bases as “literary works” under 17 U.S.C. §102(a) is compatible with the broad application, mentioned above, of “literary and artistic works” (Art. 1) under Berne to include “every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression.” (Art. 2(1)). Such protection is consistent also with a consensus on the applicability of

copyright law to computer programs. Report of the Group of Experts on the Copyright Aspects of the Protection of Computer Software (2/25-3/1/85), 21 COPYRIGHT 146 (1985); KEPLINGER, LEGAL PROTECTION FOR COMPUTER PROGRAMS: A SURVEY AND ANALYSIS OF NATIONAL LEGISLATION AND CASE LAW, UNESCO/WIPO/GE/CCS/2 (12/17/84).

4. *Mask works for semiconductor chips.* We protect "mask works" for semiconductor chips under the Semiconductor Chip Protection Act ("SCPA") (17 U.S.C. §§901-914), legislation separate from the Copyright Act. The SCPA provides a sui generis form of protection similar to copyright. If mask works were considered to be works of applied art, within the Berne category of "literary and artistic works," our protection of mask works would not be compatible with Berne. The reasons for incompatibility would include the requirement of registration as a condition of protection (§§904(a), 908(a)) and the limited ten-year term of protection (§904(b)). It is not at all clear, however, that mask works are eligible for protection under Berne.<sup>1</sup>

5. *Works Relating to Architecture.* Article 2(1) requires protection for three categories of works related to architecture:

- (a) "works of . . . architecture" (which we generally do not protect);
- (b) "illustrations . . . , plans [and] sketches . . . relative to . . . architecture" (which we do protect); and
- (c) "three-dimensional works relative to . . . architecture"

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<sup>1</sup>There is as yet no international consensus on whether mask works will be protected under domestic copyright laws and, therefore, under international copyright treaties, such as Berne. Such evidence as there is on the question is inconsistent.

For instance, in petitions brought before the Commissioner of Patents and Trademarks pursuant either to §902 or §914 of the Semiconductor Chip Protection Act ("SCPA"), seeking interim protection for mask works, the United Kingdom, Australia and the Netherlands have asserted that their copyright laws provide protection equivalent to that provided by the SCPA (*see* 15 Fed. Reg. 24,665 (June 12, 1985); 15 Fed. Reg. 24,666 (June 12, 1985); and 15 Fed. Reg. 24,795 (June 13, 1985), respectively) and, in a similar petition, Sweden has stated that its current law might provide adequate protection (*see* 15 Fed. Reg. 18,720 (May 2, 1985)).

On the other hand, having concluded that integrated circuits are not dealt with in the United States or Japan as "works eligible for copyright protection," so that "from a legal point of view, a new treaty is necessary," *Report of the Committee of Experts on Intellectual Property in Respect of Integrated Circuits*, WIPO/IPIC/CE/1/2 (June 28, 1985), the Director General of WIPO has proposed a Draft Treaty on the Protection of Intellectual Property in Respect of Integrated Circuits, to be considered by the Committee of Experts on Intellectual Property in Respect of Integrated Circuits in November 1985.

(which, as embracing architectural models, we protect but, as embracing the architect's final product (the buildings or other structures), we do not, except for certain "monuments").

Works of . . . architecture" have constituted a category of protected works under Berne since the Berlin version (1908) (Art. 2). The original Berne Convention (1886) did not include "works of architecture," but did include ". . . plastic works relative to . . . architecture" (Art. IV). This latter category has appeared in the text of each subsequent version of the Convention, along with "works of . . . architecture," although in Article 2(1) of the Stockholm (1967) and Paris (1971) Acts, the phrase is changed to read "three-dimensional works relative to . . . architecture." Each of the Convention texts, from the 1886 Berne version through the 1971 Paris text, has also called for protection of "illustrations . . . , plans [and] sketches . . . relative to . . . architecture" (e.g., Paris Art. 2(1)).

(a) "*Works of . . . Architecture.*" Such a work would generally be, under the definition in 17 U.S.C. §101, a "useful article": ". . . an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information."

Under the definition in §101 of otherwise protectible "pictorial, graphic, and sculptural works" (known as "PGS works")<sup>2</sup> it is provided that the "design of a useful article" is considered a protectible PGS work ". . . only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that *can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.*" (emphasis added).

The protection of works of architecture is limited not only by the restrictions under §101 as to which works qualify as protectible PGS works; the protection is limited also by the restrictions under §113(b) on the scope of rights in a "work which portrays a useful article" and the restrictions under §113(c) on the scope of rights in a "work lawfully reproduced in useful articles."

Thus, while adornments or embellishments to a building may be eligible for U.S. copyright protection, the buildings themselves—useful articles as to which the art is inseparable from the utilitarian aspect—are unprotectible under copyright.

<sup>2</sup>The definition of PGS works states that, although these "include two-dimensional and three-dimensional works of fine, graphic, and applied art, . . . technical drawings, diagrams, and models," they only "include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned. . . ." 17 U.S.C. §101.

In some cases, distinctive building designs or features have been protected under U.S. trademark or unfair competition laws (both common law and statutory), including §43(a) of the Lanham Act, 15 U.S.C. §1125(a). However, protection in these cases is tied to the importance of the design or appearance of the building in identifying or distinguishing the owner's goods or services and indicating their source. Consequently, such protection is not likely to be considered sufficiently analogous to copyright as to satisfy the Berne requirements.

Buildings or other structures are explicitly protected by statute in at least some of the major Berne countries, *e.g.*, France (Article 3, Law No. 57-298 of 1957, which is due to be replaced shortly by a new copyright act, the text of which we have not seen); Japan (Article 10(I)(v), Law No. 48 of 1970, as amended); and the United Kingdom (Article 3(I)(b), Act of 1956, as amended). However, a more definitive survey may determine whether, by reason of the statutory or case law of other Berne countries, an absence of true protection for buildings indicates a sufficiently limited scope of the Berne obligation for such works that U.S. law on the subject might be compatible.

(b) "*Illustrations . . . , plans [and] sketches . . . relative to . . . architecture.*"

(c) "*Three-dimensional works relative to . . . architecture.*"

The definitions of PGS works and "useful article" under §101 do not appear to bar these two Berne categories of works from protection, but the scope of rights is limited by §113(b) and (c).

6. *Works of Applied Art.* "Applied art" was added by the Brussels version (1948) to Article 2(1), which provides a non-exhaustive enumeration of the categories of "literary and artistic works" to which protection extends.

The Rome version (1928) mentions a category of "[w]orks of art applied to industrial purposes," but states only that such works "shall be protected so far as the domestic legislation of each country allows." Rome, Art. 2(4). Significantly, this category is not one of those listed in Article 2(1) as a type of "literary and artistic work" which member countries are required to protect. See Rome, Art. 1, 2 (particularly 2(4)). It is not until Brussels, then, that "applied

art" is denominated a literary or artistic work, to which Berne's copyright protection attaches.<sup>3</sup>

Protection of works of applied art under Berne appears to allow a flexibility not generally available for protected subject matter. Member countries may create a subcategory of "industrial designs and models" for which they may legislate *non-copyright*—presumably, a lower level of—protection. See Paris, Art. 2(7).

It appears, however, that Berne requires member countries to provide at least some minimum level of protection for all works of "applied art," including the subcategory of "industrial designs and models."<sup>4</sup>

The Berne provisions critical to analysis of the question are paragraphs (1), (6) and (7) of Article 2.

As noted above, the definition of "literary and artistic works" in Article 2(1) enumerates a non-exhaustive list of such works, in which "works of applied art" are included for the first time in the 1948 Brussels text.

Article 2(6) mandates protection: "The works mentioned in this Article [i.e., Article 2] shall enjoy protection in all countries of the Union. . . ."

Each of these two paragraphs is clear. Some ambiguity may result, however, from Article 2(7), which says in relevant part that, subject to Article 7(4)<sup>5</sup>,

"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

<sup>3</sup>"Applied art" is expressly mentioned in the domestic copyright legislation of many countries, as well as in the text of Berne, but without a definition of the term. Reichman, J. H., *Design Protection in Domestic and Foreign Copyright Law: From the Berne Revision of 1948 to the Copyright Act of 1976*, 1983 DUKE L.J. 1143, at 1146. In the Masouye/Wallace WIPO GUIDE, *supra*, at p. 16, ¶2.6.(i), the category is interpreted to "cover the artistic contributions of the makers of knick-knacks, jewelry, gold and silverware, furniture, wallpaper, ornaments, clothing, etc."

<sup>4</sup>If the protection stems from a design statute which offers non-copyright protection, it would be permissible for such protection to differ from the author's copyright protection under Berne in many ways, including the absence of moral rights; requirement of formalities such as registration; shorter term; etc. Reichman, *supra*, *passim*. See also Reichman, J. H., *Design Protection after the Copyright Act of 1976: A Comparative View of the Emerging Interim Models*, 31 J. COPR. SOC'Y 267 (1984), *passim*.

<sup>5</sup>Article 7(4) provides that, for works of applied art "in so far as they are protected as artistic works," a shorter term of protection is permitted. This alternate minimum does not apply to industrial designs and models in a country which protects them only as such and which does not accord them copyright protection.

applied art and industrial designs and models, as well as the *conditions* under which such works, designs and models shall be protected. . . ." (emphasis added)

The question is whether, in determining the scope, or "extent," of protection of works of applied art (and the "conditions" of such protection), a member nation: (a) must grant all categories of such works *some* protection<sup>6</sup> (either as "works" with copyright protection or as industrial designs or models), or (b) may deny *any* protection to certain categories of works in the general area of applied art.

If the latter is the correct interpretation, U.S. law, of course, would not be incompatible with Berne, because Article 2(7) would impose no requirement of protection.

If the former is the correct interpretation—that at least some protection must be provided for all applied art works—then U.S. law might not be compatible, because it excludes from copyright protection numerous utilitarian works of applied art. We protect some works of applied art, provided they contain "pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article" of which they are a part. 17 U.S.C. §101 (definition of "pictorial, graphic, and sculptural works"); *Mazer v. Stein*, 347 U.S. 201 (1954). Because we still lack statutory design protection, however, we deny either copyright or design protection to a large percentage of works classed (according to Masouye and Wallace's WIPO GUIDE, *supra*) as applied art.

One might argue that incompatibility exists because of our design patent law, 35 U.S.C. §§171-173. Features of that law such as the formalities of patent examination and the requirement of novelty might be considered the "extent" and "conditions" of protection, Art. 2(7), so as to be limitations permitted by Berne.

Similarly, protection under §43(a) of the Lanham Act, 15 U.S.C. §1125(a), and other statutory and common law protection under trademark and unfair competition law, might support the argument that U.S. law is compatible with Berne. In this context it should be noted that, unlike the relationship of these laws to the protection of works of architecture under Article 2(1) (see the discussion under "5(a)," hereinabove), these laws need not provide copyright-like protection for works of applied art.

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<sup>6</sup>Of course, protection need not be extended unconditionally to every individual work in a particular category, any more than copyright and other intellectual property laws must grant protection to every work in other generally protected categories, regardless of considerations of, *inter alia*, authorship, dedication to the public, prior invention or prior use.

It is more consistent with the spirit of the Brussels and Paris revisions to conclude that Article 2 should be interpreted so as to require some protection for all works of applied art.

One reason for this conclusion is the language of the Convention itself. As a matter of "statutory" interpretation, the change between the Rome and Brussels texts on this point—from Rome's non-committal Article 2(4) to Brussels' inclusion of applied art in Article 2(1)—would be meaningless if no new requirement of protection had been introduced at Brussels through the inclusion of "applied art" in Article 2(1).

The last clause of Article 2(7)<sup>7</sup> can be read to state that a country with no "special protection" for industrial designs and models *must* accord copyright protection to all works of applied art.<sup>8</sup> At least arguably, U.S. law provides "special protection" under the design patent law.

As mentioned above in the analogous context of certain architectural works, a further survey of the laws of Berne member countries may be appropriate. Such a survey might indicate whether the application of such countries' provisions for copyright and design protection for works of applied art (and industrial designs and models) suggests a more limited scope of the Berne obligation for such works, with which U.S. law might be deemed compatible.

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<sup>7</sup>"... if no such special protection is granted in that [member] country, such works shall be protected as artistic works." Art. 2(7).

<sup>8</sup>In fact, this is the situation in Greece. Greece has no design law, but applies as domestic law the provisions of international conventions which the country has ratified. As Greece has ratified the Paris version of Berne—which includes Article 2(7)—industrial designs and models are protected as artistic works under copyright. See FELLNER, *THE FUTURE OF LEGAL PROTECTION FOR INDUSTRIAL DESIGN* 147 (ESC Publishing Ltd., London 1985).

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**CHAPTER 14: Works Made For Hire****A. Issue**

Are (1) the “work made for hire” provisions of sections 101 and 201(b) of the U.S. Copyright Act, vesting both “authorship” and initial copyright “ownership” in the employer or other person for whom the work was prepared, and (2) the term of copyright in works made for hire under section 302(c), compatible with the Berne Convention?

**B. Conclusion**

1. The work made for hire provisions of sections 101 and 201(b) (authorship and ownership) are compatible with Berne.

2. The duration of copyright in works made for hire under section 302(c) does not fit neatly within the standards of the Berne Convention in all cases. However, in the context of the actual practice of Berne countries, it is not clear that U.S. law is incompatible with the Convention as applied to works of foreign origin.<sup>1</sup>

**C. Relevant Berne Provisions**

Article 1 of the Berne Convention establishes a “Union for the protection of the rights of authors. . . .” Article 2(6) of the Convention provides: “. . . protection [of the classes of protected works] shall operate for the benefit of the author and his successors in title.” Other articles refer to the “author” as well. However, Berne does not contain any general provision concerning works made for hire, and does not define the word “author” (or the owner of copyright).

The Convention’s provisions for the general term of copyright, Article 7(1) (the life of the author and 50 years after death) and the terms of copyright in anonymous and pseudonymous works, Article 7(3) (generally, 50 years from when the work is made available to the public), are quoted at page 2 of Chapter 10; in addition, Article 7(2) provides that “in the case of cinematographic works, the countries of the Union may provide that the term of protection may expire fifty years after the work has been made available to the public with the consent of the author or, failing such an event within fifty years from the making of such a work, fifty years after the making.”

**D. Relevant U.S. Provisions**

*Section 201(b)*, 17 U.S.C. provides that, for Copyright Act purposes, the employer or other person for whom a work made for hire was prepared is considered its “author,” and (unless otherwise provided in a written signed agreement) owns all rights under the copyright.

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<sup>1</sup> With respect to works of U.S. origin, the Convention provides that protection in the country of origin is governed by domestic law, so that the question of compatibility does not arise. See Foreword.

*Section 101* establishes two classes of works made for hire:

- a work prepared by an employee within the scope of his or her employment"; and
- specially ordered or commissioned works in certain specified categories, when the parties agree in a written instrument signed by them "that the work shall be considered a work made for hire."

*Section 302(c)* provides that the copyright in a work made for hire shall continue for 75 years from its first publication or 100 years from the year of its creation, whichever expires first.

#### E. Discussion

##### 1. "Employer" as "Author"

Sections 201(b) and 101 of the U.S. Copyright Act make the employer or other person for whom a work for hire was prepared, rather than the natural person(s) who created the work, the "author." This may include corporations and other legal entities. The Berne Convention does not define the "author" of a work, nor contain any provision that the person who actually wrote, composed, or otherwise created a work must be considered its author for the purposes of the Convention. The WIPO "GUIDE TO THE BERNE CONVENTION" explains that Berne:

"speaks of 'the rights of authors in their works' but does not define the word 'author' because on this point . . . national laws diverge widely, some recognizing only natural persons as authors, while others treat certain legal entities as copyright owners, some imposing conditions for the recognition of authorship which others do not accept." [page 11, para. 1.16]

The GUIDE also notes [in connection with Art. 15(1) (presumption of authorship from name on copies for purposes of standing)]: ". . . the Convention merely says that, unless the contrary is proved, the author is the person whose name appears on the work. It goes no further and thus leaves member countries free to make their own rules on the subject. This is of some importance in connection with works made in the course of their creator's employment by someone else . . . and with commissioned works." (Page 93, para. 15.4; emphasis added) See also, e.g., Cuvillier, *Employment and Copyright*, COPYRIGHT, April 1979 at 112 and 119 (Berne does not define author, leaving it to national legislation); Plaisant, *The Employee-Author and Literary and Artistic Property*, COPYRIGHT, October 1977 at 274, 275. ("The author is determined in very different ways depending on the legislation concerned, and the international conventions are silent on this point.")

The foregoing clearly indicates that U.S. treatment of both em-

ployees and commissioned parties as "authors" for copyright purposes is compatible with Berne. This conclusion is supported by the existence of similar provisions in the copyright laws of at least two Berne countries: the *Netherlands* (Copyright Act of 1912, as amended, Art. 6: "If a work has been produced according to the plan and under the guidance and supervision of another person, that person shall be deemed to be the author of the work." Art. 7: "... production of certain literary, scientific or artistic works [in service of another person]"; person in whose service they were produced deemed "author." These articles apparently include corporations and other legal entities as "authors." See Cohen-Jehoram, *The Author's Place in Society*, COPYRIGHT, November 1978 at 385, 391). See also Art. 8 ["authorship" in public associations, foundations, and partnerships in certain cases]; and *Turkey* (Copyright Act of 1951, Art. 8: "The authors of works produced by officials, employees, or workers, as part of their duties, are the persons who have appointed or who employ them unless the contrary results from a contract between the parties or from the nature of the work. This rule shall also apply to legal entities. If one or several persons have produced a work according to a plan established by the publisher, then the publisher shall be the author of the work, unless the contrary results from a contract between the parties or the nature of the work.")<sup>2</sup>

<sup>2</sup> There may be other Berne countries that consider employers and commissioning parties as "authors" in various cases. See, e.g., *Japan*, Law No. 48 of 1970, as amended, Art. 15 ("authorship" of a work made by employee "on initiative of a legal person or other employer" and made public under name of employer as author attributed to employer unless otherwise stipulated); *Italy*, Copyright Law of 1941, as amended, Articles 3 (protection of collective works) & 7 (person who directs and organizes creation of collective work "shall be deemed to be the author") and de Sanctis, *Italy* in STEWART, INTERNATIONAL COPYRIGHT AND NEIGHBORING RIGHTS §16.04 at 401-02 (commentators "divided on whether a legal person can be regarded as an author"); see also Article 13 of the *French* Copyright Act of 1957, providing that "a collective work, in the absence of proof to the contrary, shall be the property of the physical person or legal entity under whose name it is disclosed." (A "collective work" is defined in Article 9 in terms that would include some, though not all, works made for hire under U.S. law.) French commentators indicate that this section vests "authorship" in the person or entity. See Plaisant, *supra* at 275, 278; Chesnais, *France*, in STEWART, *supra* §14.03 at 330. Employer "authorship" may be particularly applied in the area of emerging amendments to national copyright laws regarding *software*. E.g., Main Points of the Draft Bill Prepared by the [Japanese] Agency for Cultural Affairs, ¶2 in UNESCO/WIPO/GE/CCS/3, Annex B-Appendix, page 2; see also French Software Copyright Amendments of June 26-27, 1985, Art. 38(1)(2). Still other examples or analogs of employer "authorship" may exist in national laws confirming copyright in government entities.

That some of the countries cited in this footnote and accompanying text have not adhered to the 1971 text of the Berne Convention is immaterial to this point.

Our conclusion is also supported by the liberal choice accorded to Berne countries with respect to *ownership* of copyright in works made for hire, discussed immediately below.

In light of the above, the fact that Article 15(3) of the Convention provides that, for certain anonymous and pseudonymous works, "the publisher whose name appears in the works shall . . . be deemed to *represent* the author" should not detract from the discretion of Berne countries to treat such publisher *as* the author in the case of works made for hire or on commission.

The effect of the United States vesting of "authorship" in employers and commissioning parties being compatible with Berne is not limited to the question of copyright ownership (paragraph E.2. below); it also means that the U.S. may treat other Convention references to "authors" as references to such employers and commissioning parties. E.g., the Article 3 criteria of eligibility and the Article 5 criteria of country of origin, and the articles regarding minimum rights.<sup>3</sup>

#### 2. "Employer" as Initial Owner of Copyright

Sections 201(b) and 101 of the U.S. Copyright Act grant initial ownership of copyright in a work made for hire to the employer (or commissioning party), rather than to the natural person(s) who created it. The authorities noted in para. E.1., immediately above, clearly indicate that this is compatible with Berne, both as a matter of reason (if em-

<sup>3</sup> *Caveat re moral rights.* If the references to "author" in Article 6*bis* of the Convention permit the U.S. to comply with that article by vesting moral rights only in employers and commissioning parties, then only the general moral rights/compatibility issue discussed in Chapter 6 would seem pertinent. This may be the case; see Cohen-Jehoram, *supra* at 391. (Under Dutch law "the employer (person or corporation) is the original acquirer of the copyright including—for the Netherlands at least—the moral rights," but also apparently citing existence of "another opinion" on that point.)

However, if Article 6*bis* requires the recognition of moral rights in employees in any event, additional consideration of moral rights compatibility would seem warranted. Commentary suggests an absence of clarity, at the least, on this point. Some authorities may feel that some moral rights, although at a diminished level, must be accorded to employed creators. See, e.g., Cohen-Jehoram, *supra*, at 391 n. 41; Plaisant, *supra* at 277; STEWART, *supra* at 64 ("An employee author should retain [moral] rights in Berne Convention countries . . . However, the position must be influenced by the employment situation, e.g., the employee may, if circumstances demand it, have to be content with publication of the works without his name appearing as the author and the employer will have wider powers to make alterations. . . ."). [The first quoted sentence from STEWART is based on the Berne principle that the moral right "remains with the *author* even after the *transfer* of economic rights." *Id.* [emphasis added] Thus, perhaps, it need not apply to cases where the employer is treated as the "author" (as in the U.S.) rather than as merely the initial "owner" (as in the U.K.).]

ployees and commissioned parties may be treated as "authors," they may clearly be treated as initial owners of copyright) and express language. This conclusion is supported by a variety of devices—express statutory provisions, application of principles of the "labor" or "employment" relation, presumed or implied terms of employment contracts, etc.—which automatically confer copyright ownership in whole or in part on employers and/or commissioning parties in many Berne countries.<sup>4</sup> See also, e.g., Statement of Donald C. Curran, Associate Librarian of Congress and Acting Register of Copyrights, Hearing Before the Senate Subcommittee of Patents, Copyrights and Trademarks on U.S. Adherence to the Berne Convention, 99th Cong., 1st Sess., May 16, 1985 at 46 ("Fact that copyright vests initially in corporate or other entities in the U.S. under the 'made for hire' doctrine probably poses no problem with regard to potential United States adherence").

The fact that Article 14*bis* (2)(a) of the Convention expressly provides that "ownership of copyright in a cinematographic work shall be a matter for legislation in the country where protection is claimed"<sup>5</sup> appears to derive from the attempt of the 1967 Stockholm Conference to deal specifically with various aspects of motion pictures under the differing regimes of member countries; it should not detract from the general principle, applicable to *all* works, that member countries have discretion to determine ownership of copyright in works created under employment or commission.

### 3. *Term of Copyright in Works Made For Hire*

Section 302(c) of the U.S. Copyright Act grants works made for hire a term of copyright lasting for 75 years from first publication, or 100 years from creation, whichever first expires. Because the Berne Con-

<sup>4</sup> Various of these devices are described, e.g., in STEWART, *supra* at paras. 4.25 and 4.26 (in general), 15.03 (Germany), 16.04 (Italy), 18.04 (U.K.), 23.13(3) (India), 24.45 (Japan); Plaisant, *supra*; Cavillier, *supra*; Cohen-Jehoram, *supra*; and in a series of papers prepared at an ILO/UNESCO/WIPO 1982 "Consultation Meeting on the Question of Copyright Ownership and Its Consequences for the Relations Between Employers and Employed as Selected Authors" (ILO/UNESCO/WIPO/SA/CM/2 [Socialist countries], /3 [U.S.A., U.K., Canada, Australia] and /4 [Nordic countries]).

<sup>5</sup> This chapter is based on the assumption (reflected in Art. 14*bis* (2)(a)) that questions of ownership will be determined by the law of the forum country—i.e., the U.S. in the case of a work of foreign origin seeking protection here. However, some have suggested that (at least in countries where ownership is determined only by express or implied contract) the law of the place where the contract is made should govern, and that this should apply to the ownership of works made for hire under the presumed employment contract. See *Apple Computer Inc. v. Segimex S.A.R.L.* (Paris Tr. Ct. Sept. 21, 1983) (U.S. law on works for hire may govern ownership/standing with respect to protection of U.S. works in France) (alternative holding).

vention does not provide for a term of copyright generally applicable to works made for hire, a number of questions arise.<sup>6</sup>

a. *The General Rule.* Article 7(1) of the Convention provides that "the term of protection granted by this Convention shall be the life of the *author* and fifty years after his death." Where the employer, or commissioning party in the case of a work made for hire under U.S. law, is a *natural person*, this Article might require a term extending to 50 years after that person's death. Section 302(c) of the U.S. Act could provide a substantially lesser term in particular cases (i.e., the "author" might be deceased for less than 50 years, yet the work may have been created more than 100, or published more than 75, years earlier). Of course, this discrepancy might also arise if the individual creator were considered the "author," and the Convention does not specify whether the "author" for durational purposes is to be considered the actual writer, or a natural person/employer-author.

Where the employer, or commissioning party, is a *corporation or other legal entity*, the matter is complicated still further (except in the case of motion pictures, see below) since the *post mortem* concept is inapplicable. It appears that many Berne countries do not provide for juristic person-"authorship," or make the employer the "author" (as opposed to copyright owner), so that in these countries the "life plus 50" standard may still be applied, based on the life of individual creator(s), to works made for hire without conceptual difficulty.<sup>7</sup> In the two known countries where corporate employers are clearly treated as authors, the issue is apparently resolved by adoption of a term of years, without specific sanction (for all purposes) in the text of the Convention. See *Netherlands Copyright Act of 1912*, as amended, Art. 38 (fifty years from making public, at least with respect to Dutch Art. 8 works and presumably for Dutch Art. 6 & Art. 7 works "authored" by legal entities as well); *Turkey, Copyright Act of 1951*, Art. 27 (twenty years from publication "if the author is a legal entity").<sup>8</sup> See also discussion of Italian and French laws on collective works, below.

b. *Motion Pictures.* Article 7(2) of the Convention permits (but does not require) member countries to provide that "the term of protection

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<sup>6</sup> Pre-1978 works made for hire are subject to the renewal/duration compatibility issues discussed in Chapter 10.

<sup>7</sup> Of course, practical difficulties in identifying particular authors may arise; but these may be resolved by application of special Berne rules for motion pictures or anonymous works in some cases (see below), by durational rules for joint authorship, or by ad hoc rules for collective works or the like. The latter approach is significant here; see discussion of French and Italian law below.

<sup>8</sup> As before, the fact that the Netherlands and Turkey have not adhered to the 1971 text of the Berne Convention is immaterial to this point.

shall expire fifty years after the work has been made available to the public with the consent of the author or, failing such event within fifty years from the making of such a work, fifty years after the making." (The WIPO GUIDE [page 47, para. 7.6] notes, in effect, that "public availability" is not necessarily the same as "publication" under U.S. law since the former includes exhibitions *per se*.) Most motion pictures will be works for hire under U.S. law; and it seems that in such cases application of Section 302(c) of the U.S. Copyright Act would commonly (albeit, perhaps, not always) exceed the minimum provided by Article 7(2).

c. *Anonymous Works*. As discussed in Chapter 10, Article 7(3) of the Convention establishes a term of fifty years from public availability for anonymous (and pseudonymous) works. Attempted application of this standard to works made for hire raises at least two problems: *first*, under the U.S. system of designating the employer or commissioning party as "author," many works made for hire may not be "anonymous" (also, it is not unusual for the natural creator's name to appear on works made for hire); *second*, even if a particular work made for hire were "anonymous," the term provided by Section 302(c) of the U.S. Act for both anonymous works and works made for hire may be incompatible with Article 7(3) in particular cases. See Chapter 10.

In sum, the term of copyright under U.S. law for works made for hire does not always fit neatly within the Berne standards. However, it may be questioned whether this is a meaningful area of incompatibility.<sup>9</sup> The Convention, as a whole, appears intended to accord considerable discretion to member countries in dealing with such works. Its failure to provide a specific term of protection for all works made for hire need not compel the conclusion that the states must fit their terms of protection for such works into categories designed for other purposes. As noted above, at least two Berne countries appear to have adopted *ad hoc* rules, as a matter of necessity, for works of corporate or like authorship; additional variations from the Berne standards may exist under the laws of other Berne countries in particular cases. For example, Article 22 of the French Copyright Act of 1957 and Article 26 of the Italian Copyright Act of 1941, as amended, accord a term of 50 years from publication to "collective works" (a category that is defined differently in each country, but that in each case would include some, though not all, U.S. works made for hire). But such terms would not fall under the Berne standard

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<sup>9</sup> It also seems doubtful that it is necessary to distinguish among classes of works made for hire, e.g., considering (most) motion picture situations as expressly compatible, corporate works made for hire as compatible "by necessity," and other works made for hire as incompatible (in some cases).

for "anonymous" works if the publisher is considered the "author" (see fn. 2, above) or if the creators' names are used on the work, and are not otherwise supported in the text of the Convention.<sup>10</sup>

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<sup>10</sup> See also, *Japn*, Law No. 48 of 1970, as amended, Art. 53 (copyright in "works bearing as the name of the author that of a legal person or other corporate body" endures for 50 years from making public or from creation; provision inapplicable where copies made public with name of natural author); *cf. id.*, Art. 15, noted in fn. 2, above.

## PART II

## LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

## 1. United States of America and Territories

## 160. U.S. CONGRESS. HOUSE.

H.R. 3339. 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 Sept. 18, 1985; and referred jointly to the Committee on the Judiciary and Energy and Commerce. (99th Cong., 1st Sess.).

This bill would amend section 111 of the Copyright Act to eliminate the cable compulsory license for the retransmission of distant signals. The bill creates an exemption from copyright liability for retransmissions made by small cable systems (those that serve fewer than 2,500 subscribers and those carrying local signals that have a limited channel capacity of twelve or less) and for local retransmissions made by cable systems that carry as part of their basic tier of cable service, regularly provided to all subscribers at the minimum charge, the unaltered signals of every local broadcast television station. The bill retains the exemptions for certain secondary transmissions established in section 111(a) of the Act, but amends section 111(a)(1) to only exempt the retransmission of *local* signals by the management of hotels, apartment houses, or similar establishments.

## 161. U.S. CONGRESS. SENATE.

S. 1618. A bill to amend the Communications Act of 1934 to clarify policies regarding the right to view satellite-transmitted television programming, and for other purposes. Introduced by Mr. Gore on Sept. 10, 1985; and referred to the Committee on Commerce, Science and Transportation. (99th Cong., 1st Sess.).

Cited as the "Satellite Television Viewing Rights Act of 1985", this bill is designed to ensure that the marketing and distribution of satellite television programming be conducted in a fair, competitive marketplace with negotiated, reasonable prices. In addi-

tion the bill would foster the more widespread availability of satellite television programming, ensure a right of rapid availability at reasonable prices to the American public of any such programming that is encrypted, and encourage competition among manufacturers and distributors of equipment designed to facilitate the reception of encrypted and unencrypted satellite television programming.

162. U.S. CONGRESS. SENATE.

S. 1647. A bill to amend the Tariff Act of 1930 to enhance the protection of intellectual property. Introduced by Mr. Lautenberg on Sept. 13, 1985; and referred to the Committee on Finance. (99th Cong., 1st Sess.).

Entitled the "Intellectual Property Rights Enforcement Amendments of 1985", this bill would strengthen the enforcement of intellectual property in international trade under section 337 of the Tariff Act of 1930. Section 337 of the Tariff Act of 1930, as amended, gives the U.S. International Trade Commission the general power to exclude imports that infringe upon U.S. intellectual property rights; however, the law was not designed specifically to protect intellectual property rights.

163. U.S. COPYRIGHT OFFICE.

37 CFR 201. Cancellation of completed registrations. Final regulations. *Federal Register*, vol. 50, no. 194 (Oct. 7, 1985), pp. 40833-36.

The Copyright Office has adopted a final regulation concerning cancellation practices and procedures under the Copyright Act. The purpose of the new regulation is to specify the conditions under which a cancellation, an action taken by the Office to expunge an already completed registration, may be invoked. These conditions include: substantive invalidity; inaccuracy of facts relied on at the time of registration which causes it to be unauthorized; and insufficient funds.

164. U.S. COPYRIGHT OFFICE.

37 CFR 201. Recordation and certification of coin-operated phonorecord players. Proposed regulations. *Federal Register*, vol. 50, no. 205 (Oct. 23, 1985), pp. 42965-66.

The performing rights societies and the Amusement & Music Operators Association have reached an agreement resolving sev-

eral points of contention in their controversy over the compulsory license for coin-operated phonorecord players (jukeboxes). Under the agreement jukebox operators would be allowed to transfer certificates from machines not in service to those which are performing musical compositions. To facilitate such certificate transfers, the Copyright Office, which is responsible for prescribing regulations governing jukebox compulsory license applications and certificates, is considering amending its regulations (1) to delete the requirement that the certificate contain the name of the jukebox manufacturer and the machine's serial number and (2) to reflect the fact that the certificate no longer consists of two parts.

165. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Adjustment of cable copyright royalty rates. *Federal Register*, vol. 50, no. 208 (Oct. 28, 1985), pp. 43605-6.

The Turner Broadcasting System, Inc. petitioned the Copyright Royalty Tribunal (CRT) to commence a proceeding to adjust the cable compulsory license royalty rate for carriage of WTBS Atlanta, Georgia in certain circumstances. In considering such petitions, the CRT is required to make a determination as to whether the petitioner has significant interest in the royalty rate in which the adjustment is being requested. Because the 1983 cable distribution proceeding and industry-wide negotiations to reach a cable royalty rate compromise are currently under way, the CRT has decided to defer ruling on the significant interest and related questions until January 1986.

166. U.S. DEPARTMENT OF DEFENSE.

48 CFR 214, 215, 227 and 252. Department of Defense federal acquisition regulation supplement; technical data. Interim rule. *Federal Register*, vol. 50, no. 206 (Oct. 24, 1985), pp. 43158-65.

The Defense Acquisition Regulatory Council extended the comment period on its proposed rule implementing portions of the technical data sections of the Defense Procurement Reform Act of 1984 and the Small Business and Federal Procurement Competition Enhancement Act. Because this action prohibits issuance of a final technical data policy by the statutory October 18 deadline, the Council has adopted an interim rule by modifying existing provisions of the Defense Federal Acquisition Regulation Supplement to incorporate specific requirements of the Acts. The

interim rule will remain in force until the comments on the proposed rule have been received and evaluated.

167. U.S. DEPARTMENT OF DEFENSE. GENERAL SERVICES ADMINISTRATION. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION.

48 CFR 27 and 52. Federal Acquisition Regulation (FAR); validation of restrictive markings on technical data. Proposed rule. *Federal Register*, vol. 50, no. 192 (Oct. 3, 1985), pp. 40416-20.

The Department of Defense is considering amending the proposed revision of Subpart 27.4, Rights in Data and Copyrights, of the Federal Acquisition Regulation (FAR). The amendment provides for the establishment of policy concerning the validation of restrictive markings on technical data delivered to the government.

168. U.S. DEPARTMENT OF DEFENSE. GENERAL SERVICES ADMINISTRATION. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION.

48 CFR 27 and 52. Federal acquisition regulation (FAR); validation of restrictive markings on technical data. Proposed rule (extension of comment period). *Federal Register*, vol. 50, no. 211 (Oct. 31, 1985), pp. 45442-43.

The deadline for comments on proposed amendments to the Federal Acquisition Regulation's (FAR) provisions concerning validation of restrictive markings on technical data has been extended from November 4, 1985 to January 9, 1986. The comment period on the FAR revision proposal was extended in order to coincide with the comment period set by the Department of Defense for similar recommended revisions to its FAR Supplement.

169. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 0, 1, 73, 74, 76, and 78. Oversight of the radio and TV broadcast rules. Final rule. *Federal Register*, vol. 50, no. 190 (Oct. 1, 1985), pp. 40012-16.

The Federal Communications Commission has amended its radio, TV broadcast, and cable TV rules for the purpose of deleting regulations that are no longer necessary, correcting textual inaccuracies, updating certain requirements, and making editorial changes.

170. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 15 and 76. Terminal devices connected to cable tele-

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vision systems. Proposed rule. *Federal Register*, vol. 50, no. 204 (Oct. 22, 1985), pp. 42729-32.

The Federal Communications Commission has proposed amending Parts 15 and 76 of its rules to achieve uniformity in the radiation standards for terminal devices connected to cable TV systems. Currently, the rules provide more stringent radiation limits for terminal devices owned by cable systems (Part 76) than those owned by customers (Part 15). The proposal would require that all cable system terminal devices comply only with the limits set out in Part 15.

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## PART III

## CONVENTIONS, TREATIES AND PROCLAMATIONS

171. CONVENTION FOR THE PROTECTION OF PRODUCERS OF PHONOGRAMS AGAINST UNAUTHORIZED DUPLICATION OF THEIR PHONOGRAMS. Accession of Peru. *Copyright*, vol. 21, nos. 7-8 (July-August, 1985), p. 248.

The Government of Peru deposited its instrument of accession on May 7, 1985. The Convention entered into force on August 24, 1985.

172. CONVENTION RELATING TO THE DISTRIBUTION OF PROGRAMME-CARRYING SIGNALS TRANSMITTED BY SATELLITE. *Copyright*, vol. 21, no. 9 (Sept. 1985), p. 293.

The Government of the Republic of Panama deposited on June 25, 1985 its instrument of accession to the Convention adopted at Brussels on May 21, 1974. The Convention entered into force on September 25, 1985.

173. CONVENTION RELATING TO THE DISTRIBUTION OF PROGRAMME-CARRYING SIGNALS TRANSMITTED BY SATELLITE. Accession of Peru. *Copyright*, vol. 21, nos. 7-8 (July-August, 1985), p. 248.

On May 7, 1985, the Government of Peru deposited its instrument of accession to the Convention adopted at Brussels on May 21, 1974. The Convention entered into force on August 7, 1985.

174. INTERNATIONAL CONVENTION FOR THE PROTECTION OF PERFORMERS, PRODUCERS OF PHONOGRAMS AND BROADCASTING ORGANIZATIONS. (Rome Convention). Accession of Peru. *Copyright*, vol. 21, nos. 7-8 (July-August, 1985), p. 248.

On May 7, 1985, the Government of Peru deposited its instrument of accession. The Convention entered into force on August 7, 1985.

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## PART IV

JUDICIAL DEVELOPMENTS IN LITERARY AND ARTISTIC  
PROPERTY

## A. DECISIONS OF FOREIGN COURTS

## 1. New Zealand

175. **KIWI PRODUCTS LTD. v. FRANK M. WINSTONE (MERCHANTS) LTD. & OTHERS.** High Court Auckland, A 1128/33. 13 August 1984, Prichard J. (as yet unreported). *EIPR*, vol. 6, no. 11 (Nov. 1984), p. D-246.

This case involves drawings and pattern-makers' models used for Kiwi fruit trays which plaintiff claims were infringed. The defendants stated they had never seen plaintiff's fruit trays and were simply producing trays according to packing specifications issued by the New Zealand Kiwi Fruit Authority. The High Court held that there was indirect infringement and that "copying perpetuated through the medium of a verbal description can result in infringement."

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## PART V

## BIBLIOGRAPHY

## A. BOOKS, TREATISES AND CASSETTES

## 1. United States Publications

176. CHRISTENSEN, GARY L. Cable television. Retrospective and prospective. P.L.I., N.Y. (1985), 888 p.  
FORREST, HERBERT AND RICHARD E. WILEY. The new telecommunications era after the AT&T divestiture. P.L.I., N.Y. (1985), 848 p.  
GOLDSTEIN, JACK C. Current developments in patent law. P.L.I., N.Y. (1985), 400 p.  
WEISSBERG, FRANKLIN R. AND STANLEY ROTHENBERG. Legal and business problems of the theater. P.L.I., N.Y. (1985), 904 p.

These publications are from the Practising Law Institute Course Handbook Series. They are intended as an educational supplement to each program and as a reference source for attorneys and other interested professionals unable to attend the sessions.

177. COMPUTER LAW INSTITUTE 1985. P.L.I. (1985), N.Y. 1024 p.  
Video cassettes: productions, distribution, and programming for the VCR marketplace. N.Y. P.L.I. (1985), 504 p.

These publications are from the Practising Law Institute Course Handbook Series. They are intended as an educational supplement to each program and as a reference source for attorneys and other interested professionals unable to attend the sessions.

178. GILBURNE, MILES R. The computer law annual 1985. Law & Business, Inc., New York (1985), 413 p.

This is an anthology featuring twenty articles concerning the resolution by computer law experts of problems in such key areas

as: distribution, contracts and warranties, financing, proprietary rights protection, taxation, and litigation. In addition, major issues confronting hardware and software manufacturers, distributors, purchasers, and users are analyzed in detail.

179. GOODALE, JAMES C. *Communications law 1985*. 2 vols. P.L.I., New York (1985).

This publication is from the Practising Law Institute Course Handbook Series. Issued as part of the course materials, it is intended as an educational supplement to the program and may be used as a reference source for attorneys and other interested professionals unable to attend the sessions.

180. LONGMAN PROFESSIONAL INTELLIGENCE REPORTS. *Protecting computer technology: Europe & Asia Pacific*. Longman Professional, Chicago, Ill. (1985) 152 p.

This is the first of a two-volume report on international computer law issues. The report was originally written for a 1984 seminar sponsored by the Santa Clara Valley World Trade Association. The first chapter contains a concise survey of the current state of intellectual property protection in Europe. Subsequent chapters discuss the countries of Spain, France, Germany, Japan, Singapore, Taiwan, and Australia.

181. LONGMAN PROFESSIONAL INTELLIGENCE REPORTS. *Protecting computer technology: the Americas*. Longman Professional, Chicago, Ill. (1985), 94 p.

This is the second of a two-volume report on international computer law issues. This report was originally written for a seminar sponsored by the Santa Clara Valley World Trade Association; it has been extensively revised and updated. This volume focuses on issues from the U.S.A., Canada, Mexico, Venezuela and Brazil.

182. RINKERMAN, GARY. *The Semiconductor Chip Protection Act of 1984*. 2 vols. Computer Law Reporter, Washington, D.C. (1985).

A symposium containing an in-depth analysis of the Semiconductor Chip Protection Act of 1984. Volume I contains a summary of the Act as well as technology covered by the Act. Allocation and transfer of ownership rights in mask works and semiconductor chip products, the relationship between the chip

act and other intellectual property rights, originality, infringement, reverse engineering and enforcement are also discussed. Volume II includes the mask work registration form, Copyright Office interim and final regulations, comments of the semiconductor chip industry, prior House bills on semiconductor chip protection, and testimony and additional materials submitted to the House and Senate prior to passage of the bill.

183. SHEMEL, SIDNEY. *This business of music*. 5th ed., Billboard Publications, N.Y. (1985), 646 p.

This book provides detailed explanations of the legal, practical, and procedural problems encountered by the practising musician. It contains 38 chapters and over 200 pages of appendix material, including laws, regulations, forms, licenses, and contracts.

184. SHEMEL, SIDNEY and M. WILLIAM KRASILOVSKY. *More about this business of music*. 3d ed., Billboard Publications, N.Y. (1982), 214 p.

This publication picks up where *THIS BUSINESS OF MUSIC* leaves off. It covers six major segments of the music industry—namely, serious music, religious music, jazz, production and sale of printed music, background music and transcription, and live performances. The appendices include examples of agreements, licenses, updated copyright statutes and regulations; organization lists; and ASCAP and BMI Background Music Services Agreements.

a. Book Review\*

*By* PAUL GOLDSTEIN\*\*

185. WILLIAM F. PATRY. *The fair use privilege in copyright law*. The Bureau of National Affairs, Inc., Washington, D.C. (1985), 544 p.

Fair use is surely one of the hottest topics in copyright law today. Enlivened by such contemporary concerns as the unau-

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thorized publication of presidential reminiscences<sup>1</sup> and the new technologies of cheap photocopying<sup>2</sup> and off-the-air videotaping,<sup>3</sup> fair use doctrine has attracted as much current commentary as any issue in copyright. A few landmarks stand out in the literature: the early, pioneering effort of Judge Leon Yankwich;<sup>4</sup> Alan Latman's careful ingathering and analysis of the judicial, legislative and foreign materials in his much-cited study;<sup>5</sup> Leon Seltzer's imaginative book;<sup>6</sup> and Wendy Gordon's sensitive and intelligent application of economic analysis to fair use issues.<sup>7</sup> *The Fair Use Privilege in Copyright Law*, by William Patry, is a valuable addition to this rich literature.

## I.

The most distinctive aspect of *The Fair Use Privilege* is its scope and organization. Part I, "The Origin of Fair Use and an Overview of its Development," begins by tracing the origins of fair use through the early English and American cases and then divides into five chapters that deal successively with recurrent fair use contexts: biographies and historical works; public figures and public information; criticism, parody, and fictional characters; reprographic duplication; and off-air taping. Part II traces the legislative history that shaped sections 107 and 108 into their final form in the 1976 Act, from the preliminary studies and reports, through the final revision bills and hearings. It includes chapters on the relationship between sections 107 and 108, relevant bills introduced since 1976, and the guidelines for public broadcasting and off-air educational recording. Part III analyzes each of section 107's four factors. Parts IV and V, respectively, explore the First Amendment and procedural contexts of fair use decisions. Eight appendices reproduce relevant legislative materials on the evolution of sections 107, 108, 118 and 504.

The organization of *The Fair Use Privilege in Copyright Law*

<sup>1</sup> Harper & Row Publishers, Inc. v. Nation Enterprises, 105 S.Ct. 2218 (1985).

<sup>2</sup> Williams & Wilkins Co. v. United States, 487 F.2d 1345 (Ct. Claims 1973), *aff'd by an equally divided Court*, 420 U.S. 376 (1975).

<sup>3</sup> Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417 (1984).

<sup>4</sup> Yankwich, *What is Fair Use?* 22 U. CHI. L. REV. 203 (1954).

<sup>5</sup> LATMAN, FAIR USE OF COPYRIGHTED WORKS, STUDY NO. 14, prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary, 86th Cong. 2d Sess. (Comm. Print 1960).

<sup>6</sup> L. SELTZER, EXEMPTIONS AND FAIR USE IN COPYRIGHT (1978).

<sup>7</sup> Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 COLUM. L. REV. 1600 (1982).

should facilitate easy, productive access by scholars and lawyers. For example, two central sets of chapters mirror the contexts in which fair use issues most commonly arise and the factors that must be applied in their resolution.<sup>8</sup> The book thus provides at least two productive routes into doctrine. The lawyer who wishes to evaluate one of the statutory factors as applied to his or her case need only go to the appropriate point in the systematic discussion of factors. The lawyer interested in a particular kind of use—reprography, say, or reference to historical figures or works—can simply go to the section that explores that kind of use.

## II.

The early chapters on the development of fair use doctrine—starting with a brief treatise on “The Myth of Fair Use as an Equitable Doctrine” and continuing through the eighteenth and nineteenth century English and American cases—are among the best in the book. Organized around the judicial decisions, and following their chronological order, these chapters trace the evolution of fair use doctrine from its earliest beginnings. Patry handles the cases judiciously. Thus, *Folsom v. Marsh*,<sup>9</sup> widely cited for its seminal passage on the factors to be weighed in determining fair use, gets a more detailed treatment than most of the other cases in a largely successful effort to place that classic passage in context and to restore the decision “firmly within the mainstream of English case law from which it is derived.”<sup>10</sup>

Curiously, though, the book fails to note the important distinction between the function that *Folsom's* fair use calculus served for the better part of the nineteenth century and the function that it began to serve toward the end of the century and has served ever since. Throughout the earlier period, when the Copyright Act outlawed only the unauthorized “printing, reprinting, publishing and vending” of copyrighted works,<sup>11</sup> the fair use calculus was employed to determine the very scope of copyright and, as applied, excluded translations<sup>12</sup> and “true” abridgments<sup>13</sup> from the scope of copyright.

<sup>8</sup> Chapters 4-8; Chapter 17.

<sup>9</sup> 9 Fed. Cas. 342 (No. 4, 901) (C.C.D. Mass. 1841).

<sup>10</sup> P. 20.

<sup>11</sup> Act of May 31, 1790, c. 15 §1, 1 Stat. 124, 1st Cong., 2d Sess.

<sup>12</sup> See, e.g., *Stowe v. Thomas*, 23 Fed. Cas. 201 (No. 13,514) (C.C.E.D. Pa. 1853).

<sup>13</sup> See, e.g., *Story v. Holcomb*, 23 Fed. Cas. 171 (No. 13,497) (C.C.D. Ohio 1847).  
Ohio 1847).

But, with statutory recognition of the rights to translate in 1870,<sup>14</sup> and to abridge and to adapt generally in 1909,<sup>15</sup> fair use changed from a definitive to an interstitial doctrine. The doctrine's new role was to identify the circumstances in which, though the right to reproduce, dramatize, translate, abridge or adapt had admittedly been infringed, the defendant nonetheless should be excused from liability. The factors that were first explicated in *Folsom*, and that lent guidance to the early nineteenth-century determinations, would continue to be useful in this new setting. But the role of fair use had shifted dramatically—from a doctrine that defined the scope of copyright to one that served an exclusively interstitial function, seeking to replicate transactions that the parties, hobbled by insuperable transaction costs, could not be expected to conclude for themselves.

The succeeding chapters on recurrent fair use contexts and issues are, though generally thorough and evenhanded, occasionally marred by an imbalance. For example, eight pages<sup>16</sup> devoted to a contentious discussion of the district court opinion in *Meeropol v. Nizer*<sup>17</sup> hardly seems justified, particularly since the district court decision was reversed on the fair use ground by the court of appeals<sup>18</sup> in a decision that gets only two pages of discussion.<sup>19</sup> Similarly, Patry's interpretation of the Supreme Court's opinion in *Sony Corp. of America v. Universal City Studios, Inc.*,<sup>20</sup> to hold that every commercial use is presumptively unfair but that not every noncommercial use is presumptively fair,<sup>21</sup> seems forced and unwarranted by either the text or context of the opinion.

The chapters tracing the legislative history of section 107 represent a substantial contribution not only to the literature on fair use, but to our understanding of the legislative process in copyright matters generally. Through excerpts from reports, letters, comments and interchanges between interested parties and government officials, the book provides an instructive glimpse into legislation in the making at a time when the interested parties were sufficiently few, and the issues drawn with sufficient clarity,

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<sup>14</sup> Act of July 8, 1870, 16 Stat. 212 c. 230 §86, 41st Cong., 2d Sess.

<sup>15</sup> Act of March 4, 1909, 35 Stat. 1075 c. 320 §1(b), 60th Cong., 2d Sess.

<sup>16</sup> Pp. 78-85.

<sup>17</sup> 417 F. Supp. 1201 (S.D.N.Y. 1976).

<sup>18</sup> 560 F.2d 1061 (2d Cir. 1977).

<sup>19</sup> Pp. 85-87.

<sup>20</sup> 464 U.S. 417 (1984).

<sup>21</sup> P. 205.

for reasonable interchange and sensible compromise to be accomplished.

Patry tells a good story well. Occasionally, though, he tells it at greater length than is necessary. For example, I can think of no good reason for reproducing the same page-long colloquy at three separate places in the book.<sup>22</sup> One reproduction, with footnote cross-references at the other points, would have sufficed.

Part III, "Analysis of the Fair Use Factors," is organized around the four factors that section 107 directs courts to consider in determining whether a particular use is fair. This part effectively interweaves the legislative materials and judicial decisions in a generally clear and thoughtful evaluation of the weight to be given each of the four factors. The first factor—purpose and character of the use—gets the lengthiest, most intensive treatment, distinguishing not only between "commercial" and "noncommercial" uses, but also among more specific types of uses, categorized alphabetically, from A (abstracting) to R (research and scholarship). The second factor—"nature of the copyrighted work"—gets a similarly detailed and itemized treatment, this time from A (anthologies and other collective works) to U (unpublished and out of print works). The third factor—"amount and substantiality of the portion used"—receives only a few pages as, curiously, does the fourth—"effect of the use upon the potential market for or value of the copyright work"—a factor often cited by courts and commentators as the single most important determinant of fair use.

### III.

As should be evident, I admire Patry's effort in this work and, apart from the quibbles already noted, have only two reservations about the book. First, I would have welcomed some discussion of the varied experience that other countries have had with fair use and its counterparts. Copyright owners in the United States would doubtless like to know what limitations surround their copyrights in countries to which they export their works. Also, the less than coherent body of fair use doctrine in the United States may benefit from the experience of other nations in the international copyright community. Second, my tired eyes would have been happier if Patry had elevated much of his own excellent analysis from the small print of footnotes to the larger print of text. If space was

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<sup>22</sup> Pp. 124-125; 220-221; 442.

a consideration, he could have easily relegated some of the textual material—principally excerpts from judicial decisions and congressional testimony—to footnotes where they might better serve those with a particular need to know.

These, though, are really little more than notes for a second edition which, I hope, Patry will undertake before too long. As it stands, this is a good piece of work, indeed, and Patry is to be congratulated for the considerable thought, energy and intelligence he has invested in writing it. The result is a volume that should be of use to students, scholars and practitioners.

## 2. Foreign Publications

186. BEIER, FREIDRICH-KARL, GERHARD SCHRICKER and WOLFGANG FIKENTSCHER. *German Industrial Property, Copyright and Antitrust Laws—IIC Studies*, vol. 6. Max Planck Institute, Munich (1983), 222 p.

This book is divided into three major headings and six minor chapters. The subjects discussed include the concept of industrial property law and its historical basis, the significance and place of industrial property law in the legal system, the branches of industrial property law including patent law, utility model law, design law, trademark law, trade name law, and unfair competition.

187. A charter of rights for creators. Report of the Subcommittee on the Revision of Copyright, Standing Committee on Communications and Culture, Canada House of Commons (Oct. 1985), 136 p.

This report recommends that the Canadian government adopt a "Charter of Rights for Creators" which, with the adoption of the copyright revision suggestions provided therein, will (1) give more emphasis and reward to creative activity; (2) clarify and extend moral rights; (3) make the application of copyright principles as general as possible; (4) avoid improper extensions of copyright protection; and (5) recognize the major importance of cultural enterprises. Specific areas addressed in the Charter include computers and computer programs, "fair dealing," the renting right, home copying, the retransmission right, and neighbouring rights. The French version of the report is also supplied in this publication.

188. FELLNER, CHRISTINE. The future of legal protection for industrial design. Oxford: ESC Publishing (1985), 210 p.

A survey of both current law and current opinion on design protection in the U.K. and abroad. The author makes extensive use of case notes and articles (from contributors) published in the EUROPEAN INTELLECTUAL PROPERTY REVIEW, and in the English-language editions of INTERNATIONAL REVIEW OF INDUSTRIAL PROPERTY AND COPYRIGHT LAW (IIC); and of English translations of foreign statutes in WIPO's INDUSTRIAL PROPERTY REVIEW, GERMAN INDUSTRIAL PROPERTY, COPYRIGHT AND ANTITRUST LAWS, and IIC STUDY NO. 6, published by the Max Planck Institute in Munich.

## B. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

### 1. United States

189. AGUILAR, J. ARNOLD. Proprietary protection of computer software in the United States and Brazil. *Texas International Law Journal*, vol. 19, no. 3 (Summer 1984), pp. 643-675.

This article analyzes and compares the approaches taken by the United States and Brazil to protecting rights in computer software, including patent, copyright, trade secret protection and combinations of the latter two forms of proprietary protection. In comparing Brazilian software protection to that of the U.S., the author takes particular note of Brazil's recent Normative Act No. 22, which differentiates between residents and nonresidents in allowing for registration of computer programs, and expresses doubt that this Act conforms to the Universal Copyright Convention.

190. BERKOWITZ, RHODA I. and MARSHALL A. LEAFFER. Copyright and the art museum. *Art & the Law*, vol. 8, no. 3 (1984), pp. 249-317.

The authors illustrate the problems encountered by museum administrators, particularly in the area of copyright. The examples include the questions "are photographs copyrightable?" and "who owns the copyright for the exhibition catalogue—the museum or the contributing scholars?" The authors also discuss copyright and the concept of "fixation", originality, authorship and formalities. Section 4.2 deals with publication in commercial art galleries.

191. BERMAN, CLIFFORD E. *Consumer Union of United States v. General Signal Corp.* Commercial free speech and the fair use doctrine of copyright. *Loyola University of Chicago Law Journal*, vol. 16, no. 1 (Fall 1984), pp. 85-115.

The author provides a history of fair use and reviews the case of *Sony Corp. of America v. Universal City Studios, Inc.* Also included in this study is a history of commercial free speech and a look at the tension between the copyright law and the First Amendment.

192. COBERLY, MARGARET. Video wars: the *Batamax* decision. *Western State University Law Review*, vol. 11, no. 2 (Spring 1984), pp. 261-271.

The major issues presented to the Supreme Court in the case of *Universal City Studios v. Sony Corporation of America* are discussed. These issues include "whether home video recording to time-shift commercial television viewing constitutes a direct infringement and does 'fair use' provide a valid defense."

193. COLBY, RICHARD. Copyright revision revisited: commissioned works as works made for hire under the U.S. Copyright Act. *Whittier Law Review*, vol. 5, no. 4 (1983), pp. 491-515.

This is a discussion of the statutory definition of work made for hire and amendments proposed in Senate Bill 2044. The author states that the bill would diminish the value of motion picture contracts and would restrict the motion picture industry's ability to recoup its capital investment because the motion picture producer would no longer be deemed the author of all parts of the motion picture.

194. Computer Law Symposium. *Santa Clara Law Review*, vol. 23, no. 4 (Fall 1983), pp. 989-1209.

The symposium comprises a series of articles, comments and book reviews all relating to copyright, patents and computer law. Articles included are "Patent protection of computer software—practical insights" by James A. Sheridan; "Problems of interpretation under the 1980 computer amendment" by F. Clark Kelso and Alexandra Rebay; and comments by Philip McGarrigee on "Simultaneous copyright and trade secret protection for computer programs."

195. DAVIES, GILLIAN. Private copying of sound and audio-visual recordings. *EIPR*, vol. 6, no. 10 (Oct. 1984), p. 1.

In this discussion of home taping of sound and audio-visual recordings and the role of copyright, attention is given to private copying and its effects, international developments, and national developments outside the EEC.

196. DESIMONE, DAVID. The Supreme Court applies the doctrines of fair use and contributory infringement to home videotaping. *UMBC Law Review*, vol. 53, no. 1 (Fall 1984), pp. 126-144.

Mr. DeSimone reviews the case of *Sony Corp. of America v. Universal City Studios, Inc.* and copyright in connection with a history of the doctrines of contributory infringement and fair use in copyright law.

197. DIEDRING, MICHAEL C. VCR home recording and Title 17: does Congress have the answer to *Sony Corp. of America v. Universal City Studios, Inc.*? *Syracuse Law Review*, vol. 35, no. 2 (1984), pp. 793-829.

This article provides a view of the current video technology debate among scholars and consumers. It follows the progression of the *Batamax* case up to the Supreme Court and analyzes the high court's decision. Then the author struggles with the question whether the public's right to access should be paramount to the copyright holder's right to compensation in the VCR-free television context, and concludes with a look at the congressional solutions proposed as of early 1984.

198. GRIFFIN, PATRICIA A. Copyright law and computer software: the Third and Ninth Circuits take another bite of the apple. *Albany Law Review*, vol. 49, no. 1 (Fall 1984), pp. 170-201.

The *Apple* case (*Apple Computer Inc. v. Franklin Computer Corp.*) and the concept of the copyrightability of an object code are the focus of this article. Section IV analyzes computer programs, copyrightable expression and the scope of copyright protection.

199. JEFFORDS, EDWARD ALAN. Home audio recording after *Batamax*: taking a fresh look. *Baylor Law Review*, vol. 36, no. 4 (Fall 1984), pp. 855-877.

The author looks at home audio recordings and copyright

infringement and the music industry. Fair use, compulsory licensing and the Sound Recording Amendment of 1971 are also discussed.

200. MELLEMA, CYNTHIA L. Copyright protection for computer software: an international view. *Syracuse Journal of International Law and Commerce*, vol. 11, no. 1 (Summer 1984), pp. 87-121.

This article takes a look at computer programs, what they are, and what international legal protection is available for computer software. The areas of patent, trade secret and copyright law are investigated, including their advantages and disadvantages. Section III is devoted to international agreements, including the Universal Copyright Convention and the Berne Convention. Section C discusses software protection under existing conventions.

201. MOUCHET, CARLOS. Problems of "domaine public payant." *Art & the Law*, vol. 8, no 2 (1983), pp. 137-161.

The author provides a definition of "domaine public payant" along with general remarks concerning the case for and against such a system. It is noted that severe restraints on public dissemination may be caused by payment for the use of public domain works. This doctrine has also been criticized as promoting government censorship.

202. RABIN, SUSAN. Moral rights and the realistic limits of artistic control. *Golden Gate University Law Review*, vol. 14, no. 2 (Summer 1984), pp. 447-468.

The author discusses case law recognition of moral rights and federal statutory protection. Chapter III is devoted to analyzing the *Monty Python* case and reviewing state laws protecting visual artists.

203. RYAN, THOMAS J., JR. The "flexibility factor" in copyright, trade secret and patent law for computer software; the aftermath of *Sony Corp. of America v. Universal City Studios, Inc.* *Ohio Northern University Law Review*, vol. XI, no. 2 (1984), pp. 332-365.

This study includes a brief history of copyright protection from 1909 to the present. In Section III the author gives his definition of "the flexibility factor." The author concludes with a discussion of trade secret protection for computer software.

204. SCOTT, PAMELA C. and WENDY H. COHEN. An introduction to the New York Artist's Authorship Rights Act. *Art and the Law*, vol. 8, no. 3 (1984), pp. 369-403.

A summary of the New York Artist's Authorship Rights Act which gives an artist a cause of action for legal and injunctive relief against those who knowingly display the artist's work in "altered, defaced, mutilated or modified form." The provisions of the Act, including the paternity clause, and a look at works protected by the Act are included.

205. SIDEL, MARK. The legal protection of copyright and the rights of authors in the People's Republic of China, 1949-1984: prelude to the Chinese copyright law. *Art and the Law*, vol. 9, no. 4 (1985), pp. 477-508.

The early years of copyright protection in the People's Republic of China is investigated beginning with the "1950 Awards Decision." The effect of the Cultural Revolution on Chinese authors and artists and the effect on copyright protection is reviewed in depth. In section IV, the author delves into copyright and protection today and the system of royalty payments.

206. Software protection in France. *Copyright Management*, vol. 8, no. 10 (Oct. 1985), p. 2.

On January 1, 1986, a new law recognizing software as artwork protectable under the law of authors (distinct from copyright) goes into effect in France. Under the provisions of the law, a user may make an archival copy, an employer is considered the author of his or her employees' programs, and the term of protection is twenty-five years from creation.

207. SPROWL, JAMES A. Proprietary rights in programmed computers. Looking beyond the hardware/software distinction for more meaningful ways of characterizing proprietary interests in digital logic systems. *Arizona State Law Journal*, vol. 1983, no. 4 (1983), pp. 785-799.

The author provides an introduction to digital information systems, including programmable digital computers and micro-computer language. Section IV discusses the legal significance of a layered system design.

208. STEINBERG, DOUGLAS. Journalists' rights to their own works. *Art & the Law*, vol. 8, no. 1 (1983), pp. 113-132.

In this study the author analyzes how the "work made for hire" doctrine applies to journalists. The second part of this discussion evolves around the issue involved in a current bill "to amend the definition of work for hire in the 1976 Act that might benefit free-lance journalists."

209. STRENGER, LISA AIMEE. A judicial circumscription of rights under "derivative works exception." Section 304(6)(A) of the Copyright Act of 1976. Who's sorry now? *Harry Fox Agency, Inc. v. Mills Music, Inc. Whittier Law Review*, vol. 6, no. 3 (1984), pp. 923-947.

A history of the copyright law, review of the protection given to derivative works, and a review of such cases as *Harry Fox Agency, Inc. v. Mills Music, Inc.*, *Fred Fisher Music Co. v. M. Wilmark & Sons*, and *Rohauer v. Killiam Shows, Inc.* are included in this study. Mrs. Strenger reviews both the district court's and the court of appeals' holding in the *Mills Music* case.

210. WALLACE, CHRISTINE. Overlapping interests in derivative works and compilations. *Case Western Reserve Law Review*, vol. 35, no. 1 (1984-85), pp. 103-132.

This study analyzes the development of copyright protection, including the acts of 1790, 1870, 1909 and 1976. The test for infringement is investigated, along with the type and scope of protection for original expressions.

211. Westlaw gets P.I. against Lexis page number use. *Copyright Management*, vol. 8, no. 10 (Oct. 1985), p. 5.

A federal district court has enjoined Mead Data Central from including Westlaw page numbers in Mead's Lexis on-line full text case reports.

212. WONG, RUSSELL T. The Semiconductor Chip Protection Act: new law for new technology. *Journal of the Patent and Trademark Office Society*, vol. 67, no. 10 (October 1985), pp. 530-550.

This note examines whether semiconductor chip designs are appropriate subject matter for copyright protection. A brief review of chip technology is provided as well as an analysis of the nature of sui generis protection for chip design under the Copy-

right Act. Finally, the justification for creating a new category of works is examined.

## 2. Foreign

213. BOTEIN, MICHAEL. New video technologies in the United States: regulatory and intellectual property considerations. *Revue Internationale du Droit d'Auteur*, no. 125 (July 1985), pp. 67-144.

The author points out the differences in the European and American versions of the word "deregulation." One of the United States agencies, the FCC, its regulatory policies and its application to video technologies are discussed. The ban on cross-ownership of a radio station, newspaper, or cable system by a broadcast television station in the same market is also analyzed.

214. GOBIN, ALAIN. Performers, collectors and publishers of folk music. *Revue Internationale du Droit d'Auteur*, no. 124 (April 1985), pp. 105-137.

Mr. Gobin points out abusive practices concerning the rights of performers of folk music and the inadequacies of the laws in force. He directs his comments to situations where recording companies record a local singer or musician for a very low fee and then commercially exploit these folk recordings. Mr. Gobin discusses where the rights of recording companies begin and those of performers of folk music end.

215. GREGURAS, FRED M., DANIEL M. SIEGEL and NEAL M. WILLIAMS. The Semiconductor Chip Protection Act of 1984. *Revue Internationale du Droit d'Auteur*, no. 124 (Apr. 1985), pp. 57-103.

The authors define a "semiconductor chip" and a "mask work", and explain how a mask work is "fixed." Section III discusses the conditions for protecting mask works. Sections V and VI are devoted to the exclusive rights of mask work owners and the ownership, transfer and licensing of mask works.

216. GUSHU, LIU. An introduction to the system of protection for industrial property in China. *EIPR*, vol. 7, no. 2 (Feb. 1985), pp. 43-47.

This article reviews the evolution of industrial property legislation in China. In explaining the differences between the old

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and new trademark law, the author notes that the new trademark law guarantees quality. The article also discusses the salient features of Chinese patent law, including foreign patent applications.

217. HODKINSON, KEITH and BARRY QUEST. Further reform of the patent laws? The case against petty patents. *EIPR*, vol. 7, no. 4 (Apr. 1985), pp. 108-112.

This review of the U.K. Green Paper, "Intellectual Property Rights and Innovation," provides a discussion of the U.K. Patent Act of 1977 and the "petty" patent, which is said to favor small firms or individual inventors ordinarily excluded from patent protection because of its expense and delay.

218. KINGSTON, WILLIAM. Who should protect intellectual property? *EIPR*, vol. 7, no. 3 (Mar. 1985), pp. 75-77.

In this discussion of intellectual property rights and whether they are best protected in their present form, the author suggests that there should be state involvement in the enforcement of such rights.

219. KLOSS, D. M. Copyrights and the conflict of laws. *EIPR*, vol. 7, no. 1 (Jan. 1985), pp. 15-19.

This article discusses the problem of enforcing copyright law when there is a conflict between English law and the law of a foreign state. Three areas of concern—ownership, formalities of transfer and liability in tort—are presented in this article.

220. O'FARRELL, ORLAGH. Recent developments in copyright in EEC. *EIPR*, vol. 7, no. 4 (Apr. 1985), pp. 102-108.

This article looks at computer software protection and the home copying problem in the field of sound and visual recordings. The author reviews the history of copyright and provides a survey of legal cases concerning the recording industry. He also discusses recent developments in the copyright field in the EEC.

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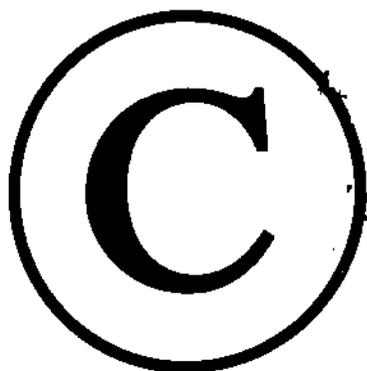
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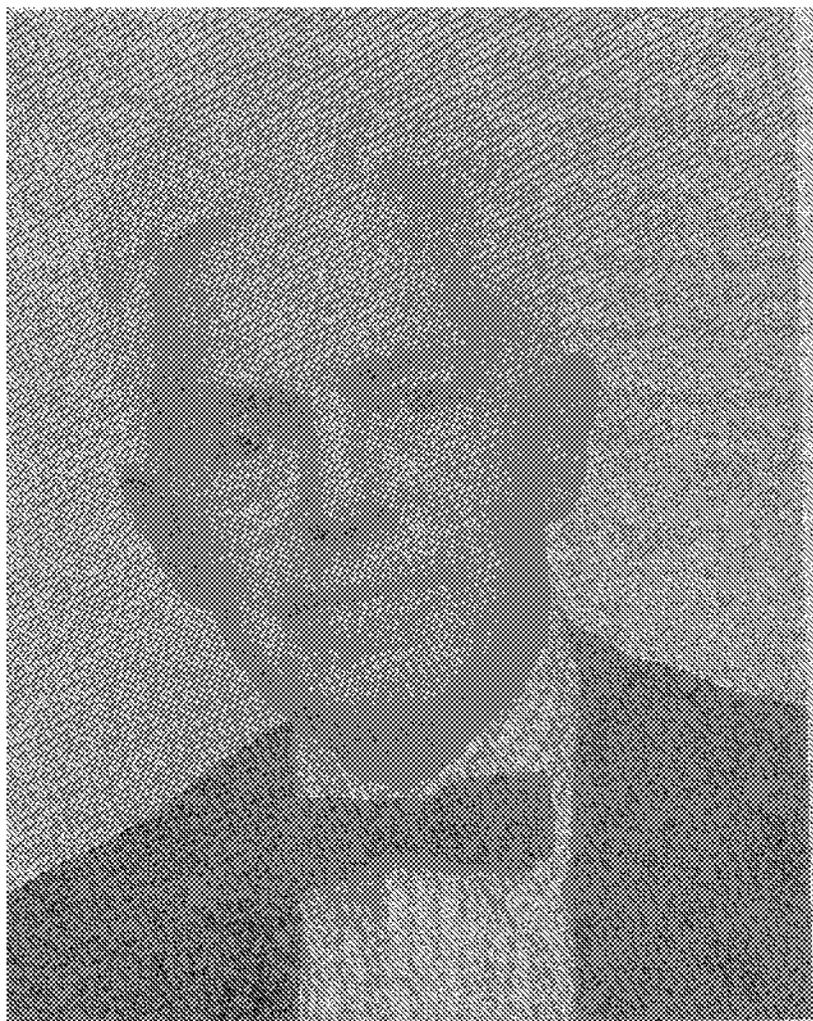
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## PART I

## ARTICLES

221. COPYRIGHT AND ITS UPSTART COUSINS: PRIVACY, PUBLICITY, UNFAIR COMPETITION: *The Sixteenth Donald C. Brace Memorial Lecture*

By RALPH S. BROWN\*\*

I am going to take some liberties with the prescribed subject of these lectures. I would like to think that Donald Brace, as a shrewd and forward-looking publisher, would have been alert to, and I hope concerned about, certain distortions in the connections between copyright and adjoining bodies of law that impinge on the inner sanctum of copyright, namely the publishing of books. For example, Mr. Brace might have found sobering the conclusion of our federal Court of Appeals that buyers of romances, presumptively literate, can not tell the difference between "Harlequin" and "Silhouette".<sup>1</sup> And I think he would have been bemused to know that even if he acquired the copyright in a photograph of the late Elvis Presley, he might have to get a license from Memphis before he could use it in advertising.<sup>2</sup>

So, I am going to talk mostly about notions of unfair competition, and about the "free rider" problem. But copyright will be our lodestar. Its needle points true north—most of the time.

Let us recall briefly the central stabilizing elements of copyright law. It is axiomatic that its goals, embedded in the Constitution, are to encourage authorship and creativity, for the sake of increasing the stock

---

\*This lecture was delivered on May 1, 1986 at New York University Law Center. The text is substantially that of the lecture; the footnotes of course have been added.

\*\*Simeon E. Baldwin Professor of Law Emeritus, Yale Law School; Visiting Professor of Law, New York Law School.

<sup>1</sup> *Harlequin Enterprises Limited v. Gulf & Western Corp.*, 644 F.2d 946 (2d Cir. 1981).

<sup>2</sup> *Cf. Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215 (2d Cir. 1978), *cert. denied*, 440 U.S. 908 (1979) (sale of posters); *rev'd*, 652 F.2d 278 (2d Cir. 1981) (applying Tennessee law).

of knowledge and of art.<sup>3</sup> The copyright grant is legitimated by certain constraints, or rather boundaries, that mark off the claims of authors from the equally valid claims of the public domain. First, the constitutional requirement of limited duration. Second, the common-law and now statutory barrier to protection of an "idea, procedure, process, system, method of operation, concept, principle, or discovery."<sup>4</sup> Copyright, automatically obtained and powerfully enforced, does not reach beyond an author's expression. Third, the safety-valve of fair use, which relieves the pressure of expansive notions of what constitutes illicit copying. Fair use takes into account the needs of the copier, and of the public.<sup>5</sup>

The objectives of copyright's cousins are roughly parallel to those identified with copyright. The privacy-publicity right is said to encourage talented people, by additional rewards, to perfect and display their talents.<sup>6</sup> Unfair competition law is supposed to stimulate innovation and investment throughout the economy.<sup>7</sup> The parts of it that we will be concerned with come close to copyright—indeed too close, I will argue, because they create monopolies without the boundaries that legitimate the copyright monopoly.

The right of privacy, as we all know, started out to protect people

<sup>3</sup> See, e.g., *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975):

The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an 'author's' creative labor. But the ultimate aim is by this incentive, to stimulate artistic creativity for the general public good.

*Id.* at 156 (footnotes omitted).

<sup>4</sup> 17 U.S.C. §102(b). See Brown, *Unification: A Cheerful Requiem for Common Law Copyright*, 24 UCLA L. REV. 1070, 1096-7 (1977).

<sup>5</sup> *Folsom v. Marsh*, 9 Fed. Cas. 342 (No. 4901) (C.C.D. Mass. 1841); Harper & Row, Publishers, Inc. v. Nation Enterprises, 105 S. Ct. 2218 (1985); W. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW* (1985).

<sup>6</sup> See Ausness, *The Right of Publicity: A 'Haystack in a Hurricane'*, 55 TEMPLE L. Q. 977, 989 (1982) (identifying "performance values" and "recognition values").

<sup>7</sup> To the extent, that is, that it protects the identity of sources of new and desired goods and services, it lowers the search costs of consumers, and diminishes free-riding. There are of course economic counter-arguments, not currently in vogue, that view advertising and trademarks as creating barriers to entry and fostering inefficient product differentiation. See, for a rapid non-technical survey, McClure, *Trademarks and Unfair Competition: A Critical History of Legal Thought*, 69 TRADEMARK REP. 305, 344-7 (1979). Of course, unfair competition law, as the label implies, is also suffused with ethical considerations. McClure, *op cit.*: J. T. MCCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* ch. 1 (2d ed. 1984).

from unauthorized exploitation of their names and likenesses.<sup>8</sup> Through the decades its territory expanded. Further, this right to be let alone, especially in the intimate affairs of life, acquired constitutional dignity.<sup>9</sup> Nowadays, for those engaged in writing and publishing, invasions of "false light" privacy and "embarrassing private facts" privacy have become minefields, risks to be avoided.<sup>10</sup> They are indistinct siblings to libel and slander.

After some reflection, I now conclude that true leave-me-alone privacy rights have little to teach us at this session. What is noteworthy is the way that the right against commercial exploitation has been stood on its head. Devised to help private figures shun the limelight, this right came to be invoked by athletes and others who were willing, nay eager, to lend their names and faces for a price. In 1953, Judge Jerome Frank said in the *Haelan* case,<sup>11</sup> "This right might be called a 'right of publicity' ". Young Melville Nimmer, now sadly lost to us, picked up the phrase for an article.<sup>12</sup> The rest is history.

It is a history that, with the twists and turns of any history, records the rapid transformation of a personal right into a property right, a right to exclude. That is what makes the connection with copyright and suggests a need for boundaries akin to those of copyright.

We see the transformation to a property right most vividly in the controversy about descendibility.<sup>13</sup> Put in very simple terms, if the publicity right was assimilated to privacy rights, it was personal, and death put an end to it. "The grave's a very private place", sang Andrew Marvell;<sup>14</sup> but it harbored no legal privacy rights. If the publicity rights were going to be enforceable by heirs and assigns, then the property characterization became pressing. But where was this new form of intellectual property to come from? For a while courts hesitated to create it, or boldly declined to do so, as did the Sixth Circuit when the Elvis

<sup>8</sup> The pioneering New York statute was 1903 N.Y. Laws ch. 132, §2 (now Civ. Rights Law §§50-51 (McKinney 1976)).

<sup>9</sup> *E.g.*, *Griswold v. Connecticut*, 381 U.S. 479 (1965) (contraception); *Roe v. Wade*, 410 U.S. 113 (1973) (abortion).

<sup>10</sup> Consult B. SANFORD, *LIBEL AND PRIVACY* ch. 11 (1985); Zimmerman, *Requiem for a Heavyweight: A Farewell to Warren & Brandeis's Privacy Tort*, 68 *CORNELL L. REV.* 291 (1983).

<sup>11</sup> *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866 (2d Cir. 1953), *cert. denied*, 346 U.S. 816 (1953).

<sup>12</sup> Nimmer, *The Right of Publicity*, 19 *LAW & CONTEMP. PROBS.* 203 (No. 2, 1954).

<sup>13</sup> "Inheritability" is more precise. See, for a searching examination of these issues, Terrell and Smith, *Publicity, Liberty, and Intellectual Property: A Conceptual and Economic Analysis of the Inheritability Issue*, 34 *EMORY L.J.* 1 (1985).

<sup>14</sup> "To His Coy Mistress".

empire tried to control the sale of little replicas of a public monument.<sup>15</sup> But then a more appealing case came along, that of Dr. Martin Luther King. The Georgia Supreme Court declared that "the right of publicity rewards and thereby encourages effort and creativity." These rewards should not be diminished, the court said, by "the celebrity's untimely death."<sup>16</sup> The Supreme Court had already endorsed in *Zacchini*<sup>17</sup> (not a descendibility case) Harry Kalven's assertion that "the rationale . . . is the straightforward one of protecting unjust enrichment by the theft of good will."<sup>18</sup>

Now, spurious endorsements—the starting-point of the publicity right—are not defensible on any theory.<sup>19</sup> But judicial declarations that a celebrity could keep on exclusively endorsing Wheaties from across the Styx left troublesome questions. Would the right persist through all eternity? Chief Justice Bird of California, dissenting in the great *Lugosi-as-Dracula* litigation,<sup>20</sup> was willing to borrow the copyright term of life plus fifty years. And that is just what the California legislature has done, in a statute that sensibly regulates the expanded right of publicity, now that we seem to be saddled with it.<sup>21</sup>

Such a statute takes care of the duration boundary. What is left unsettled is the scope of the right and its reach into the preserve of ideas. For example, copyright law has witnessed a long struggle to secure the recognition of a "character", even a well-delineated character, as protectible subject matter.<sup>22</sup> Yet the publicity cases have had no trouble at all in identifying the persona of the celebrity, even if it is a fabrication of the dream machines of TV and the movies. After all, the celebrity has a name (even if adopted), a face (even if made-up), and a voice (even if synthesized).

<sup>15</sup> *Memphis Development Foundation v. Factors Etc. Inc.*, 616 F.2d 956 (6th Cir. 1980), *cert. denied*, 449 U.S. 953 (1980).

<sup>16</sup> *Martin Luther King, Jr., Center for Social Change, Inc. v. American Heritage Products, Inc.*, 250 Ga. 135, 296 S.E. 2d 697 (1982).

<sup>17</sup> *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (1977).

<sup>18</sup> Kalven, *Privacy in Tort Law—Were Warren and Brandeis Wrong?*, 31 *LAW & CONTEMP. PROBS.* 326, 331 (No. 2, 1966).

<sup>19</sup> *Cf. Cher v. Forum International, Ltd.*, 692 F.2d 634 (9th Cir. 1982) (writing an "implied endorsement" with knowing falsity or reckless disregard for the truth "strips away the protection of the First Amendment" (p. 640)).

<sup>20</sup> *Lugosi v. Universal Pictures*, 25 Cal. 3d 813, 828, 25 Cal Reprtr. 323, 603 P.2d 425 (1979) (majority declined to recognize descendibility, at least when the merchandising rights at issue had not been exploited by Lugosi during his lifetime).

<sup>21</sup> California Civil Code § 990 (1984).

<sup>22</sup> *See Warner Brothers, Inc. v. American Broadcasting Companies, Inc.*, 720 F.2d 231 (2d Cir. 1983) (Superman character not infringed by figure in television series "The Greatest American Hero").

Exclusive rights that go beyond the copyright boundaries become especially troublesome when they extend to creations that possess their own elements of authorship. Examples are photographs, paintings or statues, impersonations, and satires. I continue to have trouble with the notion that if I sculpt a bust of Martin Luther King, dead or alive, I cannot sell copies of it, even when I make no false claim that it is sponsored by Dr. King or the Foundation that honors his memory.<sup>23</sup> Similarly, I have trouble with the notion that I cannot recreate the Marx Brothers in my own blend of their style of comedy and that of Chekhov.<sup>24</sup> I have even more trouble with the notion that I cannot do an Elvis Presley act without coming to terms with a corporate licensing enterprise.<sup>25</sup> There is no deception in these examples—not even faithful readers of tabloids could believe that their ambiguous idol had been resurrected.

David Lange views these excessive rights of publicity as an anomaly made possible by a low regard for interests that should be kept in the public domain.<sup>26</sup> We have, even in this hasty sketch, seen some other factors that explain this eruption of rights. There is a sincere regard for offering greater rewards to creativity. There is an ethical belief that the imitator is guilty of unjust enrichment—what an empty phrase that is! There is an economic concern that the imitator may obtain a free ride on the investments of others who slowly build up their celebrated personalities and who might be discouraged by the likelihood of uncontrollable copying.<sup>27</sup>

<sup>23</sup> Such a misrepresentation was an element in the *King* case, *supra* note 16.

<sup>24</sup> *Groucho Marx Productions, Inc. v. Day and Night Co., Inc.*, 523 F. Supp. 485 (S.D.N.Y. 1981), *rev'd*, 689 F.2d 317 (2d Cir. 1982) (applying California law).

<sup>25</sup> *Estate of Presley v. Russen*, 513 F. Supp. 1339 (D.N.J. 1981).

<sup>26</sup> Lange, *Recognizing the Public Domain*, 44 LAW & CONTEMP. PROB. 147, 163-164 (No. 4, 1981):

"The most startling fact about the law of publicity is that, until claims like these began to be recognized a decade or so ago, the writers in the *Day and Night* case would have had a right to do exactly as they did . . . I must say that I am at a loss to understand the casual, tendentious, self-assertive basis upon which so fundamental and sweeping a transfer of interests has been made. Certainly, it cannot legitimately turn on anything as simple as a proposition about where the economic value of the interests reside; they reside wherever the law permits them to reside . . . The only real explanation for this anomaly appears to be that the defendants' interests amounted to no more than individual rights in the public domain. And as such, they received no more adequate recognition than does the public domain itself.

<sup>27</sup> For discussion of these and countervailing concerns (which tend to be expressed in First Amendment terms not essentially different from my attention to the public domain), see Ausness, *supra* note 6; Felcher and Rubin, *Privacy, Publicity, and the Portrayal of Real People by the Media*, 88 YALE L.J. 1577 (1979); Samuelson, *Reviving Zacchini: Analyzing First Amendment Defenses in Right of Publicity and Copyright Cases*, 57 TUL. L. REV. 836 (1983).

This last concern is perhaps dominant in certain extensions of unfair competition law, which are the next topic in this survey. There is nothing "upstart" about the core of that body of law, namely the recognition and protection of trademarks. The modern contours of trademark law are unexceptionable, at least so long as they stay fairly close to Judge Learned Hand's commandment of 1928—

The law of unfair trade comes down very nearly to this—as judges have repeated again and again—that one merchant shall not divert customers from another by representing what he sells as emanating from the [other]. This has been, and perhaps even more now is, the whole Law and the Prophets on the subject, though it assumes many guises.<sup>28</sup>

The copyright boundaries that are our guidelines are not unrelated to trademarks. True, the duration of trademarks is theoretically unlimited; but they will lapse if they are abandoned.<sup>29</sup> The great difference,

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<sup>28</sup> *Yale Electric Corp. v. Robertson*, 26 F.2d 972, 973 (2d Cir. 1928).

<sup>29</sup> However, abandonment generally requires a showing of some kind of intent to abandon, and, even in the face of the Lanham Act's prima facie presumption of abandonment on proof of two years of nonuse (15 U.S.C.A. §1127), the usual judicial attitude is that proof of abandonment must be "clear" or "strict." See MCCARTHY, *supra* note 7, ch. 17. The growing trademark use of the names and tag-lines of real celebrities and fictional characters, see *Carson v. Here's Johnny Portable Toilets*, 698 F.2d 831 (6th Cir. 1983), is encroaching on the durational limits of copyright and of publicity rights. A very recent example of this possible trend is *Silverman v. CBS, Inc.*, 229 U.S.P.Q. 587 (S.D.N.Y. 1986). In that case, the plaintiff sought a declaration that he was free to make a musical based on the characters "Amos 'n Andy" (and their entourage), who flourished on radio from 1928 and then faded away from television in 1966. CBS, which owns all rights to Amos 'n Andy, denied having abandoned any trademarks (and claimed a large number of subsidiary marks); it explained that the social climate has not been favorable to blackface characters in recent years, but may change (the plaintiff apparently scents a change). The case focusses also on complex problems of the subsistence of copyright in various scripts and productions. On most of these claims, CBS won summary judgment. Judge Goettel said that the question of abandonment of trademarks would have to be tried, but he did not display any lack of sympathy for the position of CBS. The point is that if the trademarks are valid and enforced, it does not make much difference that some copyrights have expired. It is conceivable that plaintiff could revive old Amos 'n Andy scripts, and be free to so label them, by making elaborate disclaimers of any connection with CBS and the original authors. Gosdon and Correll. The general problem, that of continuing trademark protection for the key elements of expired copyright, has been brewing for a long time. See Adams, *Superman, Mickey Mouse and Gerontology*, 64 TRADEMARK REP. 183 (1974).

Relatedly, trademark rights, e.g. in the name "Pablo Picasso", may "fill the gap" if descendibility is not recognized in the publicity right, or if it has a terminus. See Borchard, *Trademark and the Arts*, 7 ART & THE LAW 1, 12, 13 (1982).

of course, is that trademark law deals with symbols, copyright with the fuller expression conveyed by the term "works of authorship." In a general way, however, trademark law does satisfy the policy behind the idea-expression divide, in that courts vigilantly prevent generic words from operating as trademarks. "Likelihood of confusion," the trademark test for infringement, is recognizably related to "substantial similarity," the test for copyright infringement. There is also a healthy recognition that fair use has a place in trademark law—in comparative advertising, and even for satirical comment (provided it is not too raunchy).<sup>30</sup>

Where these salutary standards begin to break down is in the branches of unfair competition law that abut and sometimes overlap copyright law. One such branch deals with the use of bodies of information and with business systems that have no statutory protection, as in the great case of *International News Service v. Associated Press*,<sup>31</sup> decided in 1918, where INS had to stop lifting—misappropriating, the Supreme Court said—AP's war news. I am not going to retrace the chequered history of misappropriation.<sup>32</sup> I will discuss a couple of recent cases in which there was just enough of a trademark element to camouflage an underlying misappropriation application. Both cases involved the use of well-known stock market indices as a basis for a new form of gambling, or investment if you prefer, on the rise and fall of the index. When the Chicago Board of Trade sought a declaration in the Illinois courts that it could freely use the Dow Jones Industrial for this purpose, it lost, 4-3, with the dissenters troubled only by the absence of competition between Dow Jones and the Board of Trade.<sup>33</sup> The court talked about the Board's exploiting, without compensation, Dow Jones' name and reputation for accuracy and impartiality (thus the trademark flavor); but the holding was cast entirely in terms of misappropriation.

In the Second Circuit, when Standard and Poor's sued to prevent the Commodity Exchange from using its famed 500, it did get a preliminary injunction, upheld by the Court of Appeals in an opinion that advanced both confusion of sponsorship and misappropriation grounds.<sup>34</sup> But we tend to overlook that two members of the panel declined to

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<sup>30</sup> See Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 195-206.

<sup>31</sup> *International News Service v. Associated Press*, 248 U.S. 215 (1918).

<sup>32</sup> See Baird, *Common Law Intellectual Property and the Legacy of International News Service v. Associated Press*, 50 U. CHI. L. REV. 411 (1983).

<sup>33</sup> *Board of Trade of Chicago v. Dow Jones & Co.*, 98 Ill.2d 109, 74 Ill. Dec. 582, 456 N.E.2d 84 (1983).

<sup>34</sup> *Standard & Poor's Corp. v. Commodities Exchange, Inc.*, 683 F.2d 704 (2d Cir. 1982).

second the broad reach of Judge Pierce's opinion. They concurred only in the injunction's maintenance of the status quo.

The siren song of misappropriation was also resisted in the United States Golf Association case, where the plaintiff wanted to keep the defendant from using its handicapping formula. Judge Becker, after an able review of the doctrine (and the stock market index cases), concluded that New Jersey law would not find misappropriation in the absence of direct competition between the parties.<sup>35</sup>

Sometimes an indignant victim (as he sees himself) of "copycatting" will bring a lawsuit that ends in a reminder that there is still a broad sea of public domain that cannot be dammed, ditched or drained. Such a case is *Prufrock vs. Lasater*,<sup>36</sup> where the plaintiff restaurant operator argued unsuccessfully in the Eighth Circuit that defendant's establishment had lifted his "down home country cooking concept." The plaintiff invoked Lanham Act sec. 43(a), of which we will say more in a moment; but at bottom he argued misappropriation of a business theme. The court coldly turned him away.

We see, just from these few examples, that the case law is uneasy and unsettled in its handling of proprietary claims in data and systems that do not qualify for copyright or trademark protection. In an easy case, like the "country cooking concept," the underlying distinction between idea and expression still holds. Where trademark elements are present, as with the Dow-Jones Average case (was there not a rock group that called itself that? were they sued?), then prediction becomes harder.

If the plaintiff claims unfair competition with respect to words and pictures that look more at home in copyright law than in trademark law, one would expect the preemptive provision, Sec. 301, of the Copyright Act,<sup>37</sup> to exert dominant force. If you cannot get a copyright, because the design is inseparably that of a useful article,<sup>38</sup> you probably are unprotected. But we know that that is only partly true, because there is another unruly branch of unfair competition law awkwardly called trade dress protection. The term "trade dress" is used loosely to refer either

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<sup>35</sup> United States Golf Ass'n v. St. Andrews Systems, Data-Max, Inc., 749 F.2d 1028 (3d Cir. 1984).

<sup>36</sup> Prufrock Ltd., Inc. v. Lasater, 781 F.2d 129 (8th Cir. 1986).

<sup>37</sup> 17 U.S.C. 301.

<sup>38</sup> 17 U.S.C. §101, definition of "pictorial, graphic, and sculptural works":

Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

to the configuration of goods, or to their packaging. I will be emphasizing cases where the product itself is copied. The buzz-word here is *functionality*. If the design is functional, there is no protection unless you can get a utility patent. If it is nonfunctional, protection through unfair competition (or design patent) is possible. I have not mentioned design patent before; for our purposes it is close kin to copyright, but much less accessible.<sup>39</sup>

In the *Sears-Compco* cases of 1964,<sup>40</sup> a unanimous Supreme Court went very far toward wiping out any restraints on copying of articles in commerce that were not eligible for copyright or patent protection, so long as confusion was avoided by adequate labelling. Some of us thought that was the end of inquiries whether a design was functional or non-functional. But the lower courts, emboldened by *Goldstein v. California*<sup>41</sup> in 1973, went right back to playing games about functionality, as though *Sears* and *Compco* had never been decided.<sup>42</sup>

The wild card in that game is now section 43(a) of the Lanham Act. Its metamorphosis from a little-used prohibition of the use of "a false designation of origin, or any false description or representation"<sup>43</sup> to its now dominant position was aided by its status as a federal statute, which explicitly freed it from the preemptive reach of Sec. 301 of the Copyright Act.<sup>44</sup>

The problem is this: protection of industrial design, unless kept firmly tied to source recognition as a trademark, easily slides into an unpredictable system of monopoly awards for successful designs, uninhibited by the statutory standards of copyright law or design patent law.

Two doctrines stand in the way. One, as we have seen, is the requirement that the design element not be functional; the other is that it be associated with a "source of origin", as the Lanham Act used to read. It must be valued not just because it is efficient or good-looking,

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<sup>39</sup> Design patents have been available since 1842; the current statutory source is 35 U.S.C.A. §171. They must meet the patent law standard of non-obviousness. In *Re Nalbandian*, 661 F.2d 1214 (C.C.P.A. 1981). See R. BROWN AND R. DENICOLA, *CASES ON COPYRIGHT, UNFAIR COMPETITION AND OTHER TOPICS BEARING ON THE PROTECTION OF LITERARY, MUSICAL AND ARTISTIC WORKS* 135-40 (4th ed. 1985).

<sup>40</sup> *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

<sup>41</sup> *Goldstein v. California*, 412 U.S. 546 (1973).

<sup>42</sup> See BROWN & DENICOLA, *supra* note 39, pp. 501-4.

<sup>43</sup> 15 U.S.C.A. § 1125(a).

<sup>44</sup> "Nothing in this title annuls or limits any rights or remedies under any other Federal statute" 17 U.S.C.A. §301(d).

but because it operates to some extent as a trademark. In legal jargon, it must have acquired secondary meaning.

The requirement of secondary meaning in trade dress, though elsewhere in good order,<sup>45</sup> has been thoroughly mangled right here in the Second Circuit. In cases reaching back 20 years and more the Court of Appeals has been declaring (sometimes) that you do not at all need to establish secondary meaning for trade dress.<sup>46</sup> These cases emphasize the wide range of choice in display and packaging that the second comer has, and the confusing similarity that results from close imitation. Yet, if the confusion relates to source, then there *is* secondary meaning, and the court should not say it is not part of the case.<sup>47</sup> Here I have to scold the court particularly in the *Harlequin* case. After finding actual confusion between the covers of Silhouette romances and those labelled Harlequin, the opinion went on to say, quite unnecessarily, that "New York law shields trade dress from deliberate copying even if it has not acquired a secondary meaning."<sup>48</sup>

There is another battery that is being committed on secondary meaning in this Circuit, namely the intimations that there is something

<sup>45</sup> See 1 J. T. McCarthy, TRADEMARKS AND UNFAIR COMPETITION 285 (2d ed. 1984). A leading case interpreting Lanham Act §43(a) explains that *if the getup of packaging is intrinsically arbitrary and distinctive, then, as in trademark law generally, it will be protected from likely confusion without the need to establish that it has come to be distinctive, i.e. has acquired secondary meaning.* Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc., 659 F.2d 695 (5th Cir. 1981), *cert. denied*, 457 U.S. 1126 (1982).

<sup>46</sup> *E.g.*, Flexitized Inc. v. National Flexitized Corp., 335 F.2d 774 (2d Cir. 1964), *cert. denied*, 380 U.S. 913 (1965); Perfect Fit Industries, Inc. v. Acme Quilting Co., Inc., 618 F.2d 950 (2d Cir. 1980).

<sup>47</sup> Part of the problem here is the use of vague and overbroad language, as to which I am culpable along with the courts. The categorization of trade dress claims depends in part on whether one looks first to the plaintiff's packaging, to see whether it has fanciful or arbitrary features that make it equivalent to a trademark, or whether attention is focussed on the imitativeness of the defendant's packaging.

Another ambiguous position of the Second Circuit is the court's intermittent stance that it is simply following a strand in New York unfair competition law that minimizes any need to show secondary meaning if the defendant's conduct is deemed unfair. MCCARTHY, *supra* note 45, shows that the supposed New York rule is largely the creation of the Circuit, and that "a survey of its opinions reveals a basic uncertainty and inconsistency" (1 MCCARTHY at 675). In cases ascribed to §43(a), the court is assisting in the creation of a federal law of unfair competition. In its most recent pronouncement, the Circuit reaffirmed its position in Vibrant Sales, Inc. v. New Body Boutique, Inc., 652 F.2d 299 (2d Cir. 1981), that under §43(a) secondary meaning must be established in design features *of a product* along with non-functionality. Morex S.P.A. v. Design Institute, America, Inc., 780 F.2d 799 (2d. Cir. 1985).

<sup>48</sup> Harlequin Enterprises, *supra* note 1, at 950.

called "secondary meaning in the making." This is a crashing solecism.<sup>49</sup> A plaintiff says, with superficial plausibility, "I have this original configuration, and it's becoming very popular. With a little time and a little luck and a lot of advertising, I may be able to show that, to the consuming public, it means me, not just the object. But the defendant has spoiled all this by copying my creation. An injunction, please, while I solidify my position."

Meanwhile, the defendant is asserting, "Not only do you not have secondary meaning, but your design is functional. People are buying your orange juice squeezer because of its 'robotic high-tech' design. You should have applied for a design patent."

Any of you who have been following the "Mighty OJ" litigation before Judge Sweet will recognize my allusion. The equities in that litigation are appealing. Plaintiff Metro Kane apparently imports one product, the "Mighty OJ". It was knocked off by Rowoco, which sells, we are told, 1800 kitchen gadgets, and therefore gets more shelf space. What is worse, what is always worse from the plaintiff's point of view, is that Rowoco was selling its exact copy cheaper. In a series of opinions,<sup>50</sup> the District Court has held that Metro does not have to establish secondary meaning in its design. Or if it does, it perhaps had "secondary meaning in the making" when the defendant moved in on it.

The design is said not to be functional because other less attractive juicers do the same thing, that is squeeze oranges. The selling power of the appearance of the design is thus ignored.

The district court in the *Mighty OJ* litigation is hardly to blame for this mess. It stems from pervasive disorder, especially right here in the Second Circuit, about the status of aesthetic functionality. Judge Sweet

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<sup>49</sup> "We are directed to no case which actually applies [this] theory and we decline to adopt it." *Black & Decker Mfg. Co. v. Ever-Ready Appliance Mfg. Co.*, 684 F.2d 546 (8th Cir. 1982); *accord*, *A. J. Canfield Co. v. Concord Beverage Co.*, 629 F. Supp. 200 (E.D. Pa. 1985). The District Court dicta supporting the notion are collected in *A. J. Canfield* and in *Metro Kane Imports*, *infra* note 50, 625 F. Supp. at 316.

<sup>50</sup> *Metro Kane Imports, Ltd. v. Rowoco, Inc.*, 595 F. Supp. 702 (S.D.N.Y. 1984), 618 F. Supp. 273 (1985), *Metro Kane Imports, Ltd. v. Federated Department Stores, Inc.*, 625 F. Supp. 313 (S.D.N.Y. 1985).

is only abiding by the most recent decisions,<sup>51</sup> and very recently the Circuit summarily upheld his preliminary injunctions against Rowoco and some major retailers.<sup>52</sup>

"Aesthetic functionality" is an unfortunate term, because it frightens judges who properly want to avoid to be appearing to make aesthetic judgments. If instead we spoke of the *appearance* function, we would come closer to the issue, which is this: if an important function in the market for a product is to appeal to the eye of the consumer, can that pleasing appearance be exclusively protected? Yes—by copyright if the design is separable from the utilitarian aspect of the article. Yes—by design patent if the design is truly innovative. But in the absence of copyright or design patent, can exclusive rights in a pleasant appearance be derived from a mixture of trademark law and misappropriation doctrine? That is an approach that the Second Circuit is promoting,<sup>53</sup> rein-

<sup>51</sup> In his initial opinion Judge Sweet denied a preliminary injunction; he said that the appearance of the squeezer contributed to its saleability, and was therefore functional; he relied on *I. A. Fratelli Saporiti v. Charles Craig, Ltd.*, 725 F.2d 18 (2d Cir. 1984) (which found the design of a sofa functional, both in appearance and in the way the pillows stayed put). But the opinion was vacated by the Court of Appeals and remanded "for reconsideration in light of" *LeSportsac, Inc. v. K Mart Corp.*, 754 F.2d 71 (2d Cir. 1985). *Le Sportsac* sells a line of luggage, the style and appearance of which was closely copied by K Mart. Chief Judge Feinberg wrote, at 78, that "if the *Le Sportsac* 'look' primarily serves a legitimate trademark purpose—identifying the source of the product—[it] should be eligible for protection even though it is also an 'important ingredient' in the product's commercial success." The District Court had so found, in a preliminary injunction hearing.

Judge Sweet seemed eager to follow what he thought was the teaching of *Le Sportsac*. Invoking New York law as expounded by *Perfect Fit*, *supra* note 46, he held that Metro Kane did not have to establish secondary meaning in its product. 618 F. Supp. at 277. *Cf.* *Warner Bros. Inc. v. Gay Toys, Inc.*, 658 F.2d 76 (2d Cir. 1981) (emphasizing need for association with "a single source" in §43(a) cases). There was no reference to *Sears-Compco* in any of these cases. Judge Sweet did refer to "the minimal efforts of Rowoco to label its product," possibly an allusion to the teaching of *Sears-Compco* that a copier of an unpatented product can be required to minimize confusion by labelling. Neither product had a built-in identifying mark; Rowoco's had a clearly visible adhesive label. The containers were easily distinguishable in all respects (from personal examination of examples in possession of Lloyd McAulay, Esq., counsel for Rowoco).

<sup>52</sup> Orders of April 22, 1986, with statements not for publication or citation.

<sup>53</sup> No suggestion is intended that the Second Circuit is the only one that is moving in this direction. The scene is very confused. See T. SELZ & M. SIMENSKY, 2 ENTERTAINMENT LAW §17.45E (1985 Supp.); Oddi, *The Functions of 'Functionality' in Trademark Law*, 22 HOUS. L. REV. 925 (1986) (attempting to explicate cases in the Court of Appeals for the Federal Circuit); references in BROWN & DENICOLA, *supra* note 39, 498-508.

forced by a dictum of Justice White's in a case about imitating the color of pills. He said that a functional feature "is one that is essential to the use or purpose of the article, or affects the cost and quality of the article."<sup>51</sup> Nothing there about pleasing appearance.

Let us not, however, forget that wisdom can also come from the Second City, where Judge Posner has recently turned his formidable powers to the functionality problem. (Even more recently, in a case called *Blau Plumbing*,<sup>55</sup> he has crisply reinstated secondary meaning in trade dress cases). In *Rogers v. Keene*,<sup>56</sup> which asks whether hexagonal instead of square ends of plastic letter trays are functional, or whether they are protected like trademarks, crispness gives way to an intricate exploration. I can scarcely begin to take you through its labyrinthine ways. That would take another lecture. But the outcome is clear.

Judge Posner is not frightened by "aesthetic functionality". At one point he boldly asserts, "Beauty is function."<sup>57</sup> His economic view of the world, in this instance humanely presented, asks us to inquire whether trademark protection of a design feature is compatible with effective competition.<sup>58</sup> Whatever problems one might have in applying this kind of test, when you reach the last sentence of a long opinion I expect it to provoke a standing ovation. Judge Posner concludes:

What Rogers may fear of course is not the loss of an identifying mark but the loss of a competitive advantage stemming from the exclusive possession of a popular design; but to protect the intellectual property that consists not of an identifying mark but of a pleasing design a manufacturer must seek the aid of the design-patent law, with its stringent requirements and its 14-year limitation, and not the aid of the trademark laws.<sup>59</sup>

In passing, if Rogers had registered a design patent when he launched his letter tray in 1969, it would have expired in the year that Keene began to copy, which was 1983. Judge Posner's view of effective competition also recognizes that free-riding copiers may diminish in-

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<sup>51</sup> *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 863 (White J. concurring).

<sup>55</sup> *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604 (7th Cir. 1986).

<sup>56</sup> *W. T. Rogers Company, Inc. v. Keene*, 778 F.2d 334 (7th Cir. 1985).

<sup>57</sup> *Id.* at 343.

<sup>58</sup> *Id.* at 346. This is a critical part of the opinion. It invites inquiry whether the design feature in which trademark rights are claimed is something competitors must be free to copy in order to be able to compete, or whether it is a "merely incidental feature." There is an excluded middle here, which apparently a jury is to be allowed to straddle.

<sup>59</sup> *Id.* at 348.

vestment in socially useful innovation. If the product or service is one that requires substantial investment, whether of capital or of talent, the investment may not be made if the prospect of profit, cloudy at best, is made more risky by the likelihood that competitors will enter, drive prices down to *their* marginal costs, and leave the originator with no return on her sunk costs, and with no hope of profits that will balance the risk of failure.

What I have just said is nothing more than a restatement of the mainstream justification of the constitutional provision for copyrights and patents. The constitutionally favored device for promoting investment in "science and useful arts" is a statutory monopoly of limited duration. But suppose that there is no statutory monopoly. Are there then other circumstances in which a court may address the free-rider phenomenon in relatively dispassionate economic terms?

The copyright laws themselves suggest one approach. Our copyright law has qualified its straight-out monopoly grant by creating compulsory licenses in certain markets (notably phonograph records and cable TV). In their spheres, compulsory licenses leave the author with a right to remuneration, not a right to exclude.<sup>60</sup> They let their beneficiaries have a ride, but not a free ride.

Return to the situation where an innovator has no statutory rights, and seeks judicial protection against free riders. Assume that a court modestly accepts that it should not create intellectual property rights that the legislature withholds. Can it nevertheless try to create "a level playing field"? Perhaps the court can say, we will not insulate you from competition; but we will make your competitors contribute to the development costs that you incurred. Then, with everyone starting from about the same financial starting-blocks *and* with a level playing field *and* with no free riders, the competitive race will be to the swift.

One more familiar economic metaphor from the sporting arena should be noted: the originator will have had a head start. That is often the only advantage our system grants to an originator, and it is often enough. But a head start confers an advantage which is only realized by those who succeed, and thus is perceptible only by hindsight.

In principle, to diminish free-riding while encouraging competition would be manifestly preferable to creating unlegislated monopolies, the usual outcome of a successful misappropriation claim. But there are difficulties in framing and administering such a proposal, and the transaction costs may be excessive.

A vivid illustration crops up in a Second Circuit decision of July

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<sup>60</sup> See Note, *The Socialization of Copyright: The Increased Use of Compulsory Licenses*, 4 CARDOZO ARTS & ENT. L.J. 105 (1985).

1985, where Judge Winter for the panel proposed a cost-equalizing arrangement.<sup>61</sup> The plaintiff, Legi-Tech, produces an electronic database of pending bills in state legislatures and other related materials, such as reports of relevant campaign contributions. New York's Legislative Bill Drafting Commission has developed a similar computerized database consisting chiefly of texts of all legislation introduced in the New York legislature. The Commission has uniquely prompt access to new bills, and its service, available by subscription to the public, or that part of the public with appropriate computer terminals, would of course be of great value to Legi-Tech. But the Commission, viewing Legi-Tech as a deadly competitor, denied Legi-Tech access to its Legislative Reference Service, and the legislature backed it up. Legi-Tech sought relief from the federal courts. It got none from Judge Minor, now raised to the Court of Appeals. He was deaf to the First Amendment-related arguments of Legi-Tech, and protective of what he called the state's "natural monopoly on computer supplied legislative information."<sup>62</sup>

Judge Winter declared that "There is nothing natural about the alleged monopoly in the instant case." He went on: "The evils inherent in allowing government to create a monopoly over the dissemination of public information in any form seem too obvious to require extended discussion."<sup>63</sup> But the court was troubled by the Commission's fears that Legi-Tech could undercut the Commission's rate and make its service uneconomical.

Let me be clear that Legi-Tech is *not* a copyright case. The denial of access, I would think, is safeguarded only by an electronic barrier. Judge Winter was willing to make the Commission lower that barrier. Noting an assurance from Legi-Tech that it did not expect to subscribe at the same rates that ordinary users pay, he wrote:

To the extent that concession means that Legi-Tech is willing to pay the true cost to Legislative Reference Service of its subscription, namely the revenue LRS will lose as a consequence of Legi-Tech's retransmission of LRS materials, we believe that LRS may not decline to offer subscription rights to Legi-Tech.<sup>64</sup>

The Commission grumbled about the difficulty of arriving at a rate; but the court, observing the ubiquity of rate-setting "in far more complex

<sup>61</sup> Legi-Tech, Inc. v. Keiper, 766 F.2d 728 (2d Cir. 1985).

<sup>62</sup> 601 F. Supp. 371, 381 (N.D.N.Y. 1984), *remanded*, 766 F.2d 728.

<sup>63</sup> 766 F.2d at 733.

<sup>64</sup> *Id.* at 736.

situations than this" thought that cooperation between the parties would lead to "a reasonable price."<sup>65</sup>

"A reasonable price"—what could be more reasonable? Setting "reasonable royalties" is not unknown in patent litigation.<sup>66</sup> But the parties in this case, despite the assistance of a different district judge, have, at this writing, not arrived at a rate,<sup>67</sup> and the measure of such a price is far from clear.

Consider the implications of the court's prescription, that Legi-Tech should pay for its access "the revenue LRS will lose as a consequence of Legi-Tech's retransmission of LRS materials." That plunges us right away into considerations of average versus marginal costs and revenues, prefaced by cost allocations which may be complicated. The Commission's costs must in large part be those incurred in carrying out its public functions. And then, how are its prices arrived at? It has had a monopoly on the business of rapid access to new bills; do its prices reflect that advantage? Next, what happens when other disseminators of legislative information come along? The court did not have to, and did not, reach beyond this case to describe the pricing process when and if there are more electronic publishers who want to buy LRS's information and repackage it in a variety of forms.

Perhaps this situation, with its mix of public and private interests, is too slippery to grasp for a first cast at extracting some compensation from free-riders. Let us return to a more humble setting, the copying of designs of useful objects. Again, assume that no copyright or design patent protection is available. There may be no copyright (or patent) because the object does not have enough originality, like the Uncle Sam bank in *Batlin v. Snyder*,<sup>68</sup> or because it is primarily a useful object, like the store-window mannequins in *Barnhart*,<sup>69</sup> to take two familiar examples from the Second Circuit.

The originator in cases like these has a litany of grievances. First, he does not want his object ripped off at all. But if he cannot stop imitators, he is still understandably peeved if a competitor shaves costs by using a copy of his object to make a mold. Worse, the competitor may

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<sup>65</sup> *Id.*

<sup>66</sup> 35 U.S.C.A. §284 (damages for infringement: "in no event less than a reasonable royalty for the use of the invention made by the infringer"). Reasonable royalties are sometimes proposed in difficult copyright problems. See, e.g., Clemmons, *Author v. Parodist: Striking a Compromise*, 46 OHIO ST. L.J. 3 (1985).

<sup>67</sup> An interim rate permitted Legi-Tech to embark on limited licensing (information from Terence Leahy, Esq., of counsel for Legi-Tech).

<sup>68</sup> *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486 (2d Cir. 1976), *cert. denied*, 429 U.S. 857 (1976).

<sup>69</sup> *Carol Barnhart Inc. v. Economy Cover Corp.*, 773 F.2d 411 (2d Cir. 1985).

go to the fabricator, somewhere in the outer reaches of Taiwan, and get a few thousand dozens run off from the very mold that the first fellow paid for. This may look like a short free ride; but the free-rider's cost advantage—no designer fees, no mold expense—may take all the fun and most of the profit out of the business.

This kind of grievance has festered enough to erupt into legislation in at least three states.<sup>70</sup> How many of you know what a "Plug Mold Statute" is? The name comes from the California prototype, which is clumsily drafted. It speaks of using the "original manufactured item" "as a plug for the making of the mold." I will read the key sections of the Michigan version, which does not assume that we all know what a "plug" is. It reads as follows:

Sec. 1. As used in this act, "direct molding process" means any manufacturing process in which an original product is used as a pattern for making a mold, which mold is used to manufacture copies of that product.

Sec. 2 (1) A person shall not manufacture for the purpose of sale, by use of a direct-molding process, a product manufactured by another person without the permission of that other person.

These statutes do not seem to address the situation in which you have made use of another person's actual mold.

What the statute does mean, Judge Rich has recently told us in a case that came to the Federal Circuit from California (*Interpart*,<sup>71</sup> about a rear-view mirror), is that you cannot directly use another's object to make a mold. You have to model the object itself. Then you can make a mold and compete—or rip off, depending on one's point of view—without violating the "plug mold" statute.

Judge Rich explains that this kind of statute is intended to protect an originator against "unscrupulous" competitors<sup>72</sup>—by which he means imitators. But if it is "unscrupulous" to buy a rear-view mirror and make a mold directly from it, is it any less unscrupulous to hire somebody to handcraft a copy and then make a mold? (That's what the defendant

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<sup>70</sup> Calif. Business and Professions Code §17300 (1978); Mich. Comp. Laws Anno. §445-621-4 (1983), Tenn. Stat. §47-50-111 (1983) (same as California).

<sup>71</sup> *Interpart Corp. v. Italia*, 777 F.2d 678 (Fed. Cir. 1985). The only other reported case applying the Plug Mold statutes appears to be *Metro Kane*, *supra* note 50, which, with little discussion, based its preliminary injunction in part on a California state court injunction against Rowoco, along with an affidavit. 618 F. Supp. at 277. The plug mold issue was remanded for trial; among other factual problems was the comprehensibility of a document that had been translated from Chinese to Japanese and then to English.

<sup>72</sup> 777 F.2d at 685.

did in the mannequin case).<sup>73</sup> Perhaps there is no difference in commercial morality. But there is in law. As so often happens, the design patent on the rear-view mirror was held invalid. It was not inventive. And there was no copyright. Therefore, the mirror was in the public domain.<sup>74</sup> *Sears-Compco*; Sec. 301; on to the next case. But charismatic Judge Rich held that since the plug mold statutes prohibit only indirect copying, they are not preempted. I would love to debate this point, but not today.<sup>75</sup>

Let us return to our hypothesis, that free-rider imitators should somehow pay their way. The plug mold laws do attempt to impose costs on the imitator that diminish his advantage over the originator. But their way is clumsy, and wasteful of resources. They say, "You can copy this object; but you have to repeat some of the expense that the originator bore. You have to pay for a hand-carved model, just as he did."

Before putting down this solution, as I am inclined to do, I have to recognize that it is exactly what the copyright cases say about directories and other compilations.<sup>76</sup> When the law uncomfortably draws these sweat

<sup>73</sup> That defendant in *Barnhart*, *supra* note 69, made its own mold is apparent from examination of the two sets of mannequins, which clearly show minor variations (inspection courtesy of Jordan B. Bierman, Esq., counsel for defendant).

<sup>74</sup> The *Interpart* court correctly decided that (except for the Plug Mold issue) *Interpart* was free to copy the mirrors if it labelled them adequately, as it had done. This part of the opinion discusses Ninth Circuit precedents on functionality, and comes to rest on *Tveter v. AB Turn-O-Matic*, 633 F.2d 831, 839 (9th Cir. 1981), which held that labelling is the key, and actually cites *Sears-Compco*.

*Interpart* dealt with §43(a) and California unfair competition law, not with copyright, and therefore did not discuss the reach of pre-emption of state law by §301. The argument would run that Congress, having excluded the ornamental shape of useful objects from copyright, while providing for them in design patent, ratified the position of *Sears-Compco* that the states could not prevent copying of articles unprotected by copyright or patent. But the reach of §301 was diluted and compromised in the last stages of the revision process that culminated in the 1976 statute. See *Abrams, Copyright, Misappropriation, and Preemption: Constitutional and Statutory Limits of State Law Protection*, 1983 SUP. CT. REV. 509.

<sup>75</sup> Judge Rich wrote for the court: "The California law does not 'clash' with the federal patent law . . . we see nothing in the federal patent statutes that conflicts with California's desire to prevent a particular type of competition which it considers unfair." 777 F.2d at 685. The problem may be otherwise stated: Can California proscribe a form of copying? The proper characterization, and the response to it, would require (for starters) analysis of *Sears-Compco*, *Goldstein v. California*, 412 U.S. 546 (1973), and *Kewanee Oil Corp. v. Bicron Corp.*, 416 U.S. 470 (1974).

<sup>76</sup> See generally Gorman, *Fact or Fancy? The Implications for Copyright*, 29 J. COPR. SOC'Y 560 (1982).

works into the bosom of copyright, it does not banish competition. It says, "Go trudge the streets yourself and you too can then publish a directory." This sounds virtuous, and avoids the free-ride; but with the waste of a lot of time and shoe-leather.

At least the privilege to go do it yourself makes it possible for more than one directory to exist; the second one may be better than the first. There is another analogy in the new Chip Mask Act, with its extraordinary reverse engineering privilege.<sup>77</sup> Under that new law, a competitor, at considerable expense, can take apart the protected computer chip, and borrow extensively from what he finds, provided his result improves on the first chip.<sup>78</sup>

The chip mask statute, and the state of the copyright law as it relates to directories and compilations, both draw back from the sweep of protection against copying that a novelist or a composer enjoys. If I have substantially copied your novel, it will not do me a bit of good to say that I did a great deal of work on my own and that it is better than yours. I will be on the wrong end of an injunction.

To sum up: Of course, "free-riding" is a matter of degree; we are all free-riders. I have confined this inquiry to close imitation, the kind of free-riding that both arouses moral indignation in some people, and arguably saps the initiative of innovators.

We have looked at several possible solutions that go beyond copyright and design patent: They are first, judge-made monopolies, that is injunctions against imitation, in the name of publicity rights, or of unfair competition. These, we have seen, are often accomplished by stretching almost beyond recognition the law of trade symbols. Especially when these judicial remedies become a flat-out prohibition of misappropriation in the manner of *INS v. A.P.*, they break down the barriers between idea and expression, and disregard the commands of Congress.

A second possible solution is compulsory cost-sharing, which calls to mind compulsory licensing in copyright law. We looked at the intriguing *Legi-Tech* case, where Judge Winter proposed a cost-sharing remedy in order to balance the important access claims of the plaintiff against the state's fear that it would not recoup its compilation costs.

Cost-sharing is, I think, compatible with economic efficiency and with the notions of fairness that I am trying hard to recognize. But it will not be easy to delineate the correct contours of such a remedy. Even if we were willing to settle for rough justice, the problem may become

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<sup>77</sup> Protection of Semiconductor Chip Products, 17 U.S.C. ch. 9, 98 Stat. 3347 (1984) sec. 906.

<sup>78</sup> See Raskind, *Reverse Engineering, Unfair Competition, and Fair Use*, 70 MINN. L.R. 385 (1985).

too complicated for practical administration, as successive imitators come along and market shares shift.

A third possibility is compulsory re-investment. This is a fancy label for the requirement that the imitator do the spadework over again. It also echoes the copyright doctrine that allows independent creation of the same work. The directory and chip mask analogies recognize less than total rights in the originator, in the expectation that the imitator may come up with a better version. But the simple-minded restriction of the Plug Mold laws is nothing more than an inefficient roadblock; it raises costs for imitators and does nothing for society, if all consumers want is the exact same thing, only cheaper.

The fourth possibility is to do nothing. Let the free-riders ride. This is often a good thing; for consumers it is such a good thing that I will not take time to defend it. It does require judges to be deaf to complaints that "It isn't fair"

Fifth, if something must be done to nurture these interests at the outer edge of copyright and unfair competition law, a *little* statutory monopoly may not be so bad, if only because it is relatively clear-cut and easy to administer. I emphasize *little* as I return to the copyright model with which we began. Though some of you may not like to hear it said, the copyright grant is really quite generous. Life plus 50 years is a long time, at least if you are young. The "fair use" privilege is as tight-fisted as publishers can make it. "Substantial similarity" casts a wide net for imitators. But that's all right. Copyright *ought* to be generous, when it rewards artists and authors, creative people who also should have moral rights in their work, and who do not always fare well in a materialistic culture.

Congress has recently shown that it can make a new mold, in the Chip Mask Act. Perhaps the time has come to have another go at the design protection statute on which Chairman Kastenmeier of the House Committee slammed the door in 1976.<sup>79</sup> The Chairman himself has opened the door just a crack, curiously in a footnote in the *Minnesota Law Review*.<sup>80</sup> Such a statute would serve people who do not qualify for copyright protection because they are tagged as makers of useful objects, and who also do not qualify for patent protection because what they are doing is not especially inventive. It should offer very limited protection.

You will be relieved that I will not try to say what I mean by "lim-

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<sup>79</sup> See Reichman, *Design Protection in Domestic and Foreign Copyright Law: From the Berne Revision of 1948 to the Copyright Act of 1976*, 1983 DUKE L.J. 1143, 1262, n. 644.

<sup>80</sup> Kastenmeier and Remington, *The Semiconductor Chip Protection Act of 1984: A Swamp or Firm Ground?*, 70 MINN. L. REV. 417, 469 n. 214 (1985).

ited.”<sup>81</sup> I do want to end with something quite blunt. We have been talking about boundaries. There must also be boundaries between the various forms of protection. Do not be greedy; do not try to pile one on top of the other.<sup>82</sup> That same probably futile admonition applies to the grab for publicity rights. I know that even the Holy See has a merchandising agent nowadays;<sup>83</sup> but, with due reverence, I think it’s unholy, if not unconstitutional, to carve up the public domain.

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<sup>81</sup> The familiar form of legislation for “Protection of Ornamental Design of Useful Articles”, re-introduced in almost every Congress, is the Title II that was rejected in the 1976 copyright revision. It can be found, e.g., in BROWN AND DENICOLA, *CASES ON COPYRIGHT*, 1985 STATUTORY SUPPLEMENT, 143. Among its significant limits are a short term (5 years, renewable for 5 more, §205) and exclusion of designs that are “staple or commonplace,” or distinguished only by “variants commonly used in the relevant trades,” or “dictated solely by a utilization function” (§202). For shortcomings of these and other proposals, see Denicola, *Applied Art and Industrial Design: A Suggested Approach to Copyright in Useful Articles*, 67 MINN. L. REV. 707, 718-27 (1983).

<sup>82</sup> A persistent weakness in the long effort to enact a copyright-related design statute, *supra* note 81, has been the unwillingness of its proponents to relinquish whatever claim they had on conventional copyright (or anything else, except that a design patent would override protection under the statute). Title II, §§227-29.

<sup>83</sup> “New Marketer of Papal Visit Souvenirs”, N.Y. Times, July 6, 1981, p. D2; “Papal Marketing”, Nov. 14, 1982, p. 53.

## 222. PROTECTION OF UNPUBLISHED WORKS IN THE UNITED STATES BEFORE AND AFTER THE *NATION* CASE

By JOHN M. KERNOCHAN\*

I don't know how many of you in your college days or after read Laurence Sterne's *Sentimental Journey to France & Italy* or remember it. But the first sentence in that book has always stuck in my mind. In that first sentence, Sterne said: "They order this matter better in France." He might have been talking about cooking or copyright—either way, I agree with him. The same sentiment goes, in my view, for the protection of unpublished works under our present U.S. copyright law, the subject I wish to address today. This is a subject that has received relatively little attention from the Bar or courts or scholars in the United States until recently when, in *Harper & Row Publishers, Inc. v. Nation Enterprises*,<sup>1</sup> it came to public attention in a rather special way.

We often forget that before a *published* work can exist, there generally is an *unpublished* work that precedes it in time—sometimes taking a long period to evolve. The latter is the source of the former—the vital basic material from which it is shaped. To me, it follows that it is essential to the process of *creation* of published works, our constitutional goal, that unpublished works be properly protected. How well we safeguard works in that stage directly affects what we obtain in the published stage.

What are we talking about when we speak of these vital *unpublished works*? There are at least two kinds of such works.

One is works *not intended to be made public*. I am thinking here of letters, diaries, journals, of such things as rejected sketches or elements of works (the elements are rejected, say, because the author does not feel he wishes them to bear his name and represent him before the public). But it is a fact, I think, that bits and pieces of all or any of these private unpublished works often find their way into an author's publications.

The other category is unpublished works *meant for publication*. Their

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\*Nash Professor of Law, Columbia University School of Law, New York. With minor revisions, this article is based on a speech delivered at the Copyright Luncheon Circle of the Copyright Society of the U.S.A. on April 4, 1986. The author acknowledges with profound thanks the invaluable assistance of Adria G. Kaplan, Esq. and Rebecca Rusack in the preparation of this article.

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<sup>1</sup> 105 S. Ct. 2218 (1985). In this case, the Court ruled that The Nation's unauthorized publication of excerpts of ex-President Ford's memoirs shortly before the scheduled official publication of the memoirs by Harper & Row and Time Magazine under contracts therefor was an infringement of copyright and was not justifiable as a "fair use."

authors are intentionally preparing them for publication but are not yet ready to expose them to public scrutiny. It would seem that those of us who write memos, briefs, articles, books, opinions, etc. should be more sensitive than we are to the problem of letting something go or having it snatched from our hands and disseminated before we are ready for it to be made public.

Whether one is preparing a draft of a legal document—or a poem, a play, or a novel, or sketches for a painting or a symphony, or a letter, the creative process is commonly one of trial and error, of loose first drafts (for which you hate yourself the next morning) and then of drastic revisions in which you reshape—sometimes most painfully—the loose first draft into something you are ready to put before the public with your name on it as author.

Most of us are not like the composer Maurice Ravel who, I have been told, often thought out a whole work clearly in his head before committing it to paper. His first draft was virtually his final draft. The more usual pattern of creative activity is, I think, that of trial and error, of shaping and reshaping. A look at Beethoven's notebooks gives a sense of the distance between his first ideas (often unremarkable to us, but germinal for him) and the glorious finished product.

Most developed countries other than police states have understood the need to protect the creative process and even to keep some preparatory or personal material from the public eye if the author so desires. The author's decision as to whether, when and how to publish is respected and safeguarded by law at least until he/she has been dead for some period.

Let us take two examples to track through the applicable U.S. statute law—one from each of my two categories of unpublished works:

To begin, consider a letter sent by you to another person, supposedly a close confidante, to whom you write some bold thoughts and words you would not want the world to see or hear, at least in that form. Your trust in the recipient turns out to be misplaced and the thoughts and words are in fact disseminated, even though you may have written "confidential" or "not for publication" or "burn after reading" on your letter.

Next, consider your first loose draft of a work you mean to revise for publication. You give a copy of it trustingly, say, to a supposed friend hoping he will comment on it helpfully. He is a lawful owner of the copy you give him and you do not expect him to betray you. But he does, by making the draft public—with, let us imagine, your very well-known name on it.

What help does U.S. law give you in these two circumstances?

First, under the old 1909 Copyright Act, Sec. 2,<sup>2</sup> you will recall, common law copyright protection was available to you with its underlying but well-recognized component of privacy policy. It would be clear—see the old cases such as *Prince Albert v. Strange*<sup>3</sup> in the U.K. and *Baker v. Libbie*<sup>4</sup> in the U.S.—that you could count on asserting, without formalities, your interests in non-publication and probably prevail in stopping copying and public dissemination. Under the 1909 regime, it was often said also, though too rashly I think, that fair use simply did not apply to unpublished works.<sup>5</sup>

An argument can even be made that the *ideas* as well as the expression might have been shielded from disclosure under the old common law approach. In *Prince Albert v. Strange*, Vice Chancellor Knight-Bruce barred the publication of a mere catalog of the unpublished royal etchings. In *Baker v. Libbie* there was much said by way of dictum about honoring the private character of writings evidently intended to be kept confidential.

But in revising the copyright law in 1976, the revisors were intent on getting rid of the chaos resulting from the state common law's confusing line between published and unpublished works on which copyright validity often depended.<sup>6</sup> They were intent too on limiting the formerly perpetual protection of unpublished works for the benefit of biographers, historians, etc.<sup>7</sup> I have no quarrel with either of these objectives of the revisors.

<sup>2</sup> Act of March 4, 1909, ch. 320, 35 Stat. 1075, previously codified at 17 U.S.C. §1 *et seq.*, provided:

§2. RIGHTS OF AUTHOR OR PROPRIETOR OF UNPUBLISHED WORK.—Nothing in this title shall be construed to annul or limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication, or use of such unpublished work without his consent, and to obtain damages therefor.

<sup>3</sup> 2 DeG. & Sm. 652, 64 Eng. Rep. 293, 79 Rev. Rep. 307 (High Ct. of Chancery 1849), *aff'd*, 1 Mac. & G. 25, 41 Eng. Rep. 1171 (1849).

<sup>4</sup> 210 Mass. 599, 97 N.E. 109 (1912).

<sup>5</sup> See, e.g., *Golding v. RKO Radio Pictures, Inc.*, 193 P.2d 153, 163 (Cal. Dist. Ct. App. 1948), *aff'd*, 221 P.2d 95 (Cal. 1950). See also H. BALL, LAW OF COPYRIGHT 260, n. 5 (1944); R. SHAW, LITERARY PROPERTY IN THE UNITED STATES 32, 67 (1950); and P. WITTENBERG, THE PROTECTION OF LITERARY PROPERTY 154 (rev. ed. 1978).

<sup>6</sup> H.R. REP. NO. 94-1476, 94th Cong., 2d Sess. 129-30 (1976).

<sup>7</sup> *Id.* at 130, 138-39. Compare UNITED STATES COPYRIGHT OFFICE, 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 at 86 (Comm. Print 1965) [hereafter SUPPLEMENTARY REPORT OF THE REGISTER] with UNITED STATES COPYRIGHT OFFICE, 87th Cong., 1st Sess., COPYRIGHT LAW REVISION Part 1, REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 41 (Comm. Print 1961) [hereafter 1961 REPORT OF THE REGISTER].

But—alas—the revisors seem almost wholly to have forgotten about the strong component of personality or privacy protection that was an integral part of common law copyright for unpublished works. (That was the part that caught the attention of Brandeis and Warren as a basis for their work on the Right to Privacy.<sup>8</sup>) The revisors not only failed to remember this component of protection but drew up provisions that run strongly against it. What is the situation now?

First: Under the 1976 law, the recipient of a letter lawfully owns the material object in which the letter is embodied and can dispose of it.<sup>9</sup> (This was also true under the 1909 law, though *Baker v. Libbie* recognized that considerations of privacy and confidentiality might need to be respected.<sup>10</sup>) But our 1976 law seems to say—in § 109(a)—that the recipient as lawful owner can “sell or otherwise dispose” of your letter to anyone, as he sees fit, including those you especially did not want to see the letter. And that would be the case as well with the loose first draft of work in progress we are also concerned about.

Second: § 109(b) drives the dagger deeper when it says the lawful owner can without your authority display your letter or loose draft “publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.”<sup>11</sup> That can include posting on the doors of Wittenberg Cathedral, or in a public square or in a museum where thousands may view it, though television display is not included. All I am saying assumes, of course, that the courts will not be willing to temper this § 109 language with some countervailing state law policy on privacy or breach of confidence. The copyright statute itself gives no express basis for doing this.

And even if § 301(a) or (b) does not generally preempt state causes of action for privacy or breach of confidential relations,<sup>12</sup> the explicit provisions of § 109 could be read as overriding state law in these circumstances. Note, incidentally, that in *Harper & Row v. The Nation*, the defendant was *not* a lawful owner for § 109 purposes. Apart from § 109,

<sup>8</sup> Warren & Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193 (1890).

<sup>9</sup> Act of Oct. 19, 1976, Pub. L. No. 94-55, 90 Stat. 2541, codified at 17 U.S.C.

§101 *et seq.*, provides:

§109. *Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord*

(a) 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>10</sup> 210 Mass. at 605-06.

<sup>11</sup> 17 U.S.C. §109(b).

<sup>12</sup> 17 U.S.C. §301(a) and (b).

§ 102(b) of the present Copyright Act says, you will recall, that the writer's protection extends only to the *expression*, anyway, and not to the "ideas" or "facts" which may be the very thing the author wants to protect from dissemination at the unpublished stage.<sup>13</sup>

But there is more: A third point is that "fair use" is in terms made applicable under the new Act to both published and unpublished works.<sup>14</sup> *Harper & Row v. The Nation* dealt with part of the resulting situation. The question is how far fair use goes. Under § 107, fair use applies to both kinds of works *except* as weight may be given to other signposts elsewhere in the Act or its legislative history, as was done in the *Harper & Row* case—for example, to a brief sentence contained in the Senate Report on the Revision Bill discussing the needs of reproduction for classroom use. It was there said:

The applicability of the fair use doctrine to unpublished works is narrowly limited since, although the work is unavailable, this is the result of a deliberate choice on the part of the copyright owner.<sup>15</sup>

That is important language and, as Justice O'Connor goes on to say in the majority opinion in the *Harper & Row* case, other parts of the Act and its history confirm that this principle is not restricted to classroom use questions.<sup>16</sup> There are, also, after all, references in the Act and House Report to the copyright owner's right to control the first public distribution of his work.<sup>17</sup> Much earlier a 1961 Report of the Register of Copyrights recognized "overbalancing reasons to preserve the common law protection of undissemminated works until the author or his successor chooses to disclose them."<sup>18</sup> And Justice O'Connor states several times in *Harper & Row* that the right of first publication "implicates a threshold decision by the author whether and in what form to release his work."<sup>19</sup> That seems to me the crux of the matter in this whole subject of un-

<sup>13</sup> 17 U.S.C. §102(b) provides:

§102. *Subject matter of copyright: In general*

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(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

<sup>14</sup> 17 U.S.C. §107.

<sup>15</sup> S. REP. NO. 94-473, 94th Cong., 1st Sess. 64 (1975).

<sup>16</sup> 105 S. Ct. at 2227.

<sup>17</sup> 17 U.S.C. §106 (3); H. REP. NO. 94-1476, *supra* note 6, at 62.

<sup>18</sup> 1961 REPORT OF THE REGISTER, *supra* note 7.

<sup>19</sup> 105 S. Ct. at 2227.

published works. We are dealing here with one of the most critical aspects in the protection of the creative process.

Interestingly, the *Harper & Row* majority argued that, even *without* that Senate legislative history I quoted earlier, the House Report's statement that it was not changing fair use doctrine in adopting § 107 would have led the Court to the same conclusion.<sup>20</sup>

Though the majority accepted *arguendo* The Nation's concession that it had taken a minimum of 300 words, it rejected The Nation's fair use defense. The majority did make its obeisance to the principle that copyright protects only expression and not facts or ideas.<sup>21</sup> But some of the language and implications in its decision, if further developed, could arguably insulate (as common law copyright with its privacy component seemed to do) the facts and ideas in an unpublished work, as well as the author's expression, until he was ready to release them. Does the right of first publication mean then, that the whole letter or manuscript draft—facts, ideas, verbal clothing and all—is “off limits” until the author decides to disclose? One can perhaps find a base in the *Harper* opinion for some application of this notion, which recalls the old personality and privacy component of common law copyright. In so many words, the Supreme Court has now said:

The obvious benefit to author and public alike of assuring authors the leisure *to develop their ideas free from fear of expropriation* outweighs any short term “news value” to be gained from premature publication of the author's *expression*. (Emphasis added.)<sup>22</sup>

Much language in *Harper & Row* seems compatible with prior common law copyright and with the principle I propose as crucial—that it is generally the author's privilege to decide whether, when and how to go before the public. That principle harmonizes, as I will later indicate, with other legal developments that have long existed or have been evolving. It harmonizes with the UCC, with the Berne Convention, and with the *droit moral* concept that a work is to be treated specially because it is and remains an expression of its author's personality. Making public use of an author's deliberately unpublished work is an interference with what Warren and Brandeis called in 1890 his/her right of “inviolable personality.”<sup>23</sup> As a principle, and not a rule, this concept will not necessarily prevail in all its possible applications. There will be countervailing

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<sup>20</sup> *Ibid.*

<sup>21</sup> *Id.* at 2224.

<sup>22</sup> *Id.* at 2228.

<sup>23</sup> Warren & Brandeis, *supra* note 8, at 205.

policies to be weighed and exceptions to it sometimes,<sup>24</sup> but they do not impair the validity of the principle itself any more than the principle against killing another human being is impaired by exceptions for self-defense, etc. Does the *Harper & Row* case imply that there is protection for all the content of letters in the hands of lawful owners as well as for manuscripts in the hands of unauthorized publishers? I do not know, but I *can* see that § 109 seems to run against this, and we do not really know yet from the courts what fair use under § 107 will turn out to be in relation to letters.

Fourth: I find still more trouble in the 1976 Act for unpublished works generally and letters and drafts in particular.

Consider Chapter I of the 1976 Act, at Section 108, describing what libraries can do with such works,<sup>25</sup> but even more pertinently, consider § 110, with its exemptions to exclusive rights,<sup>26</sup> which, as I read it, makes no distinction between published and unpublished works (or even to the lawful ownership referred to in § 109). It simply says—flatly—that it is no infringement of copyright to, e.g., display or read a work in face to face classroom instruction in nonprofit schools (§ 110(1)) or in instructional broadcasting (§ 110(2)) or in religious services (§ 110(3)), or at a benefit (unless the author somehow knows it's happening and makes proper objection) (§ 110(4)), or at meetings of nonprofit, fraternal or veterans organizations (§ 110(10)) and so on. Only in § 118 (on public broadcasting)<sup>27</sup> is it expressly recognized that *unpublished* works are special and are not included in the compulsory license. If all these things can be done to your private letter or your loose draft of a work in progress, then—absent some state law protection—have we not lost something vital in comparison to the protection of unpublished works that prevailed under the common law? Something vital to the creative process? Have we not significantly threatened, and with chilling effect, the personality interest of the author, and that § 106(3) right of first publication under which the author was or might be thought able to decide whether, when and how to go before the public?

Fifth: There is still further trouble. Suppose as author you wish to stop an infringing publication of your unpublished letters or drafts—your expression (plus maybe more?)—what would you now have to do after 1978 that you did not have to do at common law?

You would have to register to sue.<sup>28</sup> If you did postpone registering

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<sup>24</sup> See, e.g., Goroff, *Fair Use and Unpublished Works: Harper & Row v. Nation Enterprises*, 9 J. ART & THE LAW 325, 348-49 (1985).

<sup>25</sup> 17 U.S.C. §108.

<sup>26</sup> 17 U.S.C. § 110.

<sup>27</sup> 17 U.S.C. §118(b).

<sup>28</sup> 17 U.S.C. §411.

till suit you would lose, of course, certain things that make suing worthwhile—i.e., statutory damages and attorney fees.<sup>29</sup> In a sense, to be sure, you are back with the old common law remedies. But suing, even for an injunction, now requires registering, and as you know, registration normally requires deposit of at least one copy, which becomes a part of the public record.<sup>30</sup> Of course if a letter is involved and you did not keep a copy, you may have a difficult time getting one.

I must tell you that I think this legal state of affairs when applied to foreign works is flatly in violation of U.S. obligations under the UCC which in Article III, § 4 says very plainly: "In each contracting State there shall be legal means of *protecting without formalities* the unpublished works of nationals of other countries."<sup>31</sup> § 408(a) of the U.S. statute seeks to avoid this problem by stating that, subject to the provisions requiring notice, registration is "not a condition of copyright protection." And so the Copyright Office argues.<sup>32</sup> But if you have a valid copyright in some metaphysical sense yet cannot enforce it without registering and depositing, it will take someone wiser than I am to explain how we are protecting unpublished works without formalities as the UCC requires.

Perhaps the Copyright Office could help an author out in this situation—e.g., with special hurryup registration procedures or, under its current regulation on deposits, by allowing deposit of identifying matter only, or giving such treatment as is given to secure tests.<sup>33</sup> Perhaps the

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<sup>29</sup> 17 U.S.C. §412.

<sup>30</sup> See 17 U.S.C. §408.

<sup>31</sup> Art. I of the UCC calls for the basic principle of "effective protection" of authors' rights. Art. II, §§ 1 and 2 command protection via "national treatment" by adhering states for, respectively, published and unpublished works by nationals of other adhering states "as well as the protection specially granted by this Convention." (Emphasis added.) Art. III, § 1 (which exempts most "foreign" published works from all other formalities if the specified notice is provided on publication) is qualified *inter alia* by Art. III, § 3 permitting imposition of procedural requirements, such as deposit [*N.B.* registration is not mentioned], as prerequisites to judicial relief for foreign and domestic works, provided that lapses do not affect the "validity of the copyright." Art. III, § 4 explicitly mandates, without qualification, that "there shall be legal means of protecting without formalities" non-domestic unpublished works. With respect to formalities for foreign unpublished works, therefore, this special provision seems clearly to override any contrary implications that might otherwise be drawn from the provisions of Art. III, §§ 2 and 3 relating to published works.

<sup>32</sup> 17 U.S.C. § 408(a), applying to both published and unpublished works. As to the Copyright Office position, see 1961 REPORT OF THE REGISTER, *supra* note 7, at 74 and SUPPLEMENTARY REPORT OF THE REGISTER, *supra* note 7, at 124-27.

<sup>33</sup> 37 C.F.R. §202.20(d), 43 Fed. Reg. 41975 (Sept. 19, 1978), as amended at 51 Fed. Reg. 6402 (Feb. 24, 1986).

courts can deal with private material through *in camera* proceedings. But this does not seem to me to fit the letter or the spirit of UCC Art. III, §4.

All this takes us a long way from the principle that *Harper & Row* expressly and repeatedly voices—that the author generally should be the one to decide whether, when and how he is to go before the public. It is a long way too from the relevant privacy interest described by Warren and Brandeis as a right of “inviolable personality”—a concept that I believe lies at the base of our law of privacy, as well as of the rapidly evolving right of publicity which may also be implicated. Both of these rights involve a fundamental right or principle of personal integrity, affecting the creative process—the right of the author to decide whether, when and how he/she goes before the public, whether with his/her face, name or voice *or writings*. The principle involves economics as well as personal feelings. We have recognized aspects of this principle in U.S. laws relating to trespass, intrusions, searches and seizures, self-incrimination, lawyer-client, and doctor-client privileges, marital communications, breaches of confidential relations, and so forth. Is it too much to bring in, as analogies, unfair competition rules against passing off, misrepresentation, trademarks and quality control, and the like?

I believe we are talking about individual freedom, dignity and self-determination in a democratic society. May not one invoke the First Amendment here? Judge Fuld stated in *Estate of Hemingway v. Random House* (and Justice O'Connor reminded us of it) that the First Amendment implies a “freedom *not* to speak publicly, one which serves the same ultimate end as freedom of speech in its affirmative aspect.”<sup>34</sup> Justice O'Connor's opinion in the *Harper & Row* case added something vital to this point. “The Framers,” she wrote, “intended copyright to be the engine of free expression.”<sup>35</sup> In an important sense the First Amendment seems meant to protect the conditions needed to create great speech, which has to be sheltered and developed in its unpublished state before we can have many of the published utterances we also want to protect.

If you have followed me so far, you will recognize that we have come close now to a fundamental element of the French concept of the “droit moral,” recognized by most of the developed countries of the world. In particular, we are concerned with what is always the first mentioned element of the droit moral, the right of disclosure.<sup>36</sup> Curiously, this right

<sup>34</sup> 23 N.Y. 2d 341, 348, 244 N.E. 2d 250, 255 (1968).

<sup>35</sup> 105 S. Ct. at 2230.

<sup>36</sup> See, e.g., France, Law of March 11, 1957, art. 19, Law No. 57-298 on literary and artistic property, Journal Officiel de la République Française March 14, 1957.

is not expressly mentioned in the Berne Convention Article 6*bis*, in contrast to the rights of paternity, and integrity, but it seems to be recognized in part at least by negative implication in Article 10 of that Convention.<sup>37</sup> Article 10 enumerates limited fair uses applicable to works which have "already been lawfully made available to the public." The late Claude Masouyé's invaluable commentary on the Berne Convention says expressly at 10.3: "Unpublished manuscripts or even works printed for a private circle may not, it is felt, be freely quoted from; the quotation may only be made from a work intended for the public in general."<sup>38</sup> He applies the same conclusion to use of works in teaching, in newspapers or broadcasts.<sup>39</sup>

If I am right about the implications of Berne—and I do not deny the point can be debated—our statute, while clearly incompatible with the UCC, is probably also incompatible with Berne in its treatment of unpublished works and the right of disclosure. Whether this is so or not, it is certainly inconsistent with the law in other countries of the world—including France<sup>40</sup>—which have been leaders in developing Berne and authors' rights. Other UCC signatories are surely entitled to complain that the U.S. is giving less protection to unpublished works than it agreed to do in ratifying its treaty with them in 1955 and than it did give them in substance when the old common law copyright rules were applicable.

In *Harper & Row* a majority of the Supreme Court made excellent sense, I believe, in dealing with unpublished works in relation to the narrow issue before it. In so doing, it reminded us of a fundamental right affecting the creative process and even our individual freedom—the right to decide whether, when and how you will go before the public. Our 1976 statute itself is gravely deficient in this subject. The author's rights in relation to unpublished works should now be properly and fully dealt with in the federal Copyright Act in all their dimensions—as recognized at common law—and should not be dependent on doubtful supplementation by state law with its vagaries and non-uniformity. Our 1976 Act is in urgent need of repair.

So, I end where I began—they order this matter better in France.

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<sup>37</sup> The Berne Convention for the Protection of Literary and Artistic Works (Paris Act, July 24, 1971).

<sup>38</sup> WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO), GUIDE TO THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS (PARIS ACT, 1971) at 58 (1978).

<sup>39</sup> *Id.* at 58-60. See also Berne's many references to rights of first public dissemination.

<sup>40</sup> France, Law of March 11, 1957, art. 19, *supra* note 36.

## 223. PERFORMING RIGHTS IN MUSIC AND PERFORMING RIGHTS SOCIETIES

By BERNARD KORMAN\* and I. FRED KOENIGSBERG\*\*

In 1952, ASCAP's Counsel, Herman Finkelstein, wrote an article entitled "Public Performance Rights in Music and Performance Right Societies" which, together with his revisions of 1956 and 1961, introduced literally thousands of American lawyers and law students to this area of the copyright law.<sup>1</sup> The purpose of this article is to bring Mr. Finkelstein's earlier work up to date.

The widespread use of radio, television, and record and tape players in the latter half of this century has made music ubiquitous. One result has been that the right of public performance has become the most important legal right, providing the largest single source of income, for most composers, lyricists and music publishers.<sup>2</sup> This income is derived, in large part, from collective licensing by organizations termed "performing rights societies." This article reviews the development of the performing right in music and the operation of ASCAP, the oldest and largest performing rights society in the United States.

### I. INTRODUCTION

Copyright is a property right, protecting authors' creative efforts.<sup>3</sup> Because of the unique nature of the property involved—the author's original, intangible expression of ideas—copyright law differs in some ways from laws governing other types of property.

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<sup>1</sup> Finkelstein, *Public Performance Rights in Music and Performance Right Societies*, 7 COPYRIGHT PROBLEMS ANALYZED (1952).

<sup>2</sup> Testimony of Stuart Pope before the Copyright Royalty Tribunal, 1978 Public Broadcasting Rate Proceedings, Tr. III-28-29 (March 9, 1978).

<sup>3</sup> "Author" is used here as synonymous with "creator". Professor John M. Kernochan has suggested that the term "copyright" is outmoded because of its reference to printed copies. He suggests the use of the continental European term, "author's rights," as more apt. Kernochan, *Music Performing Rights Organizations in the United States of America: Special Characteristics; Restraints; and Public Attitudes*, COPYRIGHT, 389 (Nov. 1985).

Copyright laws are enacted by Congress pursuant to a specific Constitutional authorization and for a stated Constitutional purpose, "to promote the Progress of Science and useful Arts."<sup>4</sup> This purpose is realized by granting exclusive rights to authors, so they can earn money for their creative efforts:

"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' ".<sup>5</sup>

Copyright extends to all kinds of literary and artistic creations, including music, novels, poems, dramas, "audio-visual" works and graphic arts, in a virtually endless list.<sup>6</sup> Each different type of work may be used in many different ways. For example, a drama may be duplicated (printed copies run off), performed (on the stage), or recorded (on film or videotape).

Therefore, it is frequently said that copyright is a "bundle of rights," protecting these many different types of uses, singly or in combination. That bundle is infinitely divisible: each right may be divided and subdivided, to allow for the appropriate economic gain from each different type of use of the property.<sup>7</sup> Put another way, copyright enables the author to control and be compensated for each protected use of his property through appropriate licensing arrangements.

Copyright, of course, protects musical works.<sup>8</sup> Certain uses of music are more important commercially than others. Among the more significant rights in music are the rights to print sheet music, to make phonograph records and audio tapes, to "synchronize" or record the music

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<sup>4</sup> U.S. CONST. Art. I, Sec. 1, cl. 8:

"Congress shall have the power . . . 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>5</sup> *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

<sup>6</sup> 17 U.S.C. § 102(a).

<sup>7</sup> 17 U.S.C. § 201(d).

<sup>8</sup> 17 U.S.C. § 102(a)(2).

in timed relation with visual images on a soundtrack of a film or videotape and, most importantly, the right to perform the music publicly.<sup>9</sup>

## II. PERFORMING RIGHTS IN MUSIC

### A. Nondramatic and dramatic performing rights.

The law and the licensing practices of the music industry distinguish between nondramatic and dramatic performances.<sup>10</sup> In some instances, the musical *work* itself may be categorized as "dramatic."<sup>11</sup> But excerpts of those dramatic works may be performed nondramatically.<sup>12</sup> Most popular songs are written as nondramatic works, but virtually any might be performed in a dramatic fashion.<sup>13</sup> In the music industry, therefore, the categorization as dramatic or nondramatic is significant when applied to the *performance* of the music, rather than to the musical work itself.

The extremes of dramatic and nondramatic performance are easy to illustrate. The performance of a musical comedy, with scenery and costumes, in a theater, is dramatic. Or, the performance of an opera or an oratorio which tells its story solely through the music is dramatic, even if no scenery or costumes are used.<sup>14</sup>

<sup>9</sup> See 17 U.S.C. § 106. Each specific right derives from the five general rights enumerated in that section:

"Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly."

<sup>10</sup> In Europe, and sometimes in the United States, the terms used are "small" and "grand" rather than "nondramatic" and "dramatic."

<sup>11</sup> Examples of dramatic musical works would be entire operas or oratorios in either their classical or modern form (such as "Aida" or "Jesus Christ Superstar"), ballets or entire musical comedies.

<sup>12</sup> For example, a single song from a musical comedy sung in a nightclub.

<sup>13</sup> For example, including a previously written nondramatic song as part of the score of a musical comedy.

<sup>14</sup> *Robert Stigwood Group, Ltd. v. Sperber*, 457 F.2d 50 (2d Cir. 1972); *Rice v. American Program Bur.*, 446 F.2d 685 (2d Cir. 1971); *Robert Stigwood Group, Ltd. v. O'Reilly*, 346 F. Supp. 376 (D. Conn. 1972), *rev'd on the issue of damages*, 530 F.2d 1096 (2d Cir.), *cert. denied*, 429 U.S. 848 (1976); *Leeds Music Ltd. v. Robin*, 358 F. Supp. 650 (S.D. Ohio 1973).

On the other hand, when a singer in a nightclub sings a song outside of any dramatic context, the performance is nondramatic. This is true even if the song is part of a larger dramatic work, such as a musical comedy, for its performance in these circumstances is nondramatic.

The distinction is important. The law and music industry licensing practices treat dramatic and nondramatic performances differently.<sup>15</sup> The number of dramatic performances of musical works—even the most popular musical comedies—is much smaller, and the value of each is generally much greater, than nondramatic performances. Licensing dramatic performances usually involves not only issues of money (how much the producer will pay) but also of artistic control (the producer must not put on a shoddy production which will degrade the work).

Dramatic performances are generally produced in theaters before paying audiences. They are licensed by producers in individual transactions with authors or their representatives. Their relative rarity makes direct negotiation between author and producer practical. Policing unauthorized performances is also much easier because dramatic performances are usually advertised and repeated.

However, nondramatic performances are quite another matter and, therefore, business practices have developed quite differently. Nondramatic performances occur everywhere. Hundreds of thousands of commercial users daily perform music nondramatically. They include owners of bars, restaurants or nightclubs, radio and television broadcasters, hotels, retail establishments, background music services and their subscribers, colleges and universities—the list is virtually endless. Millions of nondramatic performances of copyrighted music occur every day. It is reasonable to estimate that radio stations alone broadcast over six hundred million feature performances of music annually.

This massive use of music has created both a need and a demand for a cheap method of licensing music in bulk, the “blanket” license. The blanket license allows a music user to choose and perform copyrighted music without the costly burden of obtaining licenses from each copyright owner, or keeping records of and accounting for each performance.

Before discussing the blanket license further, we turn to review the development of the copyright law as it applies to nondramatic performing rights in music.

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<sup>15</sup> The distinction was drawn in the 1909 Copyright Act, *cf.* 17 U.S.C. §§ 1(d) and (e) (repealed 1976), and is embodied in a limited way in the present law, *see* 17 U.S.C. § 110(3).

*B. History of the nondramatic performing right until the 1976 Copyright Act*

The first Congress enacted a copyright statute in 1790. That act protected only books, maps and charts, and then only against unauthorized duplication by copying.<sup>16</sup> Those works were of paramount importance in the late eighteenth century. Later developments in American cultural life gave economic value to other types of works, and other types of uses. To ensure economic return to creators, those new types of works and uses came under copyright protection. Thus, musical compositions, as a type of work, were first protected in 1831.<sup>17</sup> That protection was limited to the duplication of the work in copies—it did not extend to performances.<sup>18</sup>

By the end of the nineteenth century, the musical stage had become a major form of popular entertainment. Increasing economic value was attached to dramatic performances of music, especially light opera and operettas, the precursors of that uniquely American art form, the musical comedy. As economic value increased, so too did unauthorized performances, from which the copyright owner derived no financial return.

Congress' response was to extend the right of public performance to musical works. The amendment to the Copyright Law of January 6, 1897 provided in part:

"Any person publicly performing or representing any dramatic or musical composition for which a copyright has been obtained, without the consent of the proprietor of said dramatic or musical composition, or his heirs or assigns, shall be liable for damages therefor, such damages in all cases to be assessed at such sum, not less than one hundred dollars for the first and fifty dollars for every subsequent performance, as to the court shall appear to be just. If the unlawful performance and representation be willful and for profit, such person or persons shall be guilty of a misdemeanor and upon conviction be imprisoned for a period not exceeding one year."<sup>19</sup>

The 1897 Amendment protected both dramatic and nondramatic public performances. However, no licensing of *nondramatic* performances resulted from the 1897 Amendment because there was no market

<sup>16</sup> Act of May 31, 1790, c.15, 1 Stat. 124, Sec. 1.

<sup>17</sup> Act of February 3, 1831, c.16, 4 Stat. 436, Sec. 1.

<sup>18</sup> *Id.* The first protection in the United States of any performing right for any type of work did not occur until 1856, when dramatic literary works—stage plays—were protected. Act of August 18, 1856, c.169, 11 Stat. 138.

<sup>19</sup> Act of Jan. 6, 1897, ch. 4, 29 Stat. 481 (the "1897 Amendment"). The amendment also granted injunctive power to the courts.

mechanism to bring creators and users together. Instead, the practice at the turn of the century was for the performing right to be conveyed with the purchase of sheet music.<sup>20</sup> Sale of sheet music was then virtually the only source of income from nondramatic musical works.<sup>21</sup>

By the first decade of the twentieth century, the need for a general revision of the Copyright Law had become apparent: President Theodore Roosevelt urged such a revision in 1905.<sup>22</sup> Congress continued the right of nondramatic public performance in the general revision enacted in 1909.<sup>23</sup>

The 1909 Act placed three general limitations on the nondramatic performing right. First, the rendition had to be a "performance." Next, it had to be "public." And lastly, it had to be "for profit."<sup>24</sup> Two specific and limited exemptions were granted. One was for renditions by coin-operated machines—an exemption later applied to jukeboxes.<sup>25</sup> The second was for certain educational and religious uses.<sup>26</sup>

In 1909, and for some years thereafter, the nondramatic performing right was insignificant among the bundle of rights conveyed to copyright owners of musical works. But after enactment of the 1909 Act, as technology and forms of popular entertainment changed, this right grew increasingly important and eventually, as we have seen, became the largest source of economic return for creators. We shall now describe those changes.

In the last half of the nineteenth century and in the first part of the twentieth, the center of entertainment in private homes was the parlor piano, and there was significant demand for sheet music. The invention and popularization of the modern record player, motion pictures, and radio radically changed entertainment habits. Sheet music sales declined precipitously. And radio, from its beginnings in the 1920's, used music as a principal attraction to build audiences for advertisers.

Radio (and, later, television) "performed" music, rather than "copying" or "duplicating" it. Radio particularly, therefore, provided a replacement source of income—license fees from broadcast performances eventually supplanted the sale of sheet music as the principal source of revenue for creators of music.

Radio and television broadcasting, the modern recording industry,

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<sup>20</sup> Korman, *Performance Rights in Music Under Section 110 and 118 of the 1976 Copyright Act*, 22 N.Y.L.S.L. REV. 521, 523 (1977).

<sup>21</sup> FEIST, AN INTRODUCTION TO POPULAR MUSIC PUBLISHING IN AMERICA, 33, 45-47 (1980).

<sup>22</sup> See H.R. REP. NO. 2222, 60th Cong. 2d Sess. (1909).

<sup>23</sup> 17 U.S.C. §§ 1 et seq. (repealed 1976) (the "1909 Act").

<sup>24</sup> 1909 Act, § 1(e).

<sup>25</sup> *Id.*

<sup>26</sup> 1909 Act, § 104.

and sound movies all developed between the 1909 and 1976 general revisions of the copyright law. Accordingly, it was left to the courts to interpret the 1909 Act in the light of these changes in technology and forms of popular entertainment.

Because the 1909 Act had granted the exclusive right of public performance for profit, the cases dealt with the meaning of each of the three elements of that right:

- 1) Was the musical rendition a "performance";
- 2) Was the performance "public"; and
- 3) Was the public performance "for profit"?

In a virtually unbroken line of cases from 1917 to 1968, the courts applied the soon-outdated 1909 Act by answering these questions in a way which imposed liability on music users.

The first decision came in 1917, and centered on the "for profit" requirement. Victor Herbert sued Shanley's Restaurant for unauthorized performances of songs from "Sweethearts". In a companion, and ultimately consolidated, case, John Philip Sousa's publisher sued the Vanderbilt Hotel for similar uses. These renditions were admittedly public performances. The defense was that they were not "for profit," because no direct charge was made for the music.

The lower courts found for the users.<sup>27</sup> In a landmark opinion, the Supreme Court unanimously reversed. Justice Oliver Wendell Holmes wrote that a direct charge for music was not necessary, because the *purpose* of using music "is profit and that is enough":

"If the rights under the copyright are infringed only by a performance where money is taken at the door they are very imperfectly protected. Performances not different in kind from those of the defendants could be given that might compete with and even destroy the success of the monopoly that the law intends the plaintiffs to have. It is enough to say that there is no need to construe the statute so narrowly. The defendants' performances are not eleemosynary. They are part of a total for which the public pays, and the fact that the price of the whole is attributed to a particular item which those present are expected to order, is not important. It is true that the music is not the sole object, but neither is the food, which probably could be got cheaper else-

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<sup>27</sup> *John Church Co. v. Hilliard Hotel Co.*, 221 Fed. 229 (2d Cir. 1915); *Herbert v. Shanley Co.*, 222 Fed. 344 (S.D.N.Y. 1915), *aff'd*, 229 Fed. 340 (2d Cir. 1916).

where. The object is a repast in surroundings that to people having limited powers of conversation or disliking the rival noise give a luxurious pleasure not to be had from eating a silent meal. If music did not pay it would be given up. If it pays it pays out of the public's pocket. Whether it pays or not the purpose of employing it is profit and that is enough."<sup>28</sup>

Later decisions applied the 1909 Law to new uses:

—Radio broadcasters were held to perform "for profit," even though listeners were not charged<sup>29</sup> or the station was operated by a nonprofit foundation.<sup>30</sup> They performed "publicly" even though members of the audience were separated geographically and could not communicate with each other.<sup>31</sup>

—So-called "private" clubs were held to perform "publicly" when, in fact, they were open to the public, even if they had minimal admission standards.<sup>32</sup>

—Background music services and their subscribers were jointly and severally liable for unauthorized renditions of music.<sup>33</sup>

—Performances rendered by mechanical means, rather than live musicians, were no less public performances; examples were performances rendered by records or tapes<sup>34</sup> or radio-over-loudspeaker systems.<sup>35</sup>

Users tried other defenses to escape liability. Some claimed that the

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<sup>28</sup> *Herbert v. Shanley Co.*, 242 U.S. 591, 594-95 (1917).

<sup>29</sup> *M. Witmark & Sons v. L. Bamberger & Co.*, 291 Fed. 776 (D.N.J. 1923). The defendant's argument that it benefitted the copyright owners by promoting the music broadcast was rejected. By granting the right of public performance, Congress gave the copyright owner the right to control the method of promotion through public performance.

<sup>30</sup> *Associated Music Publishers Inc. v. Debs Memorial Radio Fund*, 141 F.2d 852 (2d Cir. 1944).

<sup>31</sup> *Jerome H. Remick & Co. v. American Automobile Accessories Co.*, 5 F.2d 411 (6th Cir. 1925).

<sup>32</sup> *Lerner v. Club Wander In, Inc.*, 174 F. Supp. 731 (D. Mass. 1959); *M. Witmark & Sons v. Tremont Social & Athletic Club*, 188 F. Supp. 787 (D. Mass. 1960); *but see Metro-Goldwyn-Mayer Distributing Corp. v. Wyatt*, 21 C.O. BULL. 203 (D. Md. 1932).

<sup>33</sup> *Harms, Inc. v. Sansom House Enterprises, Inc.*, 162 F. Supp. 129 (E.D. Pa. 1958), *aff'd. per curiam sub nom.*, *Leo Feist, Inc. v. Lew Tendler Tavern, Inc.*, 267 F.2d 494 (3d Cir. 1959).

<sup>34</sup> *Chappell & Co. v. Middletown Farmers Market and Auction Co.*, 334 F.2d 303 (3d Cir. 1964).

<sup>35</sup> *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191 (1931). *See* the discussion of radio-over-loudspeaker performances below.

purchase of sheet music or records enabled the purchaser to perform the music publicly. The courts disagreed.<sup>36</sup>

Some argued that the musicians who performed were independent contractors, and should bear the sole liability. Again, the courts disagreed.<sup>37</sup>

By the mid-1960's, then, the nondramatic performing right was well established in every field where significant public performances for profit occurred. The 1909 Act had served well, but the relentless march of twentieth century technological developments increasingly strained the courts' abilities to apply the 60-year old statute to modern conditions. The breaking point came in three Supreme Court cases decided between 1968 and 1975. They turned on what constituted a "performance" under the 1909 Act.

In 1931, the Supreme Court had unanimously decided that rendition of music in a public establishment by means of reception of radio broadcasts and further transmission of those broadcasts over a system of loudspeakers constituted a "performance."<sup>38</sup> The following question had been certified to the Supreme Court by the Court of Appeals for the Eighth Circuit:

"Do the acts of a hotel proprietor, in making available to his guests, through the instrumentality of a radio receiving set and loud speakers installed in his hotel and under his control and for the entertainment of his guests, the hearing of a copyrighted musical composition which has been broadcast from a radio transmitting station, constitute a performance of such composition within the meaning of 17 U.S.C. §1(e)?"<sup>39</sup>

The Supreme Court answered, "yes."<sup>40</sup>

In the 1960's, when the question of copyright liability for cable television operators' retransmissions of copyrighted programs came be-

<sup>36</sup> *Interstate Hotel Co. of Nebraska v. Remick Music Corp.*, 157 F.2d 744 (8th Cir.), *cert. denied*, 329 U.S. 809, *petition for reh'g denied*, 330 U.S. 854 (1946); *Irving Berlin, Inc. v. Daigle*, 31 F.2d 832 (5th Cir. 1929); *Harms v. Cohen*, 229 Fed. 276 (E.D. Pa. 1922).

<sup>37</sup> *Dreamland Ballroom v. Shapiro, Bernstein Co.*, 36 F.2d 354 (7th Cir. 1929). In one case, the tavern owner went so far as to instruct the band not to play certain music and put up signs to that effect in his tavern. He was nevertheless liable. *Shapiro, Bernstein & Co. v. Veltin*, 47 F. Supp. 648 (W.D. La. 1942); *see also Keca Music, Inc. v. Dingus McGee's Co.*, 432 F. Supp. 72 (W.D. Mo. 1977); *Chess Music, Inc. v. Sipe*, 442 F. Supp. 1184 (D. Minn. 1977).

<sup>38</sup> *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191 (1931).

<sup>39</sup> *Id.* at 195-96.

<sup>40</sup> *Id.* at 200.

fore the Supreme Court, the majority declined to analogize this use to the radio-over-loudspeaker use in *Jewell-LaSalle*.<sup>41</sup> For the first time, the Court held that no "performance" within the meaning of the 1909 Act occurred in a situation of commercial use of copyrighted works. The Court said: "Broadcasters perform. Viewers do not perform."<sup>42</sup> It found that cable systems fell on the "viewers'" side of that arbitrary line.<sup>43</sup> A subsequent decision expanded the holding to encompass cable retransmissions of distant, as well as local, broadcasts.<sup>44</sup>

In 1975, faced with a radio-over-loudspeaker use practically identical to that in *Jewell-LaSalle*, the Court held that reception and retransmission of radio broadcasts over loudspeakers in a commercial establishment was *not* a "performance" under the 1909 Act.<sup>45</sup> *Jewell-LaSalle* was distinguished on the ground that the radio broadcast there was by an unlicensed station, while in *Aiken* the station was licensed.<sup>46</sup> (Although, as we have seen, the license status of the originating station was irrelevant to the question certified, and to the Court's analysis, in *Jewell-LaSalle*.<sup>47</sup>)

In each of these decisions, the Court emphasized that the 1909 Act

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<sup>41</sup> *Fortnightly Corp. v. United Artists, Inc.*, 392 U.S. 390 (1968). The difficulty of applying the 1909 Act to new uses was clearly stated by Justice Fortas, who began his dissent as follows:

"This case calls not for the judgment of Solomon but for the dexterity of Houdini. We are here asked to consider whether and how a technical, complex, and specific Act of Congress, the Copyright Act, which was enacted in 1909, applies to one of the recent products of scientific and promotional genius, CATV. The operations of CATV systems are based upon the use of other people's property. The issue here is whether, for this use, the owner of copyrighted material should be compensated. From a technical standpoint the question—or at least one important question—is whether the use constitutes a "performance" of the copyrighted material within the meaning of §1(c) of the Copyright Act, 17 U.S.C. §1(c). But it is an understatement to say that the Copyright Act, including the concept of a 'performance,' was not created with the development of CATV in mind. The novelty of the use, incident to the novelty of the new technology, results in a baffling problem. Applying the normal jurisprudential tools—the words of the Act, legislative history, and precedent—to the facts of the case is like trying to repair a television set with a mallet."

*Id.* at 402-03.

<sup>42</sup> *Id.* at 398 (footnotes omitted).

<sup>43</sup> *Id.* at 399.

<sup>44</sup> *Columbia Broadcasting System, Inc. v. Teleprompter Corp.*, 415 U.S. 394 (1974).

<sup>45</sup> *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975).

<sup>46</sup> *Id.* at 160-61.

<sup>47</sup> We discuss the aftermath of *Aiken*, and Congress' overturning of the *Fortnightly*, *Teleprompter* and *Aiken* decisions' legal theory, below.

had become hopelessly outdated, and urged Congress to enact a new statute.<sup>48</sup> Congress, after much study, responded by enacting the 1976 Copyright Act.<sup>49</sup>

### C. The nondramatic performing right under the 1976 Copyright Act

The 1976 Copyright Act not only reaffirms the initial, pre-1968 interpretations of the 1909 Act, but also significantly expands the non-dramatic performing right for music.<sup>50</sup> It does so in four ways:

1. The 1976 Act adopts the pre-1968 definition of "performance". *Fortnightly*, *Teleprompter* and *Aiken* could be read to mean that there was only one "performance" when a broadcast rendition of music was used by cable systems or users such as Aiken. Congress overruled those decisions.

The legal theories behind *Fortnightly*, *Teleprompter*, and *Aiken* were overturned. Every rendition of copyrighted music constitutes a separate and distinct "performance." If "public," every such performance incurs separate and distinct copyright liability, and requires a separate license, unless specifically exempted.<sup>51</sup> As the Congressional Reports on the 1976 Act said:

"Under the definitions of 'perform,' 'display,' 'publicly,' and 'transmit' in section 101, the concepts of public performance and public display cover not only the initial rendition or showing, but also any further act by which that rendition or showing is transmitted or communicated to the public. Thus, for example: a singer is performing when he or she sings a song; a broadcasting network is performing when it transmits his or her performance (whether simultaneously or from records); a local broadcaster is performing when it transmits the network broadcast; a cable television system is performing when it retransmits the broadcast to its subscribers; and any individual is performing whenever he or she plays a

<sup>48</sup> *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 404, 408 (1968) (dissent); *Teleprompter Corp. v. CBS, Inc.*, 415 U.S. 394, 414 (majority), 421-422 (dissent) (1974); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 166 (concurrency), 167-168, 170 (dissent) (1975); see also *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 431 (1984).

<sup>49</sup> PUB. L. NO. 94-553, codified as 17 U.S.C. §§ 101 *et seq.*

<sup>50</sup> *BMI v. CBS*, 441 U.S. 1, 18-19 (1979); Koenigsberg, *The 1976 Copyright Act: Advances for the Creator*, 26 CLEV. ST. L. REV. 515, 524, 528 (1977).

<sup>51</sup> The *Aiken* radio-over-loudspeaker situation was the subject of a specific and limited exemption, described below.

phonorecord embodying the performance or communicates the performance by turning on a receiving set.”<sup>52</sup>

2. The 1976 Act defines a “public” performance for the first time, so as to exempt only truly private performances. The law provides:

“To perform or display a work ‘publicly’ means—

(1) to perform or display it 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; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same or in separate places and at the same time or at different times.”<sup>53</sup>

The explanation provided by the Congressional Committee Reports is even more explicit. Performances at “semi-private” places like country clubs, dancing schools and factories entail full copyright liability:

“Under clause (1) of the definition of ‘publicly’ in section 101, a performance or display is ‘public’ if it takes place ‘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.’ One of the principal purposes of the definition was to make clear that, contrary to the decision in *Metro-Goldwyn-Mayer Distribution Corp. v. Wyatt*, 21 C.O. Bull. 203 (D. Md. 1932), performances in ‘semipublic’ places such as clubs, lodges, factories, summer camps, and schools are ‘public performances’ subject to copyright control.”<sup>54</sup>

3. The broad “for profit” limitation on the non-dramatic performing right was rejected. In its place, Congress substituted four specific and limited exemptions in the 1976 Act.<sup>55</sup>

The first two exemptions cover the various methods by which per-

<sup>52</sup> H. REP. NO. 94-1476, 94th Cong., 2d Sess., 63 (1976) (hereinafter, “House Report”); see also S. REP. NO. 94-473, 94th Cong., 1st Sess., 59-60 (1975) (hereinafter, “Senate Report”).

<sup>53</sup> 17 U.S.C. § 101.

<sup>54</sup> House Report, 64; see also Senate Report, 60.

<sup>55</sup> 17 U.S.C. § 110(1)-(4).

performances take place.<sup>56</sup> Both are stringently limited in their scope. One exempts performances in the course of face-to-face teaching activities of a nonprofit educational institution.<sup>57</sup> The second exempts certain governmental and non-profit educational broadcasts where the purpose is to further systematic instructional activities in a classroom or similar place.<sup>58</sup>

The third exemption covers performances in the course of religious services at a place of worship or other religious assembly.<sup>59</sup> It does not

<sup>56</sup> Senate Report, 73-76; House Report, 81-84.

<sup>57</sup> 17 U.S.C. § 110(1):

"Notwithstanding the provisions of section 106, the following are not infringements of copyright:

(1) performance or display of a work by instructors or pupils in the course of face-to-face teaching activities of a nonprofit educational institution, in a classroom or similar place devoted to instruction, unless, in the case of a motion picture or other audio-visual work, the performance, or the display of individual images, is given by means of a copy that was not lawfully made under this title, and that the person responsible for the performance knew or had reason to believe was not lawfully made."

<sup>58</sup> 17 U.S.C. § 110(2):

"Notwithstanding the provisions of section 106, the following are not infringements of copyright:

...  
(2) performance of a nondramatic literary or musical work or display of a work, by or in the course of a transmission, if—

(A) the performance or display is a regular part of the systematic instructional activities of a governmental body or a nonprofit educational institution; and

(b) the performance or display is directly related and of material assistance to the teaching content of the transmission; and

(C) the transmission is made primarily for—

(i) reception in classrooms or similar places normally devoted to instruction, or

(ii) reception by persons to whom the transmission is directed because their disabilities or other special circumstances prevent their attendance in classrooms or similar places normally devoted to instruction, or

(iii) reception by officers or employees of governmental bodies as a part of their official duties or employment."

<sup>59</sup> 17 U.S.C. § 110(3):

"Notwithstanding the provisions of section 106, the following are not infringements of copyright:

...  
(3) performance of a nondramatic literary or musical work or of a dramatico-musical work of a religious nature, or display of a work, in the course of services at a place of worship or other religious assembly."

exempt performances in the course of broadcasts or other transmissions to the public at large, even when they originate at a house of worship.<sup>60</sup>

The fourth exemption is a catch-all which generally exempts purely noncommercial performances.<sup>61</sup> To qualify, three conditions must be met: there must be no direct or indirect commercial purpose; there must be no payment to the performers, promoters or organizers; and there must be no admission charge.<sup>62</sup>

To these four exemptions, Congress added a fifth in 1982, for certain performances by nonprofit fraternal and veterans organizations.<sup>63</sup> To qualify, admission must be limited to members of the sponsoring organization and their guests, and all proceeds must be used for charitable purposes.<sup>64</sup>

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<sup>60</sup> Senate Report, 76; House Report, 84.

<sup>61</sup> 17 U.S.C. § 110(4):

“Notwithstanding the provisions of section 106, the following are not infringements of copyright:

...  
(4) performance of a nondramatic literary or musical work otherwise than in a transmission to the public, without any purpose of direct or indirect commercial advantage and without payment of any fee or other compensation for the performance to any of its performers, promoters, or organizers, if—

(A) there is no direct or indirect admission charge; or

(B) the proceeds, after deducting the reasonable costs of producing the performance, are used exclusively for educational, religious, or charitable purposes and not for private financial gain, except where the copyright owner has served notice of objection to the performance under the following conditions:

(i) the notice shall be in writing and signed by the copyright owner or such owner's duly authorized agent; and

(ii) the notice shall be served on the person responsible for the performance at least seven days before the date of the performance, and shall state the reasons for the objection; and

(iii) the notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.”

<sup>62</sup> There is an exception to the exemption. An admission charge may be imposed if all proceeds, after deducting the production costs, are used exclusively for educational, religious, or charitable purposes. 17 U.S.C. § 110(4)(B). But even then, the exemption is lost if the copyright owner objects in advance to the use. *Id.*

<sup>63</sup> PUB. L. NO. 97-366, 96 Stat. 1759 (Oct. 25, 1982), codified as 17 U.S.C. § 110(10).

<sup>64</sup> 17 U.S.C. § 110(10):

“notwithstanding paragraph [110(4)], above, the following is not an infringement of copyright: performance of a nondramatic literary or musical work in the course of a social function which is organized and promoted by a nonprofit veterans' organization or a nonprofit fraternal

4. Two kinds of performance which were exempt under the old law by the express terms of the statute (performances by jukeboxes) or by court decision (performances by cable television), and a third which the particular users claimed were exempt (performances by public broadcasting), are now subject to copyright liability, but are privileged to obtain statutory compulsory licenses.<sup>65</sup> To supervise the operation of the compulsory licenses—by setting and adjusting license fees periodically and distributing the fees to copyright owners or their representatives—Congress established a new administrative agency, the Copyright Royalty Tribunal.<sup>66</sup>

Finally, Congress established three new specific and limited exemptions. Certain performances at state fairs, and in record stores where record sales are promoted by having them performed, are exempted from copyright liability.<sup>67</sup> And, in a more significant provision, the ex-

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organization to which the general public is not invited, but not including the invitees of the organizations, if the proceeds from the performance are used exclusively for charitable purposes and not for financial gain. For purposes of this section the social functions of any college or university fraternity or sorority shall not be included unless the social function is held solely to raise funds for a specific charitable purpose."

<sup>65</sup> 17 U.S.C. § 111 (cable systems); 17 U.S.C. § 116 (jukeboxes); and 17 U.S.C. § 118 (public broadcasting).

<sup>66</sup> 17 U.S.C. §§ 801-810.

<sup>67</sup> 17 U.S.C. §§ 110(6) and (7):

"Notwithstanding the provisions of Section 106, the following are not infringements of copyright:

...

(6) performance of a nondramatic musical work by a governmental body or a nonprofit agricultural or horticultural organization, in the course of an annual agricultural or horticultural fair or exhibition conducted by such body or organization; the exemption provided by this clause shall extend to any liability for copyright infringement that would otherwise be imposed on such body or organization, under doctrines of vicarious liability or related infringement for a performance by a concessionaire, business establishment, or other person at such fair or exhibition, but shall not excuse any such person from liability for the performance;

(7) performance of a nondramatic musical work by a vending establishment open to the public at large without any direct or indirect admission charge, where the sole purpose of the performance is to promote the retail sale of copies or phonorecords of the work, and the performance is not transmitted beyond the place where the establishment is located and is within the immediate area where the sale is occurring."

These exemptions, and arguably that for fraternal and veterans' organizations discussed above, are the only cases in which the 1976 Act limits the performing right in music more than did the 1909 Act.

emption created by the *Aiken* case for uses of broadcasts in public places—especially important for uses of radio broadcasts over loudspeakers—was severely limited. Such uses are made fully liable, save only in very limited instances.<sup>68</sup>

This limited radio-over-loudspeaker exemption has been interpreted by the courts. In the leading case, *The Gap*, a nationwide chain of over 400 clothing stores, employed a radio-over-loudspeaker system in each of its stores.<sup>69</sup> *The Gap* claimed exemption under § 110(5) on the ground that the electronic components it used were “of a type commonly used in private homes,” and, since each store had only one room, the broadcasts were not “further transmitted to the public.”

The courts disagreed, relying on the legislative history. Congress had set the *Aiken* fact situation, measured primarily by the physical size of the establishment and the arrangement of the receiving apparatus, as the “outer limit of the exemption.”<sup>70</sup> The store in *Aiken* was only 620 square feet in public area and used four speakers within a narrow circumference from the radio receiver; *The Gap* store in question also used four speakers, but they were installed in all four corners of the store, which measured 2700 square feet. The courts found that *The Gap* thus did not come within the “outer limit of the exemption,” and was liable for copyright infringement. Other courts have followed in similar circumstances.<sup>71</sup>

Thus, under the 1976 Act, virtually every user who publicly per-

<sup>68</sup> The general liability is imposed by 17 U.S.C. § 106(4), discussed above. The limited exemption is provided by 17 U.S.C. § 110(5):

“Notwithstanding the provisions of section 106, the following are not infringements of copyright:

...  
(5) communication of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes, unless—

(A) a direct charge is made to see or hear the transmission; or

(B) the transmission thus received is further transmitted to the public.”

<sup>69</sup> *Sailor Music v. The Gap Stores, Inc.*, 516 F. Supp. 923 (S.D.N.Y.), *aff'd*, 668 F.2d 84 (2d Cir. 1981), *cert. denied*, 456 U.S. 945 (1982).

<sup>70</sup> House Report, 87; *see also* H. REP. NO. 94-1733, 94th Cong., 2d Sess., 74-75 (1976) (Conference Report).

<sup>71</sup> *BMI v. U.S. Shoe Corp.*, 211 U.S.P.Q. 43 (C.D. Cal. 1980), *aff'd*, 678 F.2d 816 (9th Cir. 1982); *Lamination Music v. P&X Markets, Inc.*, Civ. Action No. C84-6840 WWS (N.D. Cal. 1985); *Hampshire House Publishing Corp. v. Sal and Sam's Restaurant, Inc.*, Civ. Action No. 84-1296 (E.D. La. 1985); *Rodgers v. Eighty Four Lumber Co.*, 617 F. Supp. 1021 (W.D. Pa. 1985). *But see* *Springsteen v. Plaza Roller Dome, Inc.*, 602 F. Supp. 1113 (M.D.N.C. 1985).

forms music must obtain a license from the copyright owner, or be liable for infringement. And that obligation is the user's—the copyright proprietor does not have to seek him out and offer a license. Rather, the user must seek out the copyright proprietor and obtain a license.<sup>72</sup>

But copyright owners clearly want to license users—they earn their income from licensing, not from refusing a license or suing for copyright infringement. This licensing is almost always done through collective licensing organizations.

### III. THE COLLECTIVE LICENSING ORGANIZATIONS

As we have noted, there are millions of licensable nondramatic public performances of copyrighted music occurring in the United States each day. Obviously, it would as a practical matter be impossible for a single copyright owner to determine which of those millions were performances of his music, and to take the necessary steps to license them or protect his rights through lawsuits for infringement.

Similarly, most law-abiding users would find it a practical impossibility to seek out individual copyright owners and negotiate individual licenses with them. A bar, hotel, radio or television station, or any other bulk user of music would find the administrative costs alone of individual direct licensing prohibitive, apart from the license fees.

Collective licensing organizations, termed performing rights societies, were formed in many countries to solve these problems. The principal goal of such a society is to enable its members—the writers and publishers of music—to license all nondramatic public performances of their works. Because the society is a national organization, it can effectively license uses on both a nation-wide and an international basis, and effectively police unauthorized uses.

A parallel goal of the performing rights society is to serve as a clearing house for music users. By means of a blanket license, the user is able, in one transaction, to obtain the right to perform *all* works of *all* members of the domestic society, as well as works of affiliated foreign societies, without burdensome administrative and recordkeeping requirements. This right of access to a vast repertory of music, without burdensome and expensive administrative and recordkeeping requirements, is extremely valuable to the user—indeed, it is more valuable than the cumulative rights to perform individual compositions would be.<sup>73</sup>

The public is the ultimate beneficiary of a system of marketing music

<sup>72</sup> *BMI v. CBS*, 441 U.S. 1, 18 (1979).

<sup>73</sup> *BMI v. CBS*, 441 U.S. 1, 21-22 (1979).

rights which is efficient and cheap for users, and provides benefits which encourage composers and lyricists to create, and publishers to take risks in promoting music.

*A. The writer-publisher relationship*

Before describing the workings of the performing rights society, a word is necessary about its individual members—the writers and publishers of music—and their relationship.

Initially, copyright vests in the creators of the musical work—those who write the music (“composers”) and those who write the words (“authors” or “lyricists”).<sup>74</sup> We shall term these creators, “writers”.

Writers, however, must be free to write. Unless they have both time and incentive to write, no new music will be created. Hence, writers generally do not wish to take the time, and develop the skills, necessary to tend to the many business relationships which must be exploited if their works are to bring them the proper return.

The writer therefore relies on the music publisher. The publisher, experienced in the music business, sees to the business interests necessary for full exploitation of musical works.<sup>75</sup> The publisher does far more than merely “publish”—that is, print—sheet music. He sees to the licensing of mechanical, synchronization, and dramatic rights, and attempts to promote the writer’s works to, and in conjunction with, record companies and performing artists.<sup>76</sup> In many cases, publishers advance money to writers and guide their careers. Established writers often form their own publishing companies and enter into administration agreements, under which other publishers run their companies for an agreed fee.<sup>77</sup>

The writer usually assigns his copyright to the publisher in exchange for specified royalties. In essence, the writer and publisher form a creative partnership—one creates copyrighted music and the other administers the rights in the music, for their common good.<sup>78</sup>

*B. The development of performing rights societies*

The first performing rights society for music was established in

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<sup>74</sup> 17 U.S.C. § 201(a).

<sup>75</sup> Statement of the National Music Publishers’ Association on S.1980 Before the Subcommittee on Patents, Copyrights and Trademarks, Committee on the Judiciary, United States Senate (April 9, 1986), 4-9.

<sup>76</sup> *Id.*; FEIST, AN INTRODUCTION TO POPULAR MUSIC PUBLISHING IN AMERICA, 7-10 (1980).

<sup>77</sup> *Id.*

<sup>78</sup> FEIST, *op cit.*, 15-16.

France in 1851.<sup>79</sup> Other European countries used the French society as a model and, much later, established societies of their own.<sup>80</sup>

Obviously, there being no performing right in music in the United States until 1897, there could be no American society before that year. For whatever reasons, there was no licensing of nondramatic performances of music between the 1897 Amendment and the 1909 Act, and no society was organized during that period.

Ironically, the initial impetus for founding an American society came from the Italian opera composer, Puccini. On a visit to the United States in 1910, he mentioned the valuable role played by the Italian performing rights society to his American publisher, George Maxwell.<sup>81</sup> Maxwell discussed the idea with Raymond Hubbell, a popular songwriter of the day, and with Maxwell's lawyer, Nathan Burkan. They agreed that an American society would be valuable—indeed, necessary—but thought a well-known American composer should be its leader. Burkan went to another of his clients, Victor Herbert, who enthusiastically supported the concept and called a meeting of all interested writers and publishers. On a rainy evening in October 1913, eight writers and publishers, and Burkan, met in Luchow's Restaurant, in New York City, and agreed to form the American Society of Composers, Authors and Publishers—ASCAP.<sup>82</sup>

Others joined ASCAP as soon as it was formed.<sup>83</sup> Court battles to establish the right to license public performances ensued.<sup>84</sup> It was not until 1921, seven years after its founding, that ASCAP's revenues finally exceeded expenses sufficiently to allow a distribution of royalties to its members.<sup>85</sup>

Two other American performing right licensing organizations exist, Broadcast Music, Inc. (BMI) and SESAC, Inc. BMI was created and is still owned by the broadcasting industry. In 1939, ASCAP, which had previously licensed broadcasting stations, but not broadcasting networks, sought to increase the stations' license fees, and also to license broadcasting networks.<sup>86</sup> The broadcasting industry responded in two ways.

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<sup>79</sup> MCFARLANE, *COPYRIGHT: THE DEVELOPMENT AND EXERCISE OF THE PERFORMING RIGHT*, 56 (1980).

<sup>80</sup> *Id.* at 98.

<sup>81</sup> WATERS, VICTOR HERBERT, *A LIFE IN MUSIC* (1955), 433-34. To compound the irony further, Maxwell was a British subject, not an American citizen.

<sup>82</sup> *Id.*; HUBBELL, *THE STORY OF ASCAP*, 1 (Unpublished Memoir). ASCAP's Articles of Association were formally adopted, and the organization came into existence, on February 13, 1914. *Id.* at 4.

<sup>83</sup> These included Irving Berlin and John Philip Sousa.

<sup>84</sup> See *Herbert v. Shanley*, *supra* notes 27 and 28.

<sup>85</sup> HUBBELL, *op cit.*, 64.

<sup>86</sup> WARNER, *RADIO AND TELEVISION RIGHTS* 381 (1953).

First, it instituted a boycott of ASCAP music.<sup>87</sup> Second, broadcasters formed their own performing rights organization, BMI.<sup>88</sup> The fact that BMI is owned and run by the broadcasting industry is a situation which many see as fraught with obvious conflicts, because broadcasting is the most important user industry in the United States.<sup>89</sup> BMI's revenues in fiscal 1984 were \$136 million, compared to ASCAP's revenues for calendar year 1985 of about \$245 million.<sup>90</sup>

SESAC is a much smaller performing rights organization with many fewer works in its repertory.<sup>91</sup> It is a privately held corporation. Its revenues in fiscal 1980, the last year for which public information is available, were about \$3.8 million.<sup>92</sup>

### C. *The organization of a performing rights society*

Of these three organizations, only ASCAP is a true performing rights *society* as such societies exist throughout the world. Only ASCAP is owned and managed exclusively by and for writers and publishers of music. BMI is owned by the most important commercial user of music in the United States, the broadcasting industry. SESAC, much the smallest, is privately owned by one family. BMI and SESAC are performing rights *organizations*, rather than *societies*. We shall use ASCAP as the model for the performing rights society henceforth, with references to BMI and SESAC where appropriate.

ASCAP is an unincorporated membership association, founded un-

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<sup>87</sup> *Id.* at 382. The period is known as the era of "I Dream of Jeannie with the Light Brown Hair" by broadcasters and ASCAP alike. By late 1941, a peace of sorts had been restored between ASCAP and the broadcasters, with new license arrangements worked out.

<sup>88</sup> *Id.* at 381.

<sup>89</sup> See *United States v. ASCAP*, 586 F. Supp. 727, 732 (S.D.N.Y. 1984), in which Judge William C. Conner wrote that he had "certain uneasiness over the inherent conflict presented by broadcaster ownership of BMI"; *BMI v. All-Industry Television Station Music License Comm.*, No. 85 Civ. 4507 (EW) (S.D.N.Y. 1985), in which BMI's own management contended that some of its broadcaster stockholders sought "to 'manipulate' the corporate machinery of BMI for anticompetitive purposes, i.e., 'to force BMI to deal only through the [defendant] committee, to prevent BMI from individual licensing of its affiliates, and to fix the rates paid to BMI at an artificially low level.'" (opinion, 2).

<sup>90</sup> BMI Annual Report for the Year Ended June 30, 1984; ASCAP 1985 Financial Statement.

<sup>91</sup> It was originally known as the Society of European Stage Authors and Composers, the source of its acronymic name.

<sup>92</sup> In the Matter of 1979 Jukebox Royalty Distribution Proceedings, Copyright Royalty Tribunal Docket No. 80-5, SESAC letter of June 17, 1981.

der the laws of New York. It has two kinds of members—writers and publishers.<sup>93</sup> Membership is open to *any* writer or publisher who meets minimal standards.<sup>94</sup> As of October 1985, ASCAP had 26,908 writer members and 10,107 publisher members.<sup>95</sup>

ASCAP's affairs are overseen by a Board of Directors consisting of twelve writer and twelve publisher members.<sup>96</sup> Under ASCAP's Articles of Association, three writers and three publishers on the Board must be "standard" members—that is, they must write or publish "serious" or "concert," as contrasted with "popular," music.<sup>97</sup> The writer members of the Board are elected by ASCAP's writer members only, and publisher members of the Board are elected by publisher members only.<sup>98</sup> Voting is on a weighted basis, based upon the member's contributions to the repertory, as determined by a scientific survey of performances.<sup>99</sup>

The Board meets once a month and actively controls ASCAP's operations—no major decision is made by ASCAP's management without Board approval.<sup>100</sup>

Every ASCAP member—writer or publisher—signs the identical membership agreement, which, in conjunction with the Articles of Association, defines his relationship with ASCAP.<sup>101</sup> The membership agreement includes three major points.

<sup>93</sup> BMI and SESAC have writer and publisher "affiliates". The difference between "members" of ASCAP and "affiliates" of BMI and SESAC is the difference between an owner of an organization and a seller to an organization. The affiliate-seller, unlike the member-owner, has no voice in how the organization is run or how the rights he has assigned to the organization are licensed. See Letter of BMI Board of Directors to BMI stockholders, July, 1984.

<sup>94</sup> The ASCAP Articles of Association set forth the following eligibility standards for membership: For music publishers, "Any person, partnership, firm or corporation actively engaged in the music publishing business who assumes the financial risk involved in the normal publication of musical works and/or whose compositions are regularly performed by the Society's licensees" (Art. III, Sec. I. A.(i)); for composers and authors (lyricists), "Any composer or author of musical works who regularly practices the profession of writing music or the text or lyrics of musical works, and who shall have had not less than one work of his composition or writing regularly published" (Art. III, Sec. I. A.(ii)).

<sup>95</sup> Report at ASCAP October 1985 Membership Meeting.

<sup>96</sup> ASCAP Articles of Association, Art. IV, Sec. I.

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

<sup>98</sup> *Id.*, Art. IV, Sec. 4(g).

<sup>99</sup> *Id.*, Art. IV, Sec. 4(h). The survey is described below. There is a cap on the weighting; no member may cast more than 100 votes.

<sup>100</sup> *Id.*, Art. IV, Sec. 2; Art. V.

<sup>101</sup> ASCAP Membership Agreement; the text may be found in SPIEGEL AND COOPER, ENTERTAINMENT LAW INSTITUTE OF U.S.C., RECORD AND MUSIC PUBLISHING FORMS OF AGREEMENT IN CURRENT USE, 461-463 (1971).

First, the member grants ASCAP the *nonexclusive* right to license nondramatic public performances of his works, reserving to himself the nonexclusive right to license users.<sup>102</sup> Thus, members are free to license users outside of ASCAP and, by virtue of this nonexclusive grant, ASCAP is empowered to license users to perform all the works in its repertory.

Second, the member authorizes ASCAP to bring suit in his name against infringers and appoints ASCAP attorney-in-fact to conduct and resolve such suits.<sup>103</sup> ASCAP thus may police infringing performances.

Third, the member agrees to accept and be bound by ASCAP's distribution system, by which individual royalties are determined.<sup>104</sup>

We shall discuss each of these three aspects of ASCAP's operations in detail below.

Finally, ASCAP represents not only American writers and publishers, but also hundreds of thousands of foreign writers and publishers. There are many foreign performing rights societies, operating in virtually every civilized country.<sup>105</sup> ASCAP has affiliation agreements with those societies, by which ASCAP licenses their repertories in the United States, and the societies license the ASCAP repertory in their countries.<sup>106</sup>

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<sup>102</sup> *Id.* at Sec. 1. If the member licenses directly, he receives no ASCAP payment for the performances so licensed.

<sup>103</sup> *Id.* at Sec. 5.

<sup>104</sup> *Id.* at Sec. 7; ASCAP Articles of Association, Art. XIV, Sec. 6.

<sup>105</sup> Some foreign performing rights societies license in more than one country. For example, the British and French societies license in countries which were formerly British and French colonies.

<sup>106</sup> The foreign societies with which ASCAP has agreements are: Sociedad Argentina de Autores y Compositores de Musica (SADAIC) (Argentina); Australasian Performing Right Association, Ltd. (APRA) (Australia); Staatlich Genehmigte Gesellschaft der Autoren, Komponisten und Musikverleger (AKM) (Austria); Societe Belge des Auteurs, Compositeurs et Editeurs (SABAM) (Belgium); Sociedad Boliviana de Autores y Compositores de Musica (SOBODAYCOM) (Bolivia); Sociedade Independente de Compositores e Autores Musicais (SICAM) (Brazil); Uniao Brasileira de Compositores (UBC) (Brazil); Composers, Authors and Publishers Association of Canada, Ltd. (CAPAC) (Canada); Departamento del Derecho de Autor (DAIC) (Chile); Ochranny Svaz Autorsky (OSA) (Czechoslovakia); Slovensky Ochranny Zvaz Autorsky (SOZA) (Czechoslovakia); Selskabet til Forvaltning af Internationale Komponistrettigheder i Danmark (KODA) (Denmark); The Performing Right Society Limited (PRS) (England); Saveltajain Tekijanoikeustoi-Misto (TEOSTO) (Finland); Societe des Auteurs, Compositeurs et Editeurs de Musique (SACEM) (France); Gesellschaft fur Musikalische Auffuhrungs- und Mechanische Vervielfaltigungsrechte (GEMA) (Federal Republic of Germany); Anstalt zur Wahrung der Auffuhrungsrechte auf dem Gebiete der Musik (AWA) (German Democratic Republic); Societe Hellenique pour la Protection de la Propriete Intellectuelle (AEPI) (Greece); Vereniging BUMA (Holland); Composers and Authors Society of Hong Kong Ltd. (CASH) (Hong Kong); Bureau Hongrois pour la Protection des Droits d'Auteur (AR-

Thus, an ASCAP license conveys not only the right to perform works written and owned by ASCAP's American members, but also works written and owned by members of affiliated foreign performing rights societies. The license is truly global in scope.

#### *D. Antitrust aspects of performing rights societies*

There are obvious antitrust considerations when copyrights are licensed in bulk through an organization like ASCAP.<sup>107</sup> The public interest, however, demands that such an organization exist: ASCAP's role is vital because it is the only practical way to give effect to the right of public performance which the Copyright Law intends creators to have.<sup>108</sup> To safeguard the public interest by ensuring the continued existence of ASCAP, while protecting against possible antitrust abuses, ASCAP and the government agreed on terms embodied in an antitrust consent decree entered in 1941.<sup>109</sup> After ASCAP's methods of licensing motion picture theaters were found to violate the antitrust laws,<sup>110</sup> the 1941 decree was superseded by a new consent decree entered on March 14, 1950.<sup>111</sup> On that date, the *Alden-Rochelle* judgment was vacated.<sup>112</sup>

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TISJUS) (Hungary); Samband Tonskald og Eigenda Flutningsrettar (STEF) (Iceland); The Indian Performing Right Society Ltd. (IPRS) (India); Societe d'Auteurs, Compositeurs et Editeurs de Musique en Israel (ACUM) (Israel); Societa Italiana degli Autori ed Editori (SIAE) (Italy); Japanese Society for Rights of Authors, Composers and Publishers (JASRAC) (Japan); Sociedad de Autores y Compositores de Musica (SACM) (Mexico); Norsk Komponistforenings Internasjonale Musikkbyra (TONO) (Norway); Autores Paraguayos Asociados (APA) (Paraguay); Asociacion Peruana de Autores y Compositores (APDAYC) (Peru); Filipino Society of Composers, Authors and Publishers (FILSCAP) (Philippines); Stowarzyszenie Autorow (ZAIKS) (Poland); Sociedade Portuguesa de Autores (SPA) (Portugal); South African Music Rights Organisation Limited (SAMRO) (South Africa); Socioedad General de Autores de Espana (SGAE) (Spain); Svenska Tonsattares Internationella Musikbyra (STIM) (Sweden); Societe Suisse pour les Droits des Auteurs d'Oeuvres Musicales (SUISA) (Switzerland); Vsesojuznoje Agentstvo po Avtorskim Pravan (VAAP) (U.S.S.R.); Asociacion General de Autores del Uruguay (AGADU) (Uruguay); Sociedad de Autores y Compositores de Venezuela (SACVEN) (Venezuela); Savez Organizacija Kompozitora Jugoslavije (SOKOJ) (Yugoslavia). ASCAP Membership List (ASCAP publication).

<sup>107</sup> Rifkind, *Music Copyrights and Antitrust: A Turbulent Courtship*, 4 CARDOZO ARTS & ENT L.J. 1 (1985).

<sup>108</sup> *BMI v. CBS*, 441 U.S. 1, 20-21; Rifkind, *op cit.*, 1-2; Timberg, *The Antitrust Aspects of Merchandising Modern Music: The ASCAP Consent Judgment of 1950*, 19 LAW & CONTEMP. PROB. 294 (1954).

<sup>109</sup> *United States v. ASCAP*, 1940-1943 Trade Cases ¶56,104 (S.D.N.Y. 1941).

<sup>110</sup> *Alden-Rochelle, Inc. v. ASCAP*, 80 F. Supp. 888 (S.D.N.Y. 1948).

<sup>111</sup> *United States v. ASCAP*, [1950-1951] Trade Cas. (CCH) ¶62,595 (S.D.N.Y. 1950) (hereinafter the "Amended Final Judgment").

<sup>112</sup> *Alden-Rochelle*, *supra* note 110, unreported order dated March 14, 1950.

The curative powers of the Amended Final Judgment were succinctly stated by Judge Friendly<sup>113</sup>:

“The Amended Final Judgment of March 14, 1950, considerably amplified an earlier consent judgment entered in the Government’s antitrust suit against ASCAP nine years before. The 1941 judgment contained many negative injunctions with respect to licensing, but had no provision specifically addressed to television, which had not yet been developed commercially, and no provision for judicial fixing of license fees if a licensee and ASCAP were unable to agree on terms. The 1950 Judgment was designed, in part, to fill these gaps, as well as to meet the problems with respect to motion picture licensing revealed by *Alden-Rochelle, Inc. v. ASCAP*, 80 F. Supp. 888 (S.D.N.Y. 1948) and *M. Witmark & Sons v. Jensen*, 80 F. Supp. 843 (D. Minn. 1948).”<sup>114</sup>

The Amended Final Judgment contains six major points:

1. A guarantee that the rights granted to ASCAP shall be non-exclusive.<sup>115</sup> This point addressed and corrected the major flaw found in *Alden-Rochelle*. In addition, it underlies the decisions in two major antitrust cases, *CBS* and *Buffalo Broadcasting*.<sup>116</sup>

2. A nondiscrimination guarantee for users. ASCAP may not “discriminate in license rates, terms or conditions between similarly situated users”.<sup>117</sup> Thus, all users in the same industry are offered the same forms of license agreement. That is not to say that every licensee in the same industry pays the same license fee. Clearly, rational distinctions must be made—for example, all else being equal, a radio station which uses music to produce gross revenues of \$10 million dollars pays more than a station using music which grosses only \$1 million.

3. A guarantee of a license to users. Under the Amended Final Judgment, a user desiring a license is automatically licensed from the date of receipt of a written request to ASCAP for a license.<sup>118</sup> The Judg-

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<sup>113</sup> *United States v. ASCAP (Applications of Shenandoah Valley Broadcasting, Inc.)*, 331 F.2d 117 (2d Cir.), *cert. denied*, 377 U.S. 997 (1964).

<sup>114</sup> 331 F.2d 117, 121.

<sup>115</sup> Amended Final Judgment, Sec. IV(A).

<sup>116</sup> *BMI v. CBS*, 441 U.S. 1 (1979), *aff’d on remand sub nom.*, *CBS v. ASCAP*, 620 F.2d 930 (2d Cir. 1980), *cert. denied*, 450 U.S. 970 (1981); *Buffalo Broadcasting Co., Inc. v. ASCAP*, 744 F.2d 917 (2d Cir. 1984), *cert. denied*, 53 U.S.L.W. 3587 (1985).

<sup>117</sup> Amended Final Judgment, Sec. IV(C).

<sup>118</sup> *Id.*, Secs. VI, IX(A). Sec. VI enjoins ASCAP from licensing specific works in its repertory unless both the user and members-in-interest request it to do so.

ment then provides for a mandatory 60-day negotiating period.<sup>119</sup> Of course, the Amended Final Judgment does not obligate ASCAP to license a user who has failed to pay license fees due under a previous license.<sup>120</sup>

4. A guarantee that ASCAP's license fees are reasonable. The United States District Court for the Southern District of New York, where the Amended Final Judgment was entered, maintains continuing jurisdiction.<sup>121</sup> Any user who believes the fee ASCAP quotes is unreasonable may apply to the court for determination of a reasonable license fee.<sup>122</sup> The burden in such a proceeding is on ASCAP to prove the reasonableness of the fee it seeks.<sup>123</sup>

5. A guarantee to members of nondiscriminatory treatment.<sup>124</sup>

6. A guarantee to members of objective determination of royalties. The Amended Final Judgment mandates distribution of royalties to members based on a survey of performances of their works.<sup>125</sup>

BMI also operates under a consent decree, but its provisions are very different from the ASCAP Amended Final Judgment.<sup>126</sup> For example, there is no rate-determining mechanism for BMI and no requirement that all writers and publishers be treated alike.

Consent decrees, of course, do not immunize anyone from antitrust attack. The blanket license has been attacked, unsuccessfully, by local radio broadcasters,<sup>127</sup> a television network,<sup>128</sup> local television broadcasters<sup>129</sup> and tavern owners.<sup>130</sup>

<sup>119</sup> *Id.*, Sec. IX(A).

<sup>120</sup> Those fees may be due under a previous license agreement or pursuant to an Interim Fee Order in a proceeding for determination of reasonable license fees, described below. Many Final Orders of the Court in such proceedings have withheld licenses from petitioners who were in default under such Interim Fee Orders. *E.g.*, Final Order in United States v. ASCAP—Applications of Muzak, Inc. et al., Civ. Action No. 13-95 (S.D.N.Y.), dated October 23, 1982.

<sup>121</sup> Amended Final Judgment, Sec. XVII.

<sup>122</sup> *Id.*, Sec. IX.

<sup>123</sup> *Id.* There have been over forty such proceedings in the more than thirty-five years the Amended Final Judgment has been in effect, but none has been tried. Rather, users have employed the proceedings as a context for negotiations which, often with the aid of the court, have resulted in agreements.

<sup>124</sup> *Id.*, Secs. XI, XIII.

<sup>125</sup> *Id.*, Sec. XI.

<sup>126</sup> United States v. BMI, 1966 Trade Cases ¶ 71,941 (S.D.N.Y.).

<sup>127</sup> K-91 Inc. v. Gershwin Publishing Corp., 372 F.2d 1 (9th Cir. 1967), *cert. denied*, 389 U.S. 1045 (1968).

<sup>128</sup> BMI v. CBS, 441 U.S. 1 (1979), *aff'd on remand sub nom.*, CBS v. ASCAP, 620 F.2d 930 (2d Cir. 1980), *cert. denied*, 450 U.S. 970 (1981).

<sup>129</sup> Buffalo Broadcasting Co., Inc. v. ASCAP, 744 F.2d 917 (2d Cir. 1984), *cert. denied*, 53 U.S.L.W. 3587 (1985).

<sup>130</sup> BMI v. Moor-Law, Inc., 527 F. Supp. 758 (D. Del. 1981), *aff'd mem.*, 691 F.2d 490 (3d Cir. 1982).

More recently, the local television broadcasters, a major user group, have attempted to gain by legislation what they could not gain by litigation. They have procured the introduction of two bills in Congress which would outlaw the blanket license and limit the licensing marketplace to but one form of so-called "source" licensing.<sup>131</sup> One of the arguments the broadcasters use in advocating this legislation is that the performing right societies do not negotiate but instead offer terms on a "take-it-or-leave-it basis." That argument is refuted by the recital and first paragraph of the Final Order entered on consent in the last concluded proceeding for determination of reasonable license fees brought by the local television broadcasters:

"... petitioners [local television broadcasters] and respondent [ASCAP] having agreed, after numerous hearings and conferences with the Court and lengthy negotiations between the parties and with the aid of the Court, upon forms of [blanket and per program] license agreement . . . and the petitioners and respondent having agreed that such forms of license agreement conform with the provisions of the Amended Final Judgment herein and that such forms of license agreement may be entered into lawfully by each party to this proceeding, and the entry of this order to carry out and consummate the negotiated agreement they have reached having been consented to . . .

"It is hereby ordered, adjudged and decreed:

"1. The following are reasonable and nondiscriminatory fees for the Local Station Blanket Television License Agreement for the period indicated, and comply with the terms of the Amended Final Judgment herein. . . ."<sup>132</sup>

That the court and the parties cited the "lengthy negotiations" for a blanket license underlines the fact that the blanket license was negotiated in arms-length bargaining. Indeed, that license was negotiated

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<sup>131</sup> H.R. 3521, 99th Cong., 2d Sess. (1985); S. 1980, 99th Cong., 2d Sess. (1985). "Source" licensing is the system under which a program producer obtains performing rights from the creator and copyright owner in a one-time buy-out, before any performances occur, and then passes those rights on to the broadcasting stations which give the performances of the music when the program is broadcast.

<sup>132</sup> *United States v. ASCAP—Application of Shendandoah Valley Broadcasting, Inc.*, Civ. Action No. 13-95 (S.D.N.Y.), Final Order entered July 28, 1969. The license terms approved in 1969 are still the terms in effect in 1986, except that fees are being paid on the basis of 1980 revenues rather than current revenues, and are subject to retroactive adjustment in pending court proceedings.

line by line and approved by the stations before it was submitted to the court.

The blanket license is, clearly, the most efficient way to license music in bulk. It has been used by ASCAP for more than 70 years and is the only form of license in general use by societies around the world. It was no surprise, therefore, when the United States Supreme Court described the blanket license as being "more than the sum of its parts" and pointed out that it creates a new product for the market:

"[The] substantial lowering of costs, which is of course potentially beneficial to both sellers and buyers, differentiates the blanket license from individual use licenses. The blanket license is composed of the individual compositions plus the aggregating service. Here, the whole is truly greater than the sum of its parts; it is, to some extent, a different product. The blanket license has certain unique characteristics: It allows the licensee immediate use of covered compositions, without the delay of prior individual negotiations, and great flexibility in the choice of musical material. Many consumers clearly prefer the characteristics and cost advantages of this marketable package. . . ."<sup>133</sup>

#### *E. Licensing performing rights*

##### *1. The license agreements*

Many ASCAP license agreements are negotiated by ASCAP with committees representing user industries. Thus, for example, licenses for local radio stations are negotiated with the All-Industry Radio Music Licensing Committee, appointed by the National Association of Broadcasters, with roots going back to the 1930's. Hotel and motel license agreements have been worked out with a committee of the American Hotel and Motel Association for decades. College and university license agreements result from discussions with an Educational Task Force representing many organizations, including the American Council on Education.

Each agreement is tailored for the industry being licensed. The license fees for each user industry are based on the judgment of the parties as to the value of music to that industry, and are structured to accord with the workings of the industry. For example:

Bars, grills, taverns, restaurants, nightclubs and similar users have a license fee based on objective factors such as seating capacity, number of nights per week music is used, the form of musical rendition ("me-

<sup>133</sup> BMI v. CBS, 441 U.S. 1, 21-22 (1979).

chanical music," such as record or tape player or radio-over-speakers, or "live music," rendered by a single instrumentalist or by a band), whether admission is charged, and whether there is dancing, a show or acts.<sup>134</sup>

Hotels and motels pay a fee based primarily on expenditures for live entertainment, with an additional charge for the use of mechanical music.<sup>135</sup>

Colleges and universities pay a fee based primarily on the number of full-time equivalent students.<sup>136</sup>

Radio and television broadcasters pay fees based upon a percentage of net revenues. They have a choice between a "blanket" license, at a fee which is a low percentage of net revenues from sponsors of all programs, or a "per program" license, at a fee which is a higher percentage, but of revenues only from those "programs" on which ASCAP music is performed.<sup>137</sup>

Certain provisions are common to all licenses. The license grants the right to perform all works in the ASCAP repertory written or published by ASCAP members, as well as works which they may write or publish during the term of the license, and works of foreign origin which ASCAP has the right to license. The license is limited to nondramatic public performances. In cases where the license fee is dependent on information solely in the user's possession (such as broadcasters' revenues or hotels' expenditures for live entertainment), ASCAP has a right to audit. And, in the event of breach or default under the license agreement, such as failure to submit the agreed-on reports or payments or to allow an audit, ASCAP may terminate the license, leaving the user unlicensed and subject to infringement claims if unauthorized performances occur.

## 2. *Licensing users and users' liability for infringement*

For licensing purposes, ASCAP divides users into two

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<sup>134</sup> ASCAP General License Agreement—Restaurants, Taverns, Nightclubs, and Similar Establishments. There is no industry-wide committee representing these users.

<sup>135</sup> ASCAP License Agreement—Hotels and Motels.

<sup>136</sup> ASCAP License Agreement—Colleges and Universities (One-Tier). "Full-time equivalent student" is the term used to measure college enrollment; part-time students are considered fractions of a "full-time equivalent student."

<sup>137</sup> ASCAP Local Station Blanket Radio License; ASCAP Local Station Per Program Radio License. Both the "blanket" and "per-program" licenses are blanket in the sense that they provide access to the entire ASCAP repertory for a term of years. Television broadcasters similarly have a choice between "blanket" and "per-program" licenses.

categories—broadcasters and “general” users. Virtually all broadcasters perform music, and so require licenses.<sup>138</sup> ASCAP licenses broadcasters from its main office in New York. Since all broadcasters require a license from the Federal Communications Commission, their ownership is a matter of public record, and it is simple to locate and contact them.

That is not the case with other users. There is no public record to direct anyone to those bars, grills, taverns, restaurants, nightclubs or stores which provide music for their patrons. Licensing of these “general” establishments is carried on by 23 District Offices throughout the country.<sup>139</sup> Each District Office has a staff of field representatives, whose job is to locate and license music users.

ASCAP learns of such uses through three principal sources. First, field representatives visit establishments within their assigned territories and locate music users. Second, “general” establishments using live music usually advertise that fact in local newspapers and magazines. Clipping services keep ASCAP informed of such advertisements. Third, ASCAP licensees sometimes advise ASCAP of competitors who start using music.

ASCAP licenses establishment owners, rather than musicians. Copyright infringement is a tort, and all who participate are jointly and severally liable.<sup>140</sup> It is a basic principle of tort law that the aggrieved party may select the joint tortfeasor he wishes to sue—or, in this case, to license.<sup>141</sup>

Here, the establishment owner, not the musician, is deriving the ultimate benefit from the performance of music. In a sense, the band may be likened to the bartender, employed by the establishment owner. Just as the bartender, who is paid a salary for his services, merely dispenses drinks, and would not be expected to pay for the liquor served,

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<sup>138</sup> See, e.g., the Copyright Royalty Tribunal's Final Determination in the 1979 Cable Royalty Distribution Proceeding, 49 Fed. Reg. 20048, 20051 (May 11, 1984) (“the vast bulk of [commercial radio] programming is music”); Final Determination in the 1980 Cable Royalty Distribution Proceeding, 49 Fed. Reg. 28090, 28091 (July 10, 1984).

<sup>139</sup> THE ASCAP LICENSE—HOW IT WORKS FOR YOU (ASCAP publication).

<sup>140</sup> Shapiro, Bernstein & Co. v. H.L. Green Co., 316 F.2d 304 (2d Cir. 1963); Gershwin Publishing Corporation v. Columbia Artists Management, Inc., 443 F.2d 1159 (2d Cir. 1971); Warner Bros.-Seven Arts, Inc. v. Kalantzakis, 326 F. Supp. 80 (S.D. Tex. 1971); Famous Music Corp. v. Bay State Harness Horse Racing and Breeding Association, 423 F. Supp. 341 (D. Mass. 1976), *aff'd*, 554 F.2d 1213 (1st Cir. 1977); Warner Bros., Inc. v. O'Keefe, 202 U.S.P.Q. 735 (S.D. Iowa 1978); Rodgers v. Quests, Inc., 213 U.S.P.Q. 212 (N.D. Ohio 1981); Warner Bros., Inc. v. Lobster Pot, Inc., 582 F. Supp. 478 (N.D. Ohio 1984).

<sup>141</sup> LATMAN, THE COPYRIGHT LAW 230 (5th ed. 1979).

so too the musicians, although paid a fee for their services, are merely the instrumentalities through which the music is "dispensed," and should not be expected to pay for the performing right. Further, it would be a practical impossibility for ASCAP to locate and license musicians, who are often itinerant. Indeed, a By-Law of the American Federation of Musicians prohibits its members from paying performing rights license fees.<sup>142</sup>

To be sure, for more than seventy years infringers have sought and continue to seek to avoid liability in many ways. That search has been, and continues to be, unsuccessful. Thus, principals or officers of corporate defendants have been found personally liable for infringement.<sup>143</sup> Proprietors of establishments where copyrighted music is performed have been found liable for infringement even if musicians were instructed not to play copyrighted music<sup>144</sup>; even if the musicians were "independent contractors"<sup>145</sup>; or even if the musician has not been paid to perform.<sup>146</sup> Courts have held that unauthorized performances at establishments whose owners have refused an ASCAP license are not "innocent infringements"<sup>147</sup> and that ASCAP's failure to comply with state statutes (e.g. imposing taxes or regulating trade) was not a defense to a federal infringement action.<sup>148</sup> Thus, ASCAP infringement cases are "open-and-shut"—for all practical purposes there is no defense to them.

When "general" users are first located, ASCAP explains the need

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<sup>142</sup> Hearings Before the Subcomm. on Courts, Civ. Libs., and the Admin. of Justice of the House Judiciary Comm. on H.R. 2223, Copyright Law Revision, Ser. No. 36, Pt. I, 94th Cong., 1st Sess., 384 (1975), quoting American Federation of Musicians By-Laws, Art. 25, Sec. 16 (1973):

"Leaders and members of the Federation are prohibited from assuming any responsibility for the payment of license fees for any composition they play and from assuming or attempting to assume any liability whatsoever for royalties, fees, damage suits, or any other claims arising out of the playing of copyrighted compositions."

<sup>143</sup> See cases cited in note 140, *supra*. Such individual liability was approved by the Supreme Court in *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 437, 488 (1984). See also House Report, 159-160.

<sup>144</sup> See cases cited in note 37, *supra*.

<sup>145</sup> *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929); *Famous Music Corp. v. Bay State Harness Horse Racing and Breeding Association*, 423 F. Supp. 341 (D. Mass. 1976), *aff'd*, 554 F.2d 1213 (1st Cir. 1977).

<sup>146</sup> *Cass County Music Co. v. Vineyard Country Golf Corp.*, 605 F. Supp. 1536 (D. Mass. 1985).

<sup>147</sup> *Milene Music, Inc. v. Gotauco*, 551 F. Supp. 1288 (D.R.I. 1982); *Leigh v. Sakkaris*, 215 U.S.P.Q. 113 (N.D. Cal 1982).

<sup>148</sup> *Leo Feist, Inc. v. Young*, 138 F.2d 972 (7th Cir. 1943); *Interstate Hotel Co. of Nebraska v. Remick Music Corp.*, 157 F.2d 744 (8th Cir.), *cert. denied*, 329 U.S. 809, *petition for reh'g denied*, 330 U.S. 854 (1946).

of a license and the terms on which one can be obtained. When, as often happens, the offer of a license is not accepted, ASCAP tries, by means of letters and personal visits, to explain further why a license is needed and persuade the user not to infringe. Such an educational effort is required because many users have never heard of copyright, and resist paying for the use of intangible property. On the whole, these licensing efforts are successful.

*F. ASCAP's procedures in lawsuits for copyright infringement*

Unlicensed users who may be sued for infringement include users who refuse to enter into a license agreement and users whose licenses have been terminated for a breach or default, such as failure to pay license fees or to produce books and records for examination to verify that license fees have been paid properly. In either instance, the unlicensed user who persists in rendering unauthorized public performances is subject to a lawsuit for copyright infringement.

When a decision has been made to sue a particular user, ASCAP obtains irrefutable evidence of infringement. For broadcasters, the evidence consists of tape recordings of radio or television broadcasts. For "general" establishments, the evidence is usually obtained by two local people, knowledgeable in music, whose testimony is likely to be persuasive—musicians, professors or students at music schools, church organists or choir directors. They enter the establishment and, independently, make notes, from which they prepare a full written report promptly thereafter, listing each song performed and the time of each performance, and describing the physical surroundings, the band members, and other facts which show that they were in fact present and which will support their testimony should they give evidence.

ASCAP then identifies the songs infringed which are in its repertory, and prepares a complaint alleging copyright infringement; the plaintiffs are the ASCAP members whose works were infringed.<sup>149</sup> The complaint seeks relief which is basically equitable in nature—an injunction, statutory damages ranging from \$250 to \$10,000 per cause of action, and attorneys' fees and costs.<sup>150</sup> ASCAP retains local counsel in every state,

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<sup>149</sup> ASCAP is not a "copyright owner" under the Copyright Law, and so may not sue solely in its own name. 17 U.S.C. § 501(b).

<sup>150</sup> 17 U.S.C. §§ 502, 504(c), 505. Most jurisdictions hold that, as such a suit is equitable in nature, there is no right to a jury trial. *Chappell & Co., Inc. v. Palermo Cafe Co.*, 249 F.2d 77 (1st Cir. 1977); *PGP Music v. Davric Maine Corp.*, 228 U.S.P.Q. 703 (D. Me. 1985); *Oboler v. Goldin*, 220 U.S.P.Q. 166 (2d Cir. 1983); *Twentieth Century Music Corp. v. Frith*, 645 F.2d 6 (5th Cir. 1981); *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977); *BMI v. Club 30, Inc.*, 1983 CCH Copyright Law Decisions ¶25,496 (N.D. Ind. 1983); *Rodgers v. Brickenridge Hotels Corp.*, 1981 CCH Copyright Law Decisions ¶15,280 (E.D. Mo. 1981); *BMI v. Lion's Den, Inc.*, 217 U.S.P.Q. 864 (D. Okla. 1982). *But see Gnosso Music v. Mitken, Inc.*, 653 F.2d 117 (4th Cir. 1981).

who work with staff attorneys in New York and with ASCAP's District Office Managers.

Over the years, many thousands of lawsuits have been brought. Nearly all are settled. Less than 1% are tried. Many default and many summary judgments are obtained. Infringers generally pay more than they would have paid in license fees, so that the law-abiding music user is not in a worse situation than the infringer. In addition to resolving past claims of infringement, settlements almost invariably include license agreements for the future.

Similarly, in obtaining default or summary judgment, ASCAP seeks a comparable sum in damages.<sup>151</sup> Courts consistently award more than minimum statutory damages in such cases,<sup>152</sup> as well as attorneys' fees and costs.<sup>153</sup>

The thrust and underlying purposes of these lawsuits are to put an end to infringement and to assure law-abiding licensees that those who flout the law do not benefit. There is also a prophylactic purpose: those tempted to infringe are often deterred when they see others being sued. ASCAP does not seek to obtain the maximum damage awards possible under the law. Instead, ASCAP seeks amounts high enough to discourage recidivism and to make infringers aware that obeying the law is cheaper than breaking it.

### *G. Distribution of royalties*

ASCAP is a nonprofit organization in the sense that all revenues received are distributed to the members, after deducting only operating expenses. In recent years, ASCAP's operating expenses have run about 18-19% of total revenues.<sup>154</sup> The remaining funds are distributed to the members and to affiliated foreign societies. We turn now to discuss the survey and distribution systems.

#### *1. The ASCAP Survey*

ASCAP surveys performances as the basis for distributions to members. The purpose of the survey is to distribute ASCAP's revenues scientifically, equitably and economically. A 1960 Order further amending

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<sup>151</sup> *E.g.*, *Rodgers v. Eighty Four Lumber Co.*, 623 F. Supp. 889 (W.D. Pa. 1985).

<sup>152</sup> *E.g.*, *Boz Scaggs Music v. KND Corp.*, 491 F. Supp. 908 (D. Conn. 1980); *Rodgers v. Eighty Four Lumber Co.*, 623 F. Supp. 889 (W.D. Pa. 1985).

<sup>153</sup> *Id.*

<sup>154</sup> *E.g.*, ASCAP 1984 Financial Statement.

the Amended Final Judgment sets out in detail the survey and distribution rules and provides the general guidelines for the survey.<sup>155</sup>

The survey includes a complete census of all network television performances. But were ASCAP to attempt to log and identify every performance by every licensee, the cost would far exceed ASCAP's revenues. Therefore, it is necessary to employ sampling techniques, particularly for performances by local television and local radio stations. In media other than commercial broadcasting, ASCAP surveys public broadcasting, cable, pay TV, symphony and concert performances, educational (college and university) licensees, background music services (e.g., "Muzak"), airlines, circuses and ice shows. Licensed symphony and concert hall performances are included on a census basis; performances in the other areas are sampled.<sup>156</sup>

Independent survey experts are responsible for the design of the survey, auditing the mechanics of the survey to be sure it does what it is designed to do, determining the radio and television stations to be included in the sample by computer selection and assigning and scheduling the number of sampling units for each station.<sup>157</sup>

Special Distribution Advisors appointed by the court under the 1960 Order review the survey and distribution system, and report to the court semiannually.<sup>158</sup>

Music performance information is obtained in accordance with the sample design and instructions from the outside survey experts in two ways: 1) The three television networks, symphony and concert licenses, educational licensees, background music service licenses, airlines, circuses and the like supply logs or programs listing every musical work performed. 2) Local radio and television stations are taped or otherwise surveyed.<sup>159</sup> The outside consultants send the taping schedules directly to people in the field all over the country, so that neither the stations nor ASCAP's office staff know in advance which stations are to be taped or when.<sup>160</sup>

Sixty thousand hours of local radio tapes are made each year (each taping unit is six hours). The sampling is done on a scientifically random basis. The radio tapes are analyzed by listeners. Should they not be able to identify a musical composition, a solfeggist (a person trained in taking

<sup>155</sup> United States v. ASCAP, 32 C.O. Bull. 601 (S.D.N.Y. 1960) (hereinafter "1960 Order").

<sup>156</sup> THE ASCAP SURVEY AND YOUR ROYALTIES (ASCAP publication).

<sup>157</sup> *Id.*

<sup>158</sup> 1960 Order, Sec. II(C).

<sup>159</sup> ASCAP Statement Before the National Commission on New Technological Uses of Copyrighted Works (CONTU) (March 31, 1977), 13-14.

<sup>160</sup> *Id.*

musical dictation) writes the musical notes and searches special solfeggio files for the composition. If the work is not then identified, a card is added to the solfeggio file for later identification.<sup>161</sup>

Local television station performances are sampled by means of audio tapes, *TV Guide* listings, and cue sheets, which are detailed listings of all music on a program, usually furnished by the program producer. Thirty thousand hours of local television programs are surveyed each year. As in the case of the radio survey, listeners analyze local television tapes.<sup>162</sup>

Background music services such as Muzak, circuses and ice shows, are also surveyed. But, because of the fact that music use information is not readily available, and a survey would therefore entail prohibitive cost, no survey is made of performances by the tens of thousands of other "general" licensees. The survey experts have concluded that feature broadcast uses are an appropriate "proxy" for performances in this area, and the license fees from this area are distributed on the basis of those performances.<sup>163</sup>

## 2. *The Distribution Formulas*

After deducting operating expenses and sums due foreign societies, the remaining amount of ASCAP's revenues is equally divided between writer members as a group and publisher members as a group.

Music uses vary and the 1960 Order specifies the kinds and degrees of distinctions ASCAP may make in valuing different uses.<sup>164</sup> These rules are applied uniformly to all performances for all members. There are no special "deals" for favored writers or publishers.

Different performances have different values. For example, in broadcasting, a feature performance, such as a visual-instrumental or vocal performance, is valued at 100% of an abstract unit called a "use credit"; other types of performances, such as theme, background or jingle, are valued at lesser percentages of a use credit.<sup>165</sup>

After the credit values of each performance are determined, they are multiplied by certain statistical and economic multipliers, to produce the total "performance credits" allocated to a given performance. Accordingly, the performance credits earned for the same type of use of the same work may vary depending on various survey factors. For example, a certain type of performance of a work on network television

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<sup>161</sup> *Id.*, 14-15.

<sup>162</sup> *Id.*, 15-16.

<sup>163</sup> *Id.*, 16.

<sup>164</sup> 1960 Order, Art. C.

<sup>165</sup> *Id.*

will produce more credits than the same type of performance on only one local television station.<sup>166</sup>

In addition to the use credit values described above for different performances, other factors are accounted for as well: different credit is awarded to repeated uses of the same work on the same program and different credit may be awarded to non-feature uses of works depending on the prior history of performances. The time-of-day and day-of-week of network television performances affect the value of those performances. In the symphonic and concert area, factors such as length of performance and size of performing group affect the value of a performance.<sup>167</sup>

The guidelines for crediting performances to writers and publishers are set forth in the "Weighting Rules" which are part of the 1960 Order.<sup>168</sup> These general rules are made more specific in the "Weighting Formula."<sup>169</sup> The Weighting Rules may only be changed by Court Order on notice to the membership. Members may appear and show cause why a change proposed by the Board of Directors would not further the purposes of the government's suit. The Weighting Formula may be changed on thirty days' notice to the government. Both the Weighting Rules and the Weighting Formula have been amended many times to meet changing conditions.

Each calendar quarter, total performance credits for writers as a group, and for publishers as a group, are divided into the respective dollars of distributable revenue to yield the dollar value of a performance credit for each group.<sup>170</sup>

The writers in ASCAP have determined two bases for distributing writer royalties, both of which have been agreed to by the government and approved by the court.<sup>171</sup> Under the 1960 Order, newly-elected ASCAP writer members receive distributions on a "current performance" basis and subsequently may elect to receive distributions on the "four fund" basis.<sup>172</sup>

The "current performance" plan distributes money to a writer based only on the writer's performances over four calendar quarters. Performance credits, multiplied by the quarterly value of a credit, determine the amount of the member's distribution.<sup>173</sup>

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<sup>166</sup> *Id.*

<sup>167</sup> *Id.*

<sup>168</sup> *Id.*

<sup>169</sup> *Id.*

<sup>170</sup> *Id.*

<sup>171</sup> *Id.*, Atts. A and B.

<sup>172</sup> *Id.*, Sec. III(A).

<sup>173</sup> *Id.*, Att. A, Part II.

Members on the "four fund" basis participate in ASCAP's current distributions in part based on current performances (i.e., performances over the four most recent quarters) and, for the larger part, on the basis of an average of performances over a period of five or ten years, with added factors—such as length of membership—also taken into account.<sup>174</sup>

The publishers' distribution is a "current performance" plan in which the first three quarterly payments are made on an "on account" basis, with the account being adjusted by the fourth quarterly payment.<sup>175</sup>

ASCAP makes quarterly distributions of domestic revenues, and semiannual distributions of foreign revenues. Each member receives a detailed statement showing the title of the work surveyed, performance credits of the member's works for that distribution and the media in which the performances occurred.

In addition, writers may receive special awards for works having unique prestige value or works which are performed substantially in media not surveyed by ASCAP. These awards are made by independent panels.<sup>176</sup>

#### IV. CONCLUSION

Public performances have supplanted other uses as the principal source of income for copyrighted music.<sup>177</sup> For musical works, the purpose of the Copyright Law can only be carried out by licensing the nondramatic public performing right in bulk. Today's forms of mass entertainment require performing rights societies.<sup>178</sup> They serve as indispensable clearing houses, for both creators and users of music, for the ultimate benefit of the public. Thus do they fulfill the Constitutional purpose of copyright: "to promote the Progress of Science and useful Arts."

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<sup>174</sup> *Id.*, Att. A. Part I.

<sup>175</sup> *Id.*, Sec. III(c) and Att. B.

<sup>176</sup> *Id.*, Writers' Distribution Formula, Sec. VI.

<sup>177</sup> Senate Report, 59; House Report, 63: "... it is worth noting that performances and displays are continuing to supplant markets for printed copies. . . ."

<sup>178</sup> *BMI v. CBS*, 441 U.S. 1, 20-21 (1979).

224. *HARPER & ROW v. THE NATION, INC.: COPYRIGHTABILITY AND FAIR USE*

By TIMOTHY J. BRENNAN\*

The Second Circuit Court of Appeals on November 17, 1983 decided two-to-one that *The Nation's* use and paraphrasing of excerpts from a prepublication draft of Gerald Ford's memoirs did not infringe on the copyright held by Harper & Row ("H-R").<sup>1</sup> The Court found that only a small portion of the material used by *The Nation* was copyrightable expression rather than noncopyrightable fact, and the use of that short portion fell under the "fair use" exemption because of its news value and its smallness relative to the totality of the Ford manuscript. On May 20, 1985, the Supreme Court overturned the Second Circuit decision, finding that *The Nation* had used copyrightable "generous verbatim excerpts,"<sup>2</sup> in violation of the right of first publication. Newsworthiness does not justify a fair use exemption; such a principle would "effectively destroy any expectation of copyright protection in the work of a public figure."<sup>3</sup>

The facts and decisions in this case provide a contemporary and insightful vehicle for exploring the rationales for copyright policy. In this article I will first set out the history of the case, emphasizing the arguments used by the majority and the dissenters in both the Second Circuit and the Supreme Court, and I will then give an analysis of the economics of copyrightability and the "fair use" doctrine. Current notions of copyrightability and "fair use" in the law appear to be founded on metaphysics rather than economics. Applying economic analysis to this case, my conclusion is that the Supreme Court's reversal of the H-R decision was probably correct. In theory, the potential for detrimental effects on the public at large could justify the *H-R* decision, but the availability of other remedies for those consequences suggests that

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\*Ph.D., University of Wisconsin, 1978. The author is an economist with the Antitrust Division of the U.S. Department of Justice. Discussions with Charles F. Rule and Robert McGuckin were very helpful. All errors remain my responsibility. The opinions expressed are not necessarily those of the Department of Justice.

An earlier version of this article, distributed as U.S. Department of Justice Antitrust Division Economic Policy Office Discussion Paper 84-2, was cited in Justice O'Connor's majority opinion in the recent Supreme Court decision of this case.

<sup>1</sup> *Harper and Row v. The Nation, Inc.*, 723 F.2d 195 (2d Cir. 1983).

<sup>2</sup> *Harper and Row v. The Nation, Inc.*, No. 83-1632, slip. op. at 8 (Sup. Ct. May 20, 1985) [hereinafter cited as "Harper"].

<sup>3</sup> *Id.* at 16.

the qualifications to an economically sound copyright policy employed in this decision are inappropriate.

The analysis differs from prior economic analysis in three major ways. First, to my knowledge the issue of what intellectual property should be copyrighted has not been previously addressed. Second, fresh insights are provided by testing "fair use" policies against the economic justification for compulsory licensing with no fee. Finally, the framework developed here helps to clarify externality exceptions and suggests fresh directions for research to understand the intuitions behind broader or non-economic applications of the copyrightability and fair use doctrines.

## I. A BRIEF HISTORY<sup>4</sup>

### A. The Story

On February 28, 1977, Gerald Ford agreed to write his memoirs for H-R. As part of that agreement, Ford agreed not to publicly discuss his case. Roughly two years later a draft was completed by a ghostwriter and edited by Ford. *Time* magazine was licensed to publish excerpts in its April 23 issue, paying \$12,500 at that time and agreeing to pay \$12,500 after publication. In March 1979, *The Nation* magazine received a copy of the 655-page draft. A 2,200 word article was prepared that disclosed the impending publication of the book and, through paraphrasing and occasional quotation, related episodes on Ford's public life, particularly his pardon of Richard Nixon.

The article was published on April 3, 1979. *Time* asked H-R to allow it to publish excerpts in the April 16 issue, moving up the date one week as a result. H-R refused, claiming that they wanted the April 23 date as part of a timed publicity campaign to promote sales of the book, entitled *A TIME TO HEAL*. *Time* then cancelled its plans to publish the excerpts. As a result of the lost payment from *Time*, H-R sued *The Nation*. The trial court in the Southern District of New York found infringement<sup>5</sup> but was reversed in the Second Circuit by a 2-1 decision.

### B. The Second Circuit Opinion

#### 1. The majority opinion

Before addressing the copyright claims, the majority disposed of two other claims. The first involved the preemption of state laws by the copyright law and was not explained at any length in the decision. The

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<sup>4</sup> The information in this section comes from the Second Circuit majority and dissenting decisions.

<sup>5</sup> *Harper and Row v. The Nation, Inc.*, 501 F. Supp. 848 (1980).

second disposition was a rejection of H-R's separate tort claim against *The Nation*. The court found that causing damages by infringement was not a separate violation from infringement itself. Neither finding seems to be either an interesting or legally dispositive part of the decision.

The most important part of the decision pertained to the court's interpretation of the copyright law. There are two factors to this decision that also structure the minority decision and the economic analysis of the problem. These factors are (1) the copyrightability of excerpted material, and (2) whether its reproduction in *The Nation* was "fair use," i.e., exempt from liability for infringement.

#### a. Copyrightability

The majority held that most of the material used by *The Nation* was not copyrightable. According to the court, facts are not copyrightable, only expressions. This requirement was interpreted to mean that only the specific arrangement of facts or language used could be copyrighted. In particular, the paraphrasing of disparate facts is not infringement.<sup>6</sup> Moreover, as the court balanced *The Nation's* First Amendment right to freely communicate facts against the Copyright Act's protection of expression, it found that the former outweighed the latter in deciding for *The Nation*.

The trial court had claimed that the material in *The Nation* was integral to Ford's expression of his state of mind. Even though the material was not *per se* copyrightable in the trial court's view, this "integral" nature made *The Nation's* article an infringement. The appellate majority disagreed. Ford's state of mind while President is a fact; hence material reporting that fact as revealed in Ford's book is not copyrightable. Verbatim quotations used by *The Nation*, however, are copyrightable expressions.

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<sup>6</sup> Although one could interpret this requirement as being so loose as to eliminate virtually any copyright protection for nonfiction work, that interpretation is probably somewhat extreme. My reading is that wholesale unauthorized production of extended passages with only trivial paraphrasing would continue to be infringement. It should be noted that in *The Nation's* piece, the existence of the book as the source of the information was prominently acknowledged and the contents were reported as statements by Ford. *The Nation* did not simply reproduce information provided by someone else without attribution; of course, they did not pay Ford or H-R to use the information. Whether the loss to H-R was greater or less than the \$12,500 loss in payments from *Time* is difficult to determine. If the serialization in *Time* would have stimulated demand more than *The Nation's* piece would have, the loss was greater. If serialization in *Time* was a substitute for reading the book, the loss to H-R may have been less.

There is a further question, then, as to whether *The Nation's* use of quotations was an infringement. Before turning to that, the majority made a couple of other points. First, they claimed that Ford could not copyright his quotations of conversations of others, since those expressions were not Ford's own. Second, it would be wrong to claim that Ford's material was not copyrightable as "government" speech, because the memoir expressions were not generated as part of Ford's official duties.

#### b. Fair Use

Of the 2,250 words in *The Nation* piece, roughly 300 were found by the majority to be copyrightable expressions. This does not automatically mean that *The Nation's* use of them was infringement. Its use may be found to have been "fair use," i.e., use of copyrighted material for which the user is not liable. The majority noted four statutory factors to be considered in determining fair use. These are (1) the purpose and character of the use (e.g., nonprofit or noncommercial, news, scholarship), (2) the nature of the copyrighted work, (3) the substantiality of the used material relative to the entire copyrighted work, and (4) the effect of the use on the value of the copyrighted work.<sup>7</sup>

The first of these factors received the most discussion. If the use of the quotations was found to be part of news reporting, it would be deemed fair use. On the other hand, the user would be liable if the reporting was not news or recent history but, rather, a "sham" engaged in for personal profit. The majority rejected the trial court's finding that, because it was not sufficiently timely, *The Nation's* piece was not news reporting; courts cannot decide what is or is not news; at best they can evaluate only the claim that the potential infringer was engaged in news reporting. The majority found no evidence that *The Nation's* use as news was a "sham." The fact of profit is irrelevant where the use "offers some benefit to the public."<sup>8</sup>

With regard to the second factor, the nature of the copyrighted work, the majority repeated its views that the book was essentially factual, and, therefore, that copyright protection is narrow. The third criterion, substantiality, was disposed of by noting that the 300 words of copyrighted material were an insubstantial part of the book. The trial court's claim that they were the "heart" of the book was deemed irrelevant because the "heart" referred to was noncopyrightable, factual material.

<sup>7</sup> 17 U.S.C. §107 (1982).

<sup>8</sup> According to the majority, "*The Nation's* receipts from newsstand sales were \$418.00."

Finally, on the question of the work's value, the majority said that the record does not support a finding that the use of the 300 quoted words reduced the value of the piece. The majority also noted that much of the content of *The Nation's* piece was uncopyrightable, hence that *Time's* withdrawal of the offer could not be tied to the quotes.<sup>9</sup> The majority found that the use of the quotes lent authenticity to *The Nation's* piece, but were neither "superfluous nor excessive."<sup>10</sup> When dealing with the news, the court concluded, the cause of journalism must win in close cases. Historical facts are "the property of all."

## 2. *The dissent*

The dissenter, Judge Meskill, adopted the same framework of analysis and legal standards as did the majority. The only differences were in their respective interpretations of the facts or applications of the standards.

### a. Copyrightability

The fact/expression distinction was generally accepted by Judge Meskill, but he claimed first that because the "facts" in this case are Ford's prior states of mind, these simply do not exist in written form apart from Ford's expression of them. Therefore, use of these facts is essentially use of copyrightable expression. Judge Meskill also observed that the law offers protection against "substantially similar" unauthorized reproductions of facts, e.g., in telephone directories. He found that *The Nation* only appropriated these copyrightable "facts" and did nothing else with them. Hence, its paraphrasing was not sufficiently different from Ford's expressions to evade copyright liability.

### b. Fair use

Since the material used by *The Nation* was generally copyrightable in Judge Meskill's view, he argued that the only way *The Nation* could escape liability was if its use was fair use. He accepted the view of the majority that "socially valuable" dissemination, specifically news report-

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<sup>9</sup> The majority noted with irony that most of the factual content on the Nixon pardon, the heart of *The Nation's* piece, had been revealed by Ford during the 1974 Hungate Committee investigation of the pardon. Implications of this prior disclosure are discussed in Part IV, *infra*.

<sup>10</sup> It does seem contradictory to argue on the one hand that the quotes made *The Nation's* piece credible while on the other hand claiming that the quotes had nothing to do with *Time's* withdrawal of its offer.

ing, would be fair use. Meskill believed, however, that news reporting is not simply the repetition of information but involves original editorial activity. He found that *The Nation's* story was only a repetition and, therefore, that the news criterion for fair use did not apply.<sup>11</sup> Although a story reporting the impending publication would be appropriate news, an "abstract" of its contents would not. Therefore, the use by *The Nation* of the paraphrases and quotations was excessive. Moreover, because *The Nation* is a for-profit magazine, Meskill finds that its preemptive publication was "chiseling for personal profit." Finally, with regard to the majority's claim that the public's right to know necessitates the protection of journalism, Meskill observes that the material would have been printed by *Time* and published by Harper and Row shortly after the date of *The Nation's* piece. He affirmed the trial court's finding that infringement "would only chill chiseling for personal profit" while causing no harm to the dissemination of socially significant information.

### C. The Supreme Court Opinion

#### 1. The Majority

Writing for the majority, Justice O'Connor discussed copyrightability only briefly. Arguing that the intended purpose of copyright to "induc[e] the creation of new works of potential historical value"<sup>12</sup> applies to both fiction and nonfiction works, she interpreted the fact/expression distinction in terms of the presence of originality. Originality was present in *The Nation's* excerpts; thus the material was clearly copyrightable.

Most of Justice O'Connor's opinion is devoted to the "fair use" issue. She began by analyzing whether "the reasonable copyright owner [would] have consented to the use."<sup>13</sup> This analysis, and the legislative history of the 1976 Copyright Revision Act, support the copyright holder's right to control first publication that *The Nation* infringed. Specifically, Judge O'Connor found that the "fair use" doctrine does not permit reproduction of unpublished works. She also rejected a defence of "fair use" reproduction based upon the substantial public import of the content; such a doctrine would eliminate proper incentives to gather and publish historically valuable information. Removing copyright protection, in her view, would discourage the dissemination of ideas.

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<sup>11</sup> The majority specifically disagreed with this finding, claiming that it was both false, (i.e., that the essence of news is reporting information verbatim) and inappropriate (i.e., courts should not make content-based determinations as to what is news).

<sup>12</sup> Harper slip. op. at 6.

<sup>13</sup> *Id.* at 9.

Justice O'Connor then addressed the four statutory factors relevant to fair use determinations. First, she agreed with the Second Circuit that news reporting was *The Nation's* purpose of the use, but that its exploitation of those excerpts for publicity and profit took the use beyond such reporting and into infringement of the first publication right. Second, she found the nature of the material used by *The Nation* to be beyond that needed by *The Nation* to convey factual content. She went on to argue that first publication rights specifically outweighed *The Nation's* interest in lending credibility to its piece. Third, with regard to the substantiality of the portion used, Justice O'Connor found that the excerpts were among the most powerful passages and constituted a significant fraction of *The Nation's* piece. Fourth, she viewed the effect of the use on the value of the work as the most important consideration and found that "rarely will a case of copyright infringement present such clear cut evidence of actual damage" as this. For these reasons, the fair use exemption was found not to apply and the decision rendered in H-R's favor.

## 2. *The dissent*

Writing for himself, Justice White, and Justice Marshall, Justice Brennan argued that *The Nation's* excerpts did not infringe the copyright, since they were primarily a synopsis of uncopyrightable information contained in the memoirs, rather than appropriation of the literary form of the memoirs. Although he recognized that refusing to protect information will reduce the incentive to do and report historical research, he found that Congress foresaw this and knowingly denied copyright protection to information, to facilitate its dissemination. In his view, the majority violated Congress's intent by extending copyright protection to compensate for providing historically valuable information.

As to fair use, Justice Brennan found that the news exemption applies, regardless of *The Nation's* attempts to profit by "scooping" the competition. He argued that the majority's finding of a categorical right of first publication is erroneous, violating Congressional intent and ignoring the relevancy of the facts in each particular case. The amount and substantiality of the use was legitimate within the context of news reporting. As to effect on value, he agreed with the Second Circuit that the evidence did not support a finding that the fraction of *The Nation's* article constituting Ford's excerpts caused *Time* to withdraw its offer. It was the noncopyrightable information contained in that piece which was responsible.

## II. THE ECONOMICS OF COPYRIGHT

### A. Intellectual Property and the Rationale for Copyright<sup>14</sup>

There are related characteristics of intellectual property that together create the economic problems copyright laws are designed to solve. Intellectual property is a "public good," in that once the intellectual property is produced it can in principle be distributed to an additional user at virtually no cost.<sup>15</sup> This implies that for each particular piece of intellectual property, one firm could produce and distribute it less expensively than a number of firms.<sup>16</sup> The fixed costs involved in creating the copyrighted work would be needlessly duplicated by multiple providers. As a result, we would expect that intellectual property markets would not be perfectly competitive in the textbook sense, because each seller offers a unique product or products. Rather, the competition is provided by the provision of new works, different from those already available.

For this kind of competition to be viable, however, no firm should be able to replicate the identical product of the original producer at lower cost. If this can happen, competition after imitation could drive the returns below the level needed for the original producer to cover his costs.<sup>17</sup> If competition from imitators is expected, the incentive for the original producer to create the intellectual property in the first place

<sup>14</sup> The following discussion neglects possible noneconomic, philosophical justifications for copyright. See Breyer, *The Uneasy Case for Copyright*, 84 HARV. L. REV. 281 (1970).

<sup>15</sup> This is net of the cost of the medium used to carry the intellectual property, e.g., printing a book.

<sup>16</sup> This implicitly assumes that the manufacture of the embodiment of the intellectual property, (e.g., books, films, records) exhibits no costs of large scale operation that would limit the capacity of a provider of a copyrighted work to supply all who desire it.

<sup>17</sup> See Breyer, *The Uneasy Case for Copyright*, 85 HARV. L. REV. 281, 295 (1970). Breyer constructed a "typical example" in textbook publishing, showing that a copier would possess about a 50 percent fixed cost advantage and 25 percent marginal cost advantage over the first publisher. However, if a potential entrant feared price retaliation by the original producer so that its fixed costs became unrecoverable, it would not enter. The prospect of these low, competitive returns could discourage imitation.

<sup>18</sup> If a potential producer of a piece of intellectual property knows imitators will have costs below his own initial costs, he will expect that imitation will be profitable even where original production was not. Moreover, the original producer may not be able to detect entry easily. If so, imitators also may be able to enter and sell before the incumbents can detect entry and retaliate. This makes the markets "contestable." For a discussion of contestability, see Baumol, *Contestable Markets: An Uprising in the Theory of Industry Structure*, 72 AM. ECON. REV. (1982). In some ways, one wonders whether the most contestable markets are those in which contestability is least beneficial.

is reduced.<sup>18</sup> This would reduce the quality or quantity of works desired by the public.<sup>19</sup>

What copyright does, in effect, is give the originator of intellectual property the right to control entry by imitators. Unfortunately, intellectual property can be easily replicated—by reprinting an article, photocopying a picture, taping a record, duplicating a videotape. Assuring potential producers of intellectual property that the market will function sufficiently well to provide the rewards of creating a unique product the public wants is accomplished by granting the originator control over direct competition by preventing unauthorized duplication of his work.

A host of issues come to mind on how to best design a copyright—its length, the license fee, and degree of protection from imitation (i.e., how different must an “imitator” be before entry is allowed?). Tractable theoretical arguments to answer these questions by and large are not available, because of the variety of possible competitive interactions among potential suppliers of intellectual property and of distributions in tastes among the public. Another interesting question is whether copyright enforcement should be private or public. However, the focus in this paper will be on the two issues raised by the *H-R* decision: what intel-

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<sup>19</sup> This reduction in the number of works provided need not reduce public benefits because of the gains that imitation would bring in reducing the price of those works that are provided. Since the products are public goods, a zero price would be the best. Anyone who would benefit would obtain the work, while no cost is incurred at the margin to provide him or her with that good. In general, however, pricing at zero would require a government subsidy scheme, since the costs of creating the goods would be otherwise unrecovered. But the government may be unwilling to provide the funding. In addition, letting ordinary markets provide the funding will best provide information to potential creators as to which works the public wants developed. Therefore, in spite of its imperfections, a private market that responds directly to consumer demand may outperform this “zero-price” theoretical ideal. For applications of this principle in other contexts, see Demsetz, *The Exchange and Enforcement of Property Rights*, 7 J.L. ECON. 113 (1964), Minasian, *Television Pricing and the Theory of Public Goods*, 7 J.L. ECON. 71 (1964).

For any given work, the price charged for each good will be too high, and output will be too low, unless a “price discrimination” scheme is possible where the price charged is based upon willingness to pay. See Demsetz, *The Private Production of Public Goods*, 13 J.L. ECON. 293 (1970). Uninhibited provision of nonidentical products raises the possibility of excessive product variety or too many different works. See Salop, *Monopolistic Competition with Outside Goods*, 10 BELL J. ECON. 141 (1974), Spence, *Product Differentiation and Welfare*, 66 AM. ECON. REV. PAPERS AND PROC. 407 (1976). An attenuated property right in these public goods where imitation cost is lower than origination cost could improve performance of copyright-related markets under some conditions. But see Dixit and Stiglitz, *Monopolistic Competition and Optimum Product Diversity*, 67 AM. ECON. REV. 297 (1977), for a different view on the performance of markets where competition takes place through differentiation.

lectual property should be protected by copyright, and under which conditions "fair use" should apply.

### *B. Copyrightability*

We have seen that the purpose of copyright is to permit the original creator of intellectual property to control the reproduction of his intellectual property by others. Therefore, copyright should be extended to all intellectual property that can be readily attributed to an original creator. Property that cannot be easily attributed presents difficulties for implementing copyright policy. The decision as to who gets the copyright can become very protracted and costly. Moreover, these costs are unlikely to be worth incurring, since intellectual property that cannot be easily attributed probably can be "produced" by anyone desiring it at relatively low cost. For example, the difficulty of attributing the discovery that "grass is green" to any individual is related to the fact that nearly anyone can readily discover the color of grass on their own. There is little reason to promote an independent "market" in the right to utilize this kind of generally available information.

The relevance of this "attributability" principle to copyright law is that it offers both an explanation of and an improvement over the "fact/expression" distinction relied upon in the *H-R* opinions.<sup>20</sup> Qualitatively speaking, facts and expressions are equally reproducible, equally susceptible to imitation, equally valuable to the public, and equally deserving of reward to their producers. There is little reason to think that factual or conceptual discoveries are systematically less beneficial, with less need for the copyright incentive to generate them. The only relevant difference is that "expressions" are likely to be attributable to the expressor, while "facts" are in principle discoverable by anyone and thus much less likely to be easily attributable. For example no one disputes who wrote *THE WEALTH OF NATIONS*, but legions of economic historians make efforts to discover the genesis of economic theories. The fact/expression distinction may have been a useful rule of thumb in incorporating attributability into the copyright law, but awkward metaphysical questions of the sort presented in *H-R* can be avoided by looking directly at whether the intellectual property at issue can be at-

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<sup>20</sup> An "externality" or general public welfare based rationale is discussed in part IV, *infra*.

tributed to a specific originator. Where it can, including where an idea or factual discovery can be attributed, copyright should apply.<sup>21</sup>

### C. *Fair use*<sup>22</sup>

Fair use, again, is defined as a use of copyrighted material that is not liable for penalty as infringement. In other words, the public generally has a right to such a use. For example, under current law, taping telecasts for private use is fair use.<sup>23</sup> The current statutory standards for determining fair use are set out above.<sup>24</sup>

In both economic policy and copyright law contexts it is useful to consider fair use as a zero price compulsory license. In other words, fair use is the class of uses for which copyright holders must license their material, and for which they receive nothing for such licensing. Compulsory licenses need not have a zero price. Under current law there are non-zero or positive price compulsory licenses for the right to retransmit broadcast signals over cable systems<sup>25</sup> to record songs,<sup>26</sup> and to play recordings over jukeboxes.<sup>27</sup> For each of these purposes, however, the licensee must pay a fee which is eventually distributed to copyright holders.<sup>28</sup>

From the perspective of looking at fair use as a zero-price compulsory license, there are two questions to address. First, under what con-

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<sup>21</sup> Besides this fact/expression distinction, the concept of "originality" and "fixation in tangible form" in establishing copyrightability could be derived from the attributability considerations discussed above. 17 U.S.C.A. § 102 n. 12, 25 (1982). This notion of attributability may underlie the notion of "novelty" in patent law. 35 U.S.C.A. § 101 n. 281 (1982). The novelty of a patent applicant's invention is arguably required for the Patent Office to be reasonably confident that the invention can be attributed to the applicant. Attributability also underlies trademark law, where the validity of a trademark depends upon the ability of the consumer to rely on the trademark to determine that "he is buying the goods of the original trader." 15 U.S.C.A. § 1115 n. 132 (1982).

<sup>22</sup> See Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 COLUM. L. REV. 1600 (1982) for a related discussion that does not include an explicit "compulsory license" analysis.

<sup>23</sup> *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 447-55 (1984).

<sup>24</sup> See n. 7 *supra* and accompanying text.

<sup>25</sup> 17 U.S.C.A. § 111(c) (1982).

<sup>26</sup> 17 U.S.C.A. § 115(a) (1982).

<sup>27</sup> 17 U.S.C. § 116(b) (1982).

<sup>28</sup> The cable retransmission and jukebox fees are set by the Copyright Royalty Tribunal and collected by and distributed through the Copyright Office. 17 U.S.C.A. § 111(c), 116(c) (1982). The royalty for recording previously recorded non-dramatic works is set by statute and paid directly to the copyright holder by the maker of the recording. 17 U.S.C.A. § 115(c) (1982).

ditions should there be compulsory licensing? Second, when should the compulsory license fee be zero?

### 1. *Compulsory licensing*

As a rule, resources are allocated most in accord with the desires of the public when buyers and sellers can freely negotiate the terms of trade in competitive markets. This is not true just as a theorem of economics; rather, it rests on an assumption that it is too costly for the state to acquire the data on the public's tastes and on the cost of satisfying them in order to engineer transactions that best meet those tastes. The power to make those transactions is generally best left to those having that information, the consumers and producers themselves. Consequently, it is undesirable in general for the state to prescribe sales at particular prices, which in the copyright context is what "compulsory licensing" is.

The existence of monopoly rather than competition in the markets where these transactions occur can interfere with this process. In such markets a monopolist may withhold sales that otherwise should take place, in order to drive up the price of his or her product. In that connection, most rate regulation might be viewed as "compulsory licenses" to sell water, gas, electricity, transportation, or telephone services to anyone who desires them. The rationale is to promote sales to all consumers willing to cover the costs of service and to prevent discrimination in supply that might be used in some way to allow the regulated firm to capture monopoly profits in spite of the regulation.<sup>29</sup> Mandatory service requirements also replace the incentive normally supplied by the profit motive to serve the entire market.

Of course, in rate regulation the fee is neither zero nor collected through a separate agency as in most copyright compulsory licensing contexts. More importantly, the structural characteristics of copyright markets make the "rate regulation" model unsuitable. Rate regulation is deservedly criticized and recommended only in situations of clear natural monopoly, if then.<sup>30</sup> Regulation would be particularly onerous in patent or copyright markets, where the institutional rigidity of reg-

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<sup>29</sup> This discrimination theory was central to the breakup of the American Telephone & Telegraph Co. See the Department of Justice Competitive Impact Statement in connection with the proposed Modification of Final Judgment in *U.S. v. AT&T*, 47 FED. REG. 7170, 7172-73 (Feb. 17, 1982).

<sup>30</sup> See Breyer, *REGULATION AND ITS REFORM* (1982), Stigler, *THE CITIZEN AND THE STATE: ESSAYS IN ECONOMIC REGULATION* (1975), Joskow and Noll, *Regulation in Theory and Practice in STUDIES IN PUBLIC REGULATION* (Fromm, ed. 1981).

ulation is fundamentally incompatible with the inherently innovative nature of intellectual property. Furthermore, intellectual property markets are intrinsically too competitive to warrant compulsory licensing solely to control the exercise of market power, with possible exceptions to be discussed below.

We should therefore look to other, non-structural impediments to the market process to understand how compulsory licensing might be justified in copyright contexts. First, the markets themselves must not be able to function at relatively low cost. Although such a situation may be due to costs in bringing buyers and sellers together, the most important problem in the copyright context is the frequent inability to exclude non-payers for use of the product. Through copying or borrowing, non-payers frequently can obtain access to created works they desire without compensating the copyright holders. Where non-payers have access, no potential customer for the copyrighted work would have an incentive to pay because there is no way the copyright holder can effectively prevent anyone from using the work.<sup>31</sup>

This situation may warrant compulsory licensing, but it alone is not sufficient. It is necessary for the government to easily define the class of customers who should get a license. This presupposes an ability to predict where licenses would be granted if markets operated without cost. In a well-functioning market, a set of sellers would sell their product to a set of buyers at an efficient, competitive price. If a market does not effectively arrange for these transactions a variety of inefficiencies can occur: Some sellers may not be able to sell, some buyers may not be able to buy, and the supplies or purchases of the products could be above or below the amounts the public demands. A potential remedy would be for the government to designate sellers and compel them to offer their products to designated buyers at a designated price. If the government can choose these sets of buyers and sellers and the price close to what they would have been in a well functioning market, and implement the scheme at low administrative cost, compulsory licensing may improve economic performance.

## 2. *The price*

An integral part of any compulsory licensing scheme is the price licensees pay. If the price is set incorrectly, there will likely be too little supply or demand for the product. In addition, an incentive is created

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<sup>31</sup> For example, there is no effective way to exclude non-paying home tapers of records on television shows from paying, since the costs of determining which copyrighted materials are taped is generally prohibitive.

for buyers and sellers to "adapt" to the compulsory license. For example, if the license price is set at \$2 when the marketplace price would be \$3, sellers will have an incentive to arrange for payment of \$1 from buyers. Adaptation of this sort may be costly. Since compulsory licensing eliminates the incentive for any buyer to pay in excess of \$2 after the product is produced, these arrangements must be made before the products are even made available for sale. The costs in making these pre-production transactions are exacerbated by the uncertainty of the product's value at such an early date.

Moreover, each buyer has an incentive to hold out and let others pay the difference between the efficient price and the compulsory license fee.<sup>32</sup> These transaction costs, the increased uncertainty, and the introduction of the "free-rider" effects make achieving the optimal allocation costly under an imperfect compulsory licensing scheme. Therefore, unless private transacting is costly and the government can accurately allocate output and set its price, a compulsory license is undesirable.<sup>33</sup>

### 3. "Fair use"

Having set out the principles warranting the use of a compulsory license, we turn our attention to "fair use." The standards for "fair use" set out in the Copyright Act do not correspond well with the economic criteria for a zero price compulsory license set out above. The first three standards, (1) the purpose and character of the use, (2) the nature of the copyrighted work, and (3) the substantiality of the used material relative to the entire copyrighted work, can be met independently of whether private transactions are feasible or whether the "transaction cost-free" price for the product is zero. Consider where a small but newsworthy portion of a copyrighted work is used by a non-profit public broadcasting television station. This situation conforms to all three of these standards, but also admits feasible private negotiation. Such private negotiation would permit the use of the information efficiently, i.e., if and only if the value of the information to the public broadcasting station exceeds the copyright holder's cost of supplying it. "Compulsory licen-

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<sup>32</sup> If the license fee exceeds the marketplace price, the argument holds but is reversed, with buyers wanting the fee to be lower but with no seller willing to subsidize purchases.

<sup>33</sup> These general arguments (and other specific ones) are set out in an article opposing compulsory license of distant signal retransmission over cable. See Besen, Manning, and Mitchell, *Copyright Liability for Cable Television: Compulsory Licensing and the Coase Theorem*, 21 J.L. ECON. 67 (1978); Hatfield and Garrett, *A Reexamination of Cable Television's Compulsory Licensing Royalty Rates: The Copyright Royalty Tribunal and the Marketplace*, 30 J. COPR. SOC'Y 433 (1983).

ing" through fair use is unnecessary. The fourth standard, minimal effect on value of the copyrighted work, embodies a necessary condition. If it is not met, the optimal license fee is unlikely to be zero. This standard is not sufficient, however, since the proper fee may be positive if the user is willing to pay a high price, regardless of how little value would be lost if this user obtained the work for free. In our example, the optimal fee may be non-zero if the public broadcasting station were willing to pay a great deal for the small newsworthy portion of the copyrighted work.

One argument for "fair use" is that in situations when the market price should be close to zero, setting a compulsory license fee at zero makes administration of a compulsory licensing program considerably easier. No fees need to be computed, no royalties need to be distributed. However, private copyright holders presumably would have the incentive on their own to allow free use of their product to users to whom the desired price would be too close to zero to be worth negotiating a transaction. This would suggest that "fair use" is unnecessary.<sup>34</sup> In some cases, though, the potential users of a copyrighted work may have no way to know in advance, or copyright holders may have no way to inform them, whether the copyright holder would sue the users for infringement. If so, "fair use" could serve to delineate beforehand those situations in which a copyright holder would not charge, so users do not run the risk of infringement suits after the fact.<sup>35</sup>

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<sup>34</sup> One reason that the copyright holder might have for denying use to such "low-price" users is that they might turn around and provide the product to "high-price" users, reducing revenues these users would otherwise pay to the copyright holder. If this resale is possible, however, the proper price of sales to these users under a compulsory license would be sufficiently far from zero to rule out free distribution to the "low demand" consumers, reducing the incentives for resale.

<sup>35</sup> According to some commentators, the use of excerpts of a literary or artistic work in critical reviews is the clearest case of "fair use." See H. Perlman and L. Rhineland, *Williams and Williams Co. v. United States: Photocopying, Copyright, and the Judicial Process*, 1975 SUP. CT. REV. 355 (1975). At first glance, that belief would seem to run counter to the economic framework suggested. In particular, artists whose income is reduced by an unfavorable review would be economically damaged through use of their material by disparaging critics.

If the "fair use" doctrine is to apply to artistic criticism, a subtle defense is required. Presumably, as a whole, certain art forms are promoted by the existence of an independent criticism system. The key here is independence, in that the value of criticism to consumers of artistic works would be vastly diminished if it were known to be biased by the ability of copyright holders to sue unfavorable reviewers for infringement. Advertising lacks this independence, and word-of-mouth opinions may be both slow and unsystematic in their communication of useful information. This defense also requires that this promotional or educational value supplied by criticism requires the use

We can hypothesize some additional theoretical rationales for "fair use." Suppose that a private market for intellectual property would function efficiently but that the parties would not act competitively. A potential example in the intellectual property sphere is in music licensing, where two major performing rights societies (ASCAP, BMI) supply virtually all of the market.<sup>36</sup> Arguably, the government could step in and compel licensing at a given price. It is doubtful, however, whether in general the government can do a better job of setting price and distributing returns to copyright holders than these societies do. Regulation to combat market power does not seem to be a good rationale for fair use.<sup>37</sup>

Moreover, this consideration would not warrant market-wide fair use. A market-wide price would not be set at zero because this would deny any return to the copyright holder. A price close to zero may be appropriate to charge users unwilling to buy except at very low prices. Even here, a low price would be inappropriate if these users could resell their licenses to users willing to pay more and whose contributions are needed to cover the cost of creating the copyrighted work.<sup>38</sup> But if such "low demand" users can be distinguished by the government and if resale to those willing to pay a great deal can be prevented, then copyright holders presumably could also make the distinction and set prices in a similar fashion.

A final rationale is that there may be a social interest in encouraging consumption of intellectual property that warrants regulating its price at zero for at least some users. This would require an explanation as to why these users should get information they are unwilling to pay for. In other words, since the benefit these users get from the information is less than the price at which copyright holders are willing to sell, it is necessary to spell out the benefit to others that warrants compulsory licensing to those users for free, i.e., "fair use." It makes the most sense in situations where the "fair use" is conjoined with a subsidy to the

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of excerpts. Here, then, "fair use" may be best interpreted as a contract explicitly recognized through the copyright law between the artistic and creative communities, in which each side recognizes the general mutual advantage of free use of excerpts and criticism uninfluenced by threat of lawsuit, even while recognizing that in specific instances individual artists may be made worse off by such use.

<sup>36</sup> Although they may have market power, these organizations serve a useful function in enabling high turnover music users to play songs simply by buying the entire ASCAP and BMI catalog without having to continually negotiate performance rights on a song-by-song basis. *Broadcast Music, Inc. v. CBS*, 441 U.S. 1, 14.

<sup>37</sup> See n. 30, *supra* and accompanying text.

<sup>38</sup> See n. 34 *supra*.

production of the intellectual property. "Fair use" treatment of government funded research, for example, would make sense in this light.

One last point—if all the foreseeable uses of a copyrighted work are fair, then there is no point in copyrighting the work in the first place.

#### *D. Summary*

It is useful to summarize briefly the conclusions of the analysis. First, a work should be copyrightable if its origin can be attributed at relatively low cost. Second, whether the use of a work should be "fair" depends first upon whether a compulsory license is necessary. Such a license is desirable when markets are too costly to develop, which in intellectual property contexts primarily happens because use of the work by a particular individual is not readily traceable, making exclusion of non-payers difficult. Then, where the compulsory license is most narrow, the price of the license should be zero only where the proper price would be close to zero.<sup>39</sup> Such groups are either those to whom copyright holders would sell at a zero price under a price discrimination scheme or those for which there is a specifiable public benefit from seeing that they get the information. In the former case, the reason for "fair use" is chiefly to eliminate any uncertainty that a copyright holder would sue those classes of users for infringement, or, alternatively, to reduce the need for each copyright holder to designate in advance those users to whom it would be willing to make its property available for free.<sup>40</sup>

### *III. APPLICATION OF THE ECONOMIC THEORY OF COPYRIGHT TO THE NATION CASE*

We have seen, in looking at the *H-R* decisions, that the fundamental issues were the fact/expression distinction underlying copyrightability and the fair use doctrine. An economic appraisal of these issues showed

<sup>39</sup> Since intellectual property is a public good, the "optimal" price is always zero. However, setting a zero price, as noted above, provides no revenues to pay for the creation of intellectual property. To make the creation of such property sensitive to public taste, one has to permit the charging of non-zero prices to at least some users. In this sense, the "optimal" price is non-zero. See n. 19, *supra*. For some users, though, the optimal price would still be zero due to lack of willingness to pay or if there are general public benefits from distributing information to these users. For these groups, fair use would be warranted.

<sup>40</sup> There will still likely be some residual need, since the sets of "zero-price" demanders will vary over the types of copyrightable goods. Also, in many cases some copyright holders will be willing to make their material available for free in some situations (or even pay) to promote demand in others, e.g., paying radio stations to play records.

first that the fact/expression distinction is regarded more coherently as a test of whether the material in question could be attributed to a particular creator. Although both facts and expressions can be of great value to consumers of intellectual property, and merit the creation of incentives for their production, facts may be difficult to attribute unambiguously, leading to costly disputes over copyright ownership. Expressions, however, are relatively easier to attribute to a particular creator, making copyrightability more likely to be feasible. Second, fair use may be viewed as a zero-price compulsory license, hence should be applied in contexts where the expected market price of the copyright would be close to zero but where the transaction cost of reaching such a price in the marketplace would be great.

In the Second Circuit's *H-R* opinion, the fact/expression distinction turned on a metaphysical point of whether the fact of President Ford's state of mind existed outside of Ford's expression of his feelings and thoughts. Focusing on attributability avoids these ontological questions. There can be little doubt that the portions of *The Nation's* piece referring to Ford's state of mind could be attributed to Ford.<sup>41</sup> Therefore, on this ground the information contained in *The Nation's* piece appears to be copyrightable. This extends not only to the quotes but to the passages paraphrasing Ford's portrayal of his state of mind during his administration. Therefore, from an economic perspective the scope of copyrightability goes further than the Second Circuit's majority opinion suggests.

With regard to "fair use," the question becomes what *The Nation* would have had to pay H-R to use the Ford material. Given the cancellation by *Time* of its plan to publish excerpts on the date originally arranged, and the resulting loss to H-R of \$12,500 and the opportunity to exploit *Time's* excerpts in an orchestrated marketing campaign to promote sales of the book, it is clear that H-R would not have been willing to license *The Nation* for less than a fairly substantial sum. Since the expected fee would probably be at least the loss of revenue from *Time*, \$12,500, the fair use doctrine would not apply in this case under an economic rationale. Moreover, there is nothing in the opinion suggesting that *The Nation* would have been willing to pay H-R's required price; had it been so willing, it would have outbid *Time* originally for the pre-publication rights. Hence, not only was the payment to H-R too small, but on this account the use of the material by *The Nation* was a misallocation of the Ford material. For these reasons, the Supreme Court dissent and Second Circuit majority's opinion that *The Nation's* use was

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<sup>41</sup> There was no issue, for example, of whether a hypnotist discovered these thoughts and feelings by putting Ford in a confessional trance.

fair is unsupportable in economic terms.<sup>42</sup> Given the copyrightability of the material, the decision should have come out in H-R's favor.<sup>43</sup>

Although this economic framework leads to the same conclusion reached by Judge Meskill and later by Justice O'Connor, the routes taken were far different. Rather than base his conclusions on the expected costs of attribution or price of a license, Judge Meskill found for Harper and Row on the basis that the "fact" of Ford's state of mind was not independent of his expression. This finding accepts the fact/expression distinction, but interprets it to reach the opposite view from the majority. In accepting their ontologically problematic framework, Judge Meskill's dissent shows the sensitivity of one's conclusions to subjective philosophical assumptions and the shortcomings of the current law as a comprehensible, reliable policy guide. In practice, applying the economic framework outlined here may rely on judgments more than hard data on attribution costs or license prices. But the costs of attribution approach offers standards, observable at least in principle, which can lead to clearer answers to copyrightability and fair use questions.

Justice O'Connor's decision comes closer to following the lines of argument set out above. Her "originality" standard is akin to the "attributability" standard suggested here. She interprets "expression" as "originality,"<sup>44</sup> thus avoiding some of the metaphysical problems posed by the fact/expression analysis employed by both sides in the Second Circuit. Her too brief analysis of copyrightability however, leaves open the possibility that "originality" could be defined by subsequent courts in terms of "expression," reintroducing those metaphysical problems and digressing from the incentive and detectability principles underlying the "attributability" notion. A possible explanation for this brevity may be the constraints on Justice O'Connor's analysis imposed by the copy-

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<sup>42</sup> It might be noted that it appears contrary to argue, as Justice Brennan does, that the use of the Ford material was not gratuitous relative to the news reporting done by *The Nation* but had no demonstrable effect on the value of *Time's* syndication rights.

<sup>43</sup> These same issues arise in litigation involving the use of *Consumer Reports* test data in advertising for Regina vacuum cleaners. See 49 CONSUMER REPORTS 71 (February, 1984). The appellate court ruled that such use was "fair use," overturning a lower court decision. Because CONSUMER REPORTS' editors are strongly concerned over the appearance of conflict of interest created by the use of their data in advertisements, it is unlikely that they would be willing to "sell" the right to reproduce data at a price sufficiently low to warrant fair use designation. Neither attributability nor the justifiability of providing economic incentives to generate performance data on consumer products are in doubt. Therefore, under this analysis, the CONSUMER REPORTS position should be upheld.

<sup>44</sup> Harper at 7.

right statute. These constraints seem to be at work in her "fair use" analysis, where she takes the four standards as given. However, she emphasizes economic effect and tends to introduce that as the standard for judging the purpose and nature of the use and the amount and substantiality of the material used.

#### IV. CONCLUSION

When one reads *The Nation's* piece, it may be difficult to reconcile the conclusion that the piece should be illegal with the intuition that the piece contained "socially important" information that ought to be made available. There are, I think, two roots for this intuition. The first is that the information Ford held was generated from his role as a public servant, hence that the public has a right to that information. The second is that the information itself may have been of great social import, reflecting the roles played in the pardon of President Nixon by those who remained in public service. One may feel that no one ought to have monopolistic control over the distribution of a commodity as important as this information.

On the surface, there is no particular market failure that justifies these intuitions. The public's right to know is, in principle, of no more importance than its willingness to pay for such information. The information was being serialized by H-R in *Time* and made available at normal retail book prices (and freely through public libraries). Thus arguments against undue monopolization are not persuasive.

One possible rationale is that an implicit condition of holding public office is that the office holder cannot or ought not withhold his relevant thoughts from the public. Unfortunately, this view leaves unsolved the problem of how to get the former office holder to publish his valued thoughts. The marginal incentive must be either by "carrot," presumably the copyright incentive, or some sort of "stick." Ruling out copyright means essentially that one should institutionalize a way to penalize non-publishing by former office holders. Besides being unworkable, such a scheme eliminates any incentive to make one's thoughts and expressions more valuable. Copyright protection appears to be the best available policy.

There are, however, a couple of more subtle market failures that could warrant a more liberal treatment of *The Nation's* action. First, by its nature, information lends itself to market failure. Simply put, there is no way a potential purchaser of information knows for sure what the information is worth to him without already "owning the product," i.e.,

having the information.<sup>45</sup> Therefore, in general there will be some buyers who *ex post* would be better off with the information but *ex ante* will not be willing to pay the market price. This suggests a potentially looser treatment for factual information and a potential rationale in addition to attributability for the fact/expression distinction in copyright law.

This argument is unpersuasive in this context because it applies to all kinds of facts, not the political knowledge contained in Ford's book.<sup>46</sup> There is, however, a market failure argument that is more germane. Decisions on public officials and, indirectly, on public policies are made collectively. One's vote, however, counts equally regardless of whether or not one is informed about political issues. Therefore, there may be a positive external benefit to others from one's becoming informed to make educated political decisions. This is, of course, not universally true. If education will cause others to take positions different from the ones I hold, then the effect on me of public education is arguably negative. The general benefit of helping to keep each citizen informed about public affairs, however, may be sufficiently clear in most situations that, in the economic sense, information is not distributed as widely as it should be.<sup>47</sup>

This need not imply that the remedy involves extension of the fair use doctrine or limitation on copyrightability. The provision of subsidies for information outlets, e.g., libraries or certain classes of mail delivery, are alternate remedies. These remedies have the virtue of preserving to

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<sup>45</sup> See Arrow, *Uncertainty and the Welfare Economics of Medical Care*, 53 AM. ECON. REV. 941 (1963).

<sup>46</sup> There may be a more limited contract between politicians and the news media, akin to that posited between artists and critics (n. 35 *supra*), which is captured by the "fair use" news exemptions. The analogous argument would be that news exposure promotes the collective efforts of politicians, and therefore should be supported even if occasionally an individual politician is damaged by a report. Although there is merit in this analogy, an important difference is that news reporting serves a direct publicity function in each politician's interest, as opposed to artistic criticism, which may act more generally to educate the public to the overall merit of the art form involved. In a sense, criticism may be more of a "public good" with respect to an artistic community than news reporting of (as opposed to commentary on) a particular politician's speech is to the political community. A better explanation for the "fair use" treatment of straightforward news reporting is that in most cases the politician would be gladly willing to have his expression publicized by the news media. Where such consent would not be forthcoming, the "fair use" exception would not apply. Reproduction of writings after retiring from politics, such as the Ford memoirs, would appear not to have this expected automatic consent. The fact that Harper and Row sued suggests that such consent was lacking here.

<sup>47</sup> This argument is also part of the rationale for publicly funded, mandatory education. See SINGER, PUBLIC ECONOMICS (1976).

a large extent the financial incentive to a possessor of valuable information to reveal it. Another theoretically possible remedy includes requiring elected officials to sign contracts requiring their disclosure of all information of legitimate public interest. Although the competition for public office seems sufficiently intense that such a requirement probably would not deter entry, obvious problems of enforceability remain. Finally, the public's representatives can compel disclosure to some extent. Ironically, according to the majority opinion much of the information on the pardon was secured five years prior to *The Nation's* piece during the 1974 Hungate Committee investigation.<sup>48</sup> The availability of such remedies suggests that even if the intuitions conflicting with the economic conclusions in favor of H-R are sound, there may be equally effective remedies that preserve the ability to apply economic logic in comprehending and applying copyright law.

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<sup>48</sup> According to the opinion, the editor of *The Nation* was unaware of this at the time of its publication of the contested piece. To the degree the information in the article could not be attributed uniquely to Ford because it was available to all in the Hungate Committee reports, the copyrightability of the piece could be questioned. This, however, raises yet another issue, which is whether someone forced to reveal valuable information in a public hearing should be compensated. If so, then arguably Ford should at least retain the copyright if the information in *The Nation's* piece clearly could be attributed uniquely to him even if he did reveal it previously before Congress.

## PART II

## LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

## I. United States of America and Territories

## 225. U.S. CONGRESS. HOUSE.

H.R. 3465. A bill to make permanent the requirements of the manufacturing clause of the copyright law. Introduced by Mr. Frank on Oct. 1, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

This bill would amend section 601(a) of title 17, United States Code by striking out "Prior to July 1, 1986, and except" and inserting in lieu thereof "Except," thereby making the manufacturing clause a permanent part of the copyright law.

## 226. U.S. CONGRESS. HOUSE.

H.R. 3521. A bill to amend title 17, United States Code, to prohibit the conveyance of the right to perform publicly syndicated television programs without conveying the right to perform accompanying music. Introduced by Mr. Boucher on Oct. 18, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

This bill would amend title 17, United States Code by redesignating sections 113 through 118 as sections 114 through 119, respectively, and by inserting after section 112 the following new section: "113. Limitations on exclusive rights: use of musical works in syndicated television programs. (a) Notwithstanding the provisions of section 106, no owner, assignee, licensee of a copyrighted audiovisual work may convey the right to perform publicly such work by non-network commercial television broadcast without simultaneously conveying the right to perform in synchronization any copyrighted music which accompanies such audiovisual work. (b) . . . the term audiovisual work means any motion picture, prerecorded television program, or commercial advertisement."

## 227. U.S. CONGRESS. HOUSE.

H.R. 3776. A bill to protect patent, trademark and copyright owners from importation into the United States of goods made overseas in violation of U.S. patent, trademark and copyright laws, and for other purposes. Introduced on Nov. 18, 1985 by Mr. Moorhead; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

Entitled the "Intellectual Property Rights Protection and Enforcement Act of 1985," this bill would prohibit the practice of producing certain products overseas in violation of a U.S. process patent and shipping that product back to the United States. In addition, the bill would also enable U.S. patent holders and trademark and copyright owners to obtain exclusion orders against the importation of an infringing product without first having to show that importation would tend to destroy or substantially injure an efficiently and economically operated U.S. industry, as is currently required. Title IV of the bill would provide for protection against counterfeiting a protected useful article by copying its shape or appearance. Protection would extend for a ten-year period.

## 228. U.S. CONGRESS. HOUSE.

H.R. 3807. A bill to amend the Communications Act of 1934 so as to encourage cable systems to carry all local television broadcast signals. Introduced by Mr. Bryant on Nov. 21, 1985; and referred to the Committees on Energy and Commerce and the Judiciary. (99th Cong., 1st Sess.).

Similar to S. 1881. [See S. 1881, *infra* for summary].

## 229. U.S. CONGRESS. SENATE.

S. 1739. A bill to amend title 17 of the United States Code with respect to home audio recording and audio recording devices and media, and for other purposes. Introduced by Mr. Mathias on Oct. 7, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

Entitled the "Home Audio Recording Act," this bill would allow individuals to tape music from records, prerecorded cassettes, compact discs, and from the airwaves without first securing permission from the copyright owner. In exchange for that privilege, the bill would impose a royalty on audio recording tapes and audio recording machines. The revenues from this royalty would be distributed among the copyright owners. The royalty

rate on blank tapes would be 1 cent per minute of playing time, adjustable every five years by the Copyright Royalty Tribunal.

230. U.S. CONGRESS. SENATE.

S. 1822. A bill to amend the Copyright Act in section 601 of title 17, United States Code to provide for the manufacturing and public distribution of certain copyrighted material. Introduced by Mr. Thurmond on Nov. 1, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

This bill extends the manufacturing clause indefinitely but contains a mechanism to exempt countries that provide copyright protection for the works of American authors, and have no material tariff or non-tariff barriers against the printing trade. The bill also covers all printed works, rather than only nondramatic literary material.

231. U.S. CONGRESS. SENATE.

S. 1869. A bill to amend the Tariff Act of 1930 to enhance the protection of intellectual property rights. Introduced by Mr. Lautenberg on Nov. 20, 1985; and referred to the Committee on Finance. (99th Cong., 1st Sess.).

This bill, entitled "The Intellectual Property Right Enforcement Amendments of 1985," which is similar to S. 1647 introduced on September 13, would amend section 337 of the Tariff Act of 1930. It strengthens the rights of American inventors by excluding from the American market products that infringe their intellectual property rights. [See PRECIS, vol. 8, no. 20, 1985, p. 1.]

232. U.S. CONGRESS. SENATE.

S. 1881. A bill to amend the Communications Act of 1934 so as to encourage cable systems to carry all local television broadcast signals. Introduced by Mr. Tribble on Nov. 22, 1985; and referred to the Committee on Commerce, Science, and Transportation. (99th Cong., 1st Sess.).

Entitled the "Local Signal Carriage Act of 1985," this bill is designed to restore the balance between cable operators and the broadcast industry by establishing a voluntary regime, whereby the grant of a compulsory copyright license to a cable system is dependent upon a commitment by the system to carry local programming. Only stations that are within fifty miles of a cable

system would be considered "local" and systems with twelve or fewer channels would be exempt. In addition, cable systems would not be required to carry more than one station affiliated with each national commercial television network.

233. U.S. CONGRESS. SENATE.

S. 1938. A bill to make permanent the requirements of the manufacturing clause of the copyright law. Introduced by Mr. Metzenbaum on Dec. 13, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

This bill would make permanent the manufacturing clause in the copyright law by amending Section 601(a) of title 17, United States Code, by striking out "Prior to July 1, 1986, and except" and inserting in lieu thereof "Except". [This bill is identical to H.R. 3465 and H.R. 3890, 99th Cong., 1st Sess.].

234. U.S. CONGRESS. SENATE.

S. 1980. A bill to amend title 17, United States Code, regarding the conveyance of audiovisual work, and for other purposes. Introduced by Mr. Thurmond on Dec. 8, 1985; and referred to the Committee on the Judiciary. (99th Cong., 1st Sess.).

This bill would amend chapter 1 of title 17, United States Code, by inserting between section 112 and 113 a new section "112A. Limitations on exclusive rights: use of musical works in syndicated television programs," prohibiting the conveyance of a copyrighted audio-visual work to non-network television stations without simultaneously conveying the right to perform in synchronization any copyrighted music which accompanies such audio-visual work.

235. U.S. COPYRIGHT OFFICE.

37 CFR 201. Compulsory license for cable systems; policy decision announcing temporary waiver of time limit for refunds where cable operators paid both the minimum fee and the 3.75% fee. Policy decision. *Federal Register*, vol. 51, no. 4 (Jan. 7, 1986), pp. 599-600.

The Copyright Office has made a policy decision concerning refunds of overpayments of cable compulsory license royalties by cable system operators. The decision temporarily waives the sixty-day refund limitation where a system operator paid both the min-

imum fee and the 3.75% fee in calculating the total royalty fee for any accounting period from period 1983-1 through period 1985-1 due to misinstructions in Copyright Office Form CS/SA-3 for accounting periods 1983-1, 1983-2 and 1984-1. A cable system operator now has until March 3, 1986 to submit a request for refund based on this policy decision.

236. U.S. COPYRIGHT OFFICE.

37 CFR 201. Recordation and certification of coin-operated phonorecord players. Final regulations. *Federal Register*, vol. 50, no. 247 (Dec. 24, 1985), pp. 52458-59.

The Copyright Office has amended its regulations to delete the requirement that the jukebox certificate contain information relating specifically to the coin-operated phonorecord player and to reflect the fact that the certificate would no longer consist of two parts. The amendment is intended to facilitate the private administration of an agreement for the civil enforcement of the jukebox compulsory license.

237. U.S. COPYRIGHT OFFICE.

Policy decision fixing fees for the special handling of import statements and documents. Notice of policy decision. *Federal Register*, vol. 50, no. 215 (Nov. 6, 1985), pp. 46206-8.

The Copyright Office has established fees for "special handling"—expedited processing—of requests for recordation of documents and for issuance of import statements. The special handling fee for documents is \$200 and the special handling fee for import statements is \$100 when the request is submitted alone. When a special handling request for an import statement is accompanied by a special handling request for a Form TX for registration of a nondramatic literary work, the fee is \$50.

238. U.S. COPYRIGHT OFFICE.

Policy decision regarding mandatory deposit of books and other printed works published with notice of copyright in the United States after first publication abroad. Notice of policy decision. *Federal Register*, vol. 51, no. 5 (Jan. 8, 1986), p. 789.

The Copyright Office recently reviewed its policy regarding enforcement of the deposit requirements (under 17 U.S.C. 407) against foreign books and other printed works published in the U.S. with a notice of copyright. As a result, the agency has decided

to continue to adhere to that policy and has issued a notice to that effect. The notice also explains the circumstances under which demands for foreign works will be issued and announces the Office's adoption of a form to simplify requests for waiver of the deposit requirements.

239. U.S. COPYRIGHT OFFICE.

Report of an Ad Hoc Group on the legal issues relating to the consideration of adherence by the United States to the Berne Convention; availability and invitation to comment. Notice of public availability of a Report and invitation to comment. *Federal Register*, vol. 51, no. 19 (Jan. 29, 1986), pp. 3706-07.

The Ad Hoc Working Group on United States Adherence to the Berne Convention has compiled a draft Report which is available for public comment. The Report analyzes U.S. copyright and other laws, compares them with the provisions of the Berne Convention for the Protection of Literary and Artistic Works (Paris, 1971 version), and attempts to identify legal issues regarding the extent to which the U.S. statutes and the Berne Convention are or are not compatible. [See 33 J. COPR. SOC'Y 183 (1986).]

240. U.S. COPYRIGHT OFFICE.

Retention of fees for additional certificates of registration when the service cannot be provided. Notice of new procedure. *Federal Register*, vol. 51, no. 3 (Jan. 6, 1986), p. 462.

The Copyright Office has established a new procedure for handling fees received in conjunction with certain requests for additional certificates of registration. The new policy will be to retain such fees to cover the administrative costs to the Office of processing the request.

241. U.S. COPYRIGHT ROYALTY TRIBUNAL.

37 CFR 304. Cost of living adjustment for performance of musical compositions by public broadcasting entities licensed to colleges and universities. *Federal Register*, vol. 50, no. 232 (Dec. 3, 1985), p. 49551.

The Copyright Royalty Tribunal has amended Part 304.5(c) of its rules to reflect a 3.1% cost of living adjustment to the compulsory royalty rates for the use of copyrighted musical works in connection with non-commercial broadcasting. The new fees are \$150 annually for the performance of compositions in the rep-

ertories of ASCAP and of BMI, \$35 annually for SESAC's compositions, and \$1 for the performance of any other such compositions.

242. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Declaration of controversy concerning distribution of 1984 jukebox royalty fees. *Federal Register*, vol. 50, no. 224 (Nov. 20, 1985), p. 47794.

The Copyright Royalty Tribunal has declared that a controversy exists concerning the 1984 jukebox royalty distribution. All claimants have until May 15, 1986 to submit any evidence that they wish the Tribunal to consider in making its final decision in this matter.

243. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Final determination of the distribution of the 1982 (remand) and the 1983 jukebox royalty funds. Notice of final determination. *Federal Register*, vol. 50, no. 113 (Nov. 19, 1985), pp. 47577-82.

The Copyright Royalty Tribunal has made a final decision regarding the distribution of the remanded portion of the 1982 and the 1983 jukebox royalty funds. In reaching its determinations in this consolidated proceeding, the Tribunal considered two main issues: the status of the claimants not already defined in the Copyright Act as performing rights societies, and proof of entitlement should all the performing rights societies fail to reach an agreement on a distribution formula. Concerning the status question, the Tribunal concluded that the Italian Book Company, Latin American Music, Latin American Music Company, Inc., and Asociacion de Compositores y Editores de Musica Latinoamerica (ACEMLA) were not performing rights societies in 1982 or 1983. On the issue of entitlement to 1982 and 1983 royalties, the Tribunal concluded that, in addition to joint claimant ASCAP/BMI/SESAC, Inc., the Latin American Music Company, Inc. (LAM), as an individual copyright owner claimant, was entitled to a portion of the 1982 and 1983 royalty collections and that the Italian Book Company was entitled to a share of the 1983 royalty fund. Accordingly, the Tribunal allocated to the LAM 0.15% of the 1982 jukebox royalty fund. In the case of the 1983 fund, the commissioners awarded a 0.15% share to LAM, \$1500 to the Italian Book Company and the remainder to joint claimant ASCAP/BMI/SESAC, Inc. The Tribunal made no award to claimant Michael Walsh because he failed to justify his claim.

## 244. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Order granting final distribution of 1979-1982 cable royalty fees. *Federal Register*, vol. 50, no. 218 (Nov. 12, 1985), p. 46691.

The Copyright Royalty Tribunal has decided to distribute the remainder of the 1979-1982 cable royalty funds on December 13, 1985. Contingent on whether there is further appeal to the Supreme Court of the Tribunal's final determinations for the period in question, the royalties will be allocated in the same percentage amounts indicated in the Tribunal's order published on March 6, 1985.

## 245. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Order granting partial distribution of 1984 jukebox royalty fees. *Federal Register*, vol. 50, no. 224 (Nov. 20, 1985), pp. 47794-95.

In the matter of the 1984 jukebox royalty distribution, the Copyright Royalty Tribunal has ordered the disbursement of 90% of the fees to joint claimants ASCAP, BMI and SESAC, Inc. (ABS). The remaining 10% of the fund represents the difference between the ABS claim for 100% and that of the ACEMLA (Asociacion de Compositores y Editores de Musica Latinoamericana) for 10%.

## 246. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Partial distribution of 1979-1981 cable royalty fees. *Federal Register*, vol. 50, no. 240 (Dec. 13, 1985), pp. 50937-38.

Due to an appeal of the final determinations in the 1979, 1980 and 1982 cable proceedings, the Copyright Royalty Tribunal has rescinded its order (Nov. 12, 1985) for final distribution of the 1979-1982 cable royalties and, in its stead, ordered a partial distribution of the 1979-1981 funds. A sufficient portion of the 1979-1981 and 1982 royalty fees are being retained to resolve any remaining controversy. Concerning the 1982 fund, no allocation was necessary at this time because of an earlier partial disbursement.

## 247. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Amendment to the rules concerning carriage of television broadcast signals by cable television systems. Order extending time. *Federal Register*, vol. 50, no. 248 (Dec. 25, 1985), pp. 52808-09.

In response to a request by the National Association of Broad-

casters, the Federal Communications Commission has extended the time period for filing comments and replies thereto in the matter of amending the agency's rules regarding the carriage of television broadcast signals by cable television systems. The new filing dates are January 29, 1986 and February 25, 1986, respectively.

248. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Cable carriage of "significantly viewed" television signals. Memorandum opinion and order. *Federal Register*, vol. 50, no. 226 (Nov. 22, 1985), pp. 48235-36.

The Federal Communications Commission has issued an order terminating a pending rulemaking proceeding on the matter of compliance with the mandatory signal carriage rules by saturated cable systems—those systems that are required to carry more signals than their channel capacity can accommodate. The order also denies two petitions for rule-making. The first petition seeks deletion of rules relating to cable systems' carriage of significantly viewed television stations—that is those stations that attain a specified level of over-the-air viewing in the cable community on the basis of independent audience survey or that demonstrate their significantly viewed status by filing audience surveys pursuant to certain Commission rules. The second petition requests an inquiry into the continued justification of the must-carry rules. The Commission is terminating the above matters because they each concern issues relating to the agency's mandatory cable signal carriage rules which were recently declared unconstitutional by the court of appeals in *Quincy Cable TV Inc. v. FCC*, 768 F.2d 1434 (D.C. Cir. 1985).

249. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Carriage of television broadcast signals by cable television systems. Inquiry and proposed rulemaking. *Federal Register*, vol. 50, no. 226 (Nov. 22, 1985), pp. 48232-35.

The Federal Communications Commission has commenced a rulemaking concerning cable carriage of television broadcast signals. The purpose of the proceeding is to: (1) examine the communications policy implications of cable's compulsory license in light of the appellate decision [*Quincy Cable TV Inc. v. FCC*, 768 F.2d 1434 (D.C. Cir. 1985)] finding that the Commission's must-carry rules were unconstitutional; (2) consider proposals for a new rule that meets the constitutional strictures of the *Quincy* decision

while providing clear justification on the basis of public need; and (3) address certain related regulatory issues, such as compliance with the mandatory signal carriage rules by cable systems with limited channel capacity, continued justification of the Commission's must-carry rules, and adopting changes relating to the prohibition against cable systems deleting, pursuant to the network nonduplication rules, programs from signals that are significantly viewed under the mandatory signal carriage rules.

250. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Technical and operational requirements of Part 76 cable television. Final rule. *Federal Register*, vol. 50, no. 247 (Dec. 24, 1985), pp. 52462-67.

The Federal Communications Commission has amended its regulations by changing the rules governing the technical and operating requirements for cable television systems into standards that may be applied but not exceeded by franchise authorities in regulating the technical quality of broadcast channels by cable systems. The amendment also eliminates the Commission's authority to enforce such standards. The purpose of this action is to relax and to better relate cable technical quality standards to marketplace development.

251. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 15 and 76. Relating to terminal devices connected to cable television systems. Extension of time to file comments. *Federal Register*, vol. 50, no. 222 (Nov. 18, 1985), pp. 47412-13.

The Federal Communications Commission extended the periods for submitting comments and reply comments on the issues relating to terminal devices connected to cable television systems. The new deadlines for filing comments were December 9 and December 27, respectively.

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## PART IV

JUDICIAL DEVELOPMENTS IN LITERARY AND ARTISTIC  
PROPERTY

## A. DECISIONS OF FOREIGN COURTS

## 1. Canada

252. *APPLE COMPUTER, INC. V. MACINTOSH COMPUTERS LTD. & 30 OTHERS*. Federal Court (Trial Division) 17 January 1985, Cullen J. *EIPR*, vol. 7, no. 4 (Apr. 1985), p. D-78.

The plaintiff applied for an interlocutory injunction against Macintosh Computers Ltd., stating that there was copyright infringement of its "Autostart" and "Applesoft" computer programs. The defendants sold computers with chips containing copies of the plaintiff's two programs. The court ruled that Apple could not obtain an interlocutory injunction against the copies as the evidence was defective and the point too contentious.

## 2. Ireland

253. *DIRECTOR OF PUBLIC PROSECUTIONS V. IRWIN*. 25 October 1984, Barron J. (as yet unreported). *EIPR*, vol. 7, no. 3 (Mar. 1985), p. D-44.

This case involves the sale of pirated videocassette tapes entitled "One of Our Dinosaurs Is Missing" and "Spaceman and King Arthur". The defendant was convicted on the charge of copyright infringement of "Spaceman and King Arthur" but was acquitted on the other charges. The defense counsel stated that there was no proof that the first film "One of Our Dinosaurs Is Missing" was an "infringing copy and since it might have been made before the Copyright Order of 1978 (Foreign Countries) came into effect."

## 3. Singapore

254. *BUTTERWORTH & CO. & OTHERS V. NG SUI NAM*. High Court,

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25 Feb. 1985, Thean J. *Financial Times*, 5 March 1985, Publishers Association Press Release 34/85.

The High Court noted in behalf of the Publishers Association and Butterworth that Singapore copyright law protects works first published in the U.K. "as well as those first published in Singapore, except for those published in the UK between 1957 and 1959."

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## PART V

## BIBLIOGRAPHY

## A. BOOKS, TREATISES AND CASSETTES

## 1. United States Publications

255. EINHORN, DAVID. The enforceability of "tear-me-open" software license agreements. *Journal of the Patent and Trademark Office Society*, vol. 67, no. 10 (October 1985), pp. 509-529.

This article discusses the terms commonly contained in "shrink-wrap" license agreements and why software publishers consider these desirable. These agreements provide that the software publisher is not relinquishing to the buyer all title to the software package. However, the act of exchanging money for this software package is to be construed as transferring full title to the medium in which the software is embodied (i.e., disc, tape or cartridge), while merely creating a restricted right to use the computer program itself without passing title.

256. FEINGOLD, STEPHEN W. Parallel importing under the Copyright Act of 1976. *New York University Journal of International Law and Politics*, vol. 17, no. 1 (Fall 1984), pp. 113-155.

In this article, the author reviews the first sale doctrine as a defense, and gives the legislative history of section 602. Cases discussed include *CBS v. Sutton*, *CBS v. Important Records* and *Beechwood Music Corp. v. Vee Jay Records*. [See also 32 J. COPR. SOC'Y 211, Item 82 (1985).]

257. Fruits of infringement harvested by copyright owner. *Copyright Management*, vol. 8, no. 10 (Oct. 1985), p. 6.

In *Frank Music Corp.'s* copyright infringement suit against MGM's *Grand Hotel*, the 9th Circuit held that defendant's profits from its unauthorized use of songs from the play "Kismet" should be added to the damages awarded to plaintiff. The lower court assessed the damages without including a share of the profits, but

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the appeals court ruled that indirect as well as direct profits are recoverable.

258. HYMAN, MIDGE M. The socialization of copyright: the increased use of compulsory licenses. *Cardozo Arts & Entertainment Law Journal*, vol. 4, no. 1 (1985), pp. 105-138.

This article provides a review of the origin of the cable compulsory license and the powers of the Copyright Royalty Tribunal over the cable industry. The author analyzes whether compulsory licensing or full copyright liability is the best alternative for the cable industry. Part IV is devoted to video cassette recorders and the compulsory license.

259. LADD, DAVID. Securing the future of copyright: a humanist endeavor. *Art & the Law*, vol. 9, no. 4 (1985), pp. 413-421.

Mr. Ladd surveys the new technologies, including cable television, satellite transmissions, computers, and video taping, and discusses their copyright protection. The Library of Congress's optical disk program and the public use of protected works are also discussed at length.

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