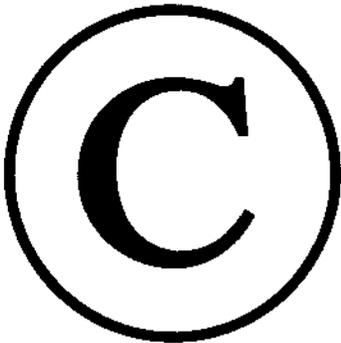

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PART I

ARTICLES

A TEN-YEAR RETROSPECTIVE ON THE COPYRIGHT ACT OF 1976

EDITOR'S NOTE: Ten years having elapsed since the passage of the Copyright Revision Act, it seems fitting to examine its successes and failures, and to comment on how it might be improved. The JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A. is privileged to publish general overviews of the 1976 law by Roger Zissu, and by the U.S. Register of Copyrights, Ralph Oman, as well as comments from the point of view of the music industry by Alvin Deutsch, and from the point of view of authors by Irwin Karp.

IN MEMORIAM

KATE McKAY 1926-1986

It is with a sense of the deepest personal and professional loss that we report that our Assistant Executive Director, Kate McKay, died on October 11, 1986.

While Kate was a native of Georgia, she had lived for many years in New York City with her husband, Robert B. McKay, formerly Dean of New York University School of Law, and their two daughters. She held degrees from the University of Georgia, New York University and Columbia University.

Kate was Copyright Librarian for New York University School of Law, which houses the Derenberg Memorial Library, and supervised the compilation of the Legislative History of the 1976 Copyright Act. She served The Copyright Society for many years, most recently as Assistant Executive Director.

The warmth, graciousness and kindness which Kate brought to the solution of every problem will be missed even more poignantly than her knowledge and efficiency.

The Society mourns a beloved colleague, leader and friend and offers its deepest sympathy to Bob McKay and their daughters, Kathryn and Sara.

THEODORA ZAVIN
President,
Copyright Society of the U.S.A.

IN MEMORIAM

RICHARD COLBY

The Copyright Society notes with sorrow the death on October 8, 1986, of our colleague, Richard Colby, who held responsible positions at a number of major entertainment industry companies, including services from 1963 to 1967 and from 1976 to 1985 with Twentieth Century Fox Film Corporation where he had held the position of Senior Distribution and Marketing Counsel for Theatrical Motion Pictures.

Richard, who taught at Pepperdine University School of Law, authored numerous articles on copyright including several significant articles for the JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A. Until recently he served as a Trustee of The Copyright Society.

He leaves a wife, Marcia, two children, Alice and Eve, and a host of colleagues in The Copyright Society who will remember him not only as a legal scholar and an excellent lawyer but as a man who was consistently kindly and helpful to the people with whom he worked and a vigorous advocate in the many pro bono activities in which he engaged.

IN MEMORIAM

HORACE MANGES, 1898-1986

Horace Manges was a former Vice President and Trustee of the Copyright Society of the U.S.A., and a member of its initial Board of Trustees. A founding partner of Weil, Gotshal & Manges, for many years he represented prominent publishers and publishing organizations. As the industry's attorney, he participated in the many Copyright Office meetings that helped produce the Register's Draft Revision Bill. Horace played a leading role in the publisher-author negotiations that resolved impasses over the work-for-hire definitions, termination clause and other key provisions.

He also won victories for authors and publishers in important copyright, right-of-privacy and First Amendment cases. Among his most notable achievements was his successful argument before the Supreme Court in *Bantam Books v. Sullivan*, culminating in the landmark ruling against prior censorship through administrative agencies' intimidation of book sellers.

Horace was a considerate, patient and understanding advocate and friend. Those of us in the Copyright Society who knew him, remember him with affection and will miss him.

1. THE PAST REVISITED—THE COPYRIGHT ACT OF 1976 AT MID
DECADE: AN OVERVIEW WITH OBSERVATIONS

By ROGER L. ZISSU*

“Even God cannot change the past.”
Aristotle, Nicomachean Ethics, VI.2.11396

“They have seen the new truth in larger and larger degree; and when
it shall have become the old truth, they will perhaps see it all.”
William Dean Howells

Introduction

The enactment into law of the Copyright Act of 1976 effectuated the first comprehensive revision of the copyright law since 1909. The long-sought new statute which became generally effective on January 1, 1978 was heralded as bringing with it not only numerous changes in the detail of our copyright law but also a fundamental, philosophical shift in the direction of the American copyright system.

The ultimate test of the value of the new law will be our experience under it. Although only eight years have elapsed from its generally effective date, it seems evident that the pace of judicial decisions and legislative activity in this period has definitely increased over comparable spans under the 1909 Act.¹ This is in all likelihood due to the nation's population² and economic growth as well

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*Mr. Zissu is a member of the law firm of Cowan, Liebowitz & Latman, P.C., of New York City, has been a Trustee of the Copyright Society of the U.S.A. and acted as attorney of record in some of the decisions discussed in this article. In *Harper & Row v. Nation Enterprises* he served as plaintiffs' trial and appellate counsel and as a consultant to plaintiffs with regard to the Supreme Court briefs, in *Burroughs v. MGM* and *DC Comics v. Filmaton Associates* he was plaintiffs' counsel, and in *Horgan v. MacMillan*, where his firm served as defendants' counsel, he assisted on the briefs in the district court and court of appeals. His firm also served as counsel to plaintiff in *Warner Bros., Inc. v. Gay Toys*.

¹ Accord Brown, *The Widening Gyre: Are Derivative Works Getting Out of Hand?* 3 CARDOZO ARTS & ENTERTAINMENT L. No. 1, 11 (1984).

² In 1910 the U.S. resident population was 91,972,266, in 1930 122,775,046, in 1940 131,669,275, in 1959 150,697,361 and in 1980 226,545,805. Source: Department of Commerce, Bureau of Census.

as the quickening tempo of technological developments affecting copyright related industries. In any event, now that we have "lived a little" with the new law, it may not be too risky to make some assessment of how things are going and see whether our expectations for the development of copyright were well founded.³

In the discussion below, I will first recall certain of the commentary that accompanied the arrival of the new statute, putting this into the perspective of some of the earlier reflections on copyright law reform. We will next examine what seem to be the more significant developments in our first 10 years of actual experience. This will be done against the backdrop of various of the commentary leading up to and accompanying the passage of the new law. I will then offer some tentative conclusions and observations about where we are and may be going.

I. COMMENTARY UPON ENACTMENT

In terms of philosophy, then-Register Barbara Ringer saw the new statute as making the most crucial facts those relating to the author and thereby, for the first time, identifying copyright more closely with the author than with the publisher or initial disseminator of a work.⁴ Thus, as she noted, the existence and length of protection would depend no longer on publication (what a publisher does), but more upon creation and fixation (what the author does).⁵

Professor Latman similarly saw as "the most significant innovation...the concept of a single Federal regime of automatic protection of intellectual works from the moment of creation," replacing the prior dual system of federal statutory and state common law protection.⁶ This abandoned the concept that an author must do something such as affix a notice to published copies of his work to "secure" protection.⁷

Professor Nimmer also felt the new law was a clear improvement because it eliminated "the artificial distinction between common law and statutory copyright," which at the same time brought the American term of copyright protection (under Section 302, life plus fifty years after the individual author's death) into line with that of other nations.⁸ Nimmer was further pleased at "the applica-

³ This is done notwithstanding the possibility, noted by Professor Brown, that the courts and commentators may still be "floundering in the heavy wake" of the new statute. Brown, *supra* note 1, at 12.

⁴ Ringer, *First Thoughts on the Copyright Act of 1976*, THE COPYRIGHT ACT OF 1976: DEALING WITH THE NEW REALITIES 11, 16-17 (Law Journal Press 1977) (hereinafter "Ringer").

⁵ *Id.*

⁶ Latman, *A Glimpse at the New Copyright Act*, 24 BULL. COPR. SOC'Y 77, 78 (December 1976), reprinted in THE COPYRIGHT ACT OF 1976: DEALING WITH THE NEW REALITIES, *supra* note 4, at 3,4.

⁷ *Id.*

⁸ *Preface to the 1978 Comprehensive Treatise Revision*, 1 M. NIMMER, NIMMER ON COPYRIGHT at V (1985) (hereinafter "Nimmer"). Professor Kaplan had earlier been

tion of copyright to technological advances not dreamed of in 1909."⁹

On the subject of new technology, it was generally hoped that the new statute would be able to accommodate new advances without an early need for comprehensive new legislation. To fine tune the new law as soon as possible, Congress had in 1974 established a National Commission on New Technological Uses of Copyrighted Works (CONTU) to study computers and copyright as well as non-classroom photocopying and to make prompt recommendations to the Congress.¹⁰

The commentators were also happy with the substitution of a new, though complex, author's right to terminate prior grants as a device to provide an author with a second chance to exploit his copyright.¹¹ The dissatisfaction with the prior renewal provision to achieve this goal stemmed from its actual function in many instances as a pitfall or trap for the unwary author.¹²

The 1976 commentators welcomed the greater liberality in the copyright notice requirement, including provisions allowing for the curing of defective and omitted notices (§§405 and 406),¹³ recalling the earlier exhortations for such reform.¹⁴

Everyone also noted the detailed and complex nature of the new statutory provisions governing many specific issues, but, nevertheless, stressed the continuing importance of the jurisprudence of the 1909 Act to understanding and applying the new law.¹⁵ For example, regarding injunctive relief, notwithstanding various proposed revision bills from the 1924-40 period containing provisions

concerned that a lengthening of protection to life plus fifty years might be too property-minded. B. KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT 114-15 (1967). But the points made by Register Kaminstein, that any one work must compete with many others and that preventing duplication tends to encourage creation of competitive works, along with the desire to harmonize the duration of American protection with that of other countries, prevailed. See REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW, 87th Cong., 1st Sess. 5, 54, 56 (1961), (hereinafter "Register's Report").

⁹ 1 Nimmer, at v-vi.

¹⁰ Pub. L. No. 93-573, 88 Stat. 1873 (1974). It was not until July 25, 1975 that the CONTU commissioners were appointed. FINAL REPORT OF CONTU, p. 4. CONTU's final report was issued on July 1, 1978.

¹¹ 1 Nimmer at v.; Latman, *supra* note 6, at 80, n. 17. Section 203 of the new statute enables the author, after 35 years, to terminate any grant made on or after January 1, 1978, and Section 304(c) permits a termination of grants of renewal interests made before January 1, 1978 insofar as the additional 19-year extended renewal term (i.e., the term beyond the 28-year renewal period already granted under the 1909 Act) is concerned.

¹² See Register's Report, at 51 & 53-54; B. Kaplan, *supra* note 8, at 112.

¹³ See Latman, *supra* note 6, at 79; Ringer at 16-17.

¹⁴ Register's Report at 66, B. Kaplan, *supra* note 8, at 80-82; see also Chafee, *Reflections on the Law of Copyright: I*, 45 COLUM. L. REV. 503, 515 (July 1945) (hereinafter "Chafee").

¹⁵ Latman, *supra* note 6, at 77, n. 5; Nimmer, *supra* note 8, at v, n. 5.

that would have prevented injunctions in certain cases, e.g., against exhibition of a motion picture after its production has innocently begun or the broadcast of a program after an innocent beginning of its rehearsal, the Congress in Section 502(a) of the new statute accepted the recommendation of Register Kaminstein to continue, as under the prior statute, leaving such matters for the courts to decide in individual cases.¹⁶

Despite the general optimism, there were some criticisms and fears.¹⁷ Professor Nimmer, echoing one of Professor Chafee's six ideals of the copyright law,¹⁸ regretted the loss of the "pristine simplicity of a corpus of judge-made copyright law";¹⁹ and Professor Latman noted that the new law would not "simplify the learning of copyright law."²⁰ Professor Latman also warned that there was no more important and troublesome question underlying the new Act than the preemptive effect of Section 301 with regard to state law.²¹

Register Ringer was concerned that the addition of compulsory licensing schemes for jukebox, CATV and public broadcasting in Sections 111, 116 and 118 would effectively deny to copyright owners the right to control the use of their works in return for a level of remuneration which in some cases would be rather modest.²² She also feared that this might lead to still more use of the compulsory licensing device and wondered whether the introduction of a new government body to determine royalty rates and terms, such as the Copyright Royalty Tribunal, might invite further governmental control.²³

The commentators were also generally pleased with a wide variety of other specific changes in the law, including: codification of the judge-made rule of reason

¹⁶ Register's Report, at 108.

¹⁷ Professor Kaplan's earlier wish for some development of the "'moral right' of authors to prevent abuses in the exploitation of their creations" was not heeded by the Congress, B. Kaplan, *supra* note 8, at 120, although some progress to such an end has occurred in the cases. See, e.g., *Gilliam v. American Broadcasting Companies, Inc.*, 538 F.2d 14, 21, 29, 192 U.S.P.Q. 1, 6, 9 (2d Cir. 1976) (unauthorized editing of copyrighted work constitutes infringement of the copyright by exceeding the license granted by copyright owner and creates false impression of origin in violation of Section 43(a), 15 U.S.C. § 1125(a)).

¹⁸ Professor Chafee's six ideals of copyright law were: "complete coverage"; "a single monopoly"; "protection should be international"; "protection should not go substantially beyond the purposes of protection"; "the protection given the copyright owner should not stifle independent creation by others"; and "the legal rules should be convenient to handle." Chafee at 520-529.

¹⁹ 1 Nimmer at vi.

²⁰ A. LATMAN, *THE COPYRIGHT LAW: HOWELL'S COPYRIGHT LAW REVISED AND THE 1976 ACT* (5th ed. 1979) vii (hereinafter "Treatise").

²¹ A. Latman, *Treatise*, at 64. See further discussion of this issue in the text accompanying notes 45-53, *infra*.

²² Ringer at 32-33. Professor Kaplan had years earlier looked forward to such a development. B. Kaplan, *supra* note 8, at 110-11.

²³ Ringer at 34; compare with B. Kaplan, *supra* note 8, at 110-11.

known as "fair use" (§107); imposition of liability on cable systems and jukeboxes for use of copyrighted material but, as noted above, with provision for compulsory licensing (§§111 and 116); the reduction of the scope of the "manufacturing clause" and provision for elimination of this requirement of domestic book manufacturing on July 1, 1982 (§601);²⁴ Congress' express statement of an intention to grant protection for computer programs and data bases (§101);²⁵ protection of all unpublished works irrespective of the nationality of the author (§104);²⁶ provisions recognizing the divisibility of copyright ownership (§201(d));²⁷ provisions on library photocopying (§108) to deal with the kind of situation which gave rise to the *Williams & Wilkins* case;²⁸ and a new definition of a "work made for hire" (§101).

II. OVERVIEW OF DEVELOPMENTS SINCE 1976

As noted above, the 1976 Act contained much that was new, but also embodied and built upon much of the substance of the prior law. It did this both expressly in many provisions and indirectly by leaving untouched much of the fundamental decisional law that had given meaning to many of the 1909 statutory provisions. Many of the significant events after 1976 deal not only with new aspects of our copyright statute but also with the underlying jurisprudence of the 1909 law as carried forward. For this reason, after surveying the judicial, legislative and other developments dealing specifically with new statutory provisions, we will also review separately the more important developments relating to aspects of such underlying decisional law.

²⁴ There had been virtual unanimity among the law reform commentators for repeal of the "manufacturing clause." See Register's Report, 124; B. Kaplan, *supra* note 8 at 123-24; and Chafee, at 523-26.

²⁵ See H.R. REP., 94th Cong., 2d Sess., No. 94-1476 (hereinafter "House Report"), at 54.

²⁶ See Chafee, at 506.

²⁷ Register Kaminstein had recommended such a change. Register's Report, at 94. The inconveniences and injustice of "indivisibility" had also been noted by many others. See A. Latman Treatise, at 99-100, citing as one of the other commentators, Henn, *Magazine Rights - A Division of Indivisible Copyright*, 40 CORNELL L.Q. 411 (1955).

²⁸ *Williams & Wilkins Co. v. United States*, 172 U.S.P.Q. 670 (Ct. Cl. 1972), *rev'd*, 487 F.2d 1345, 180 U.S.P.Q. 49 (Ct. Cl. 1973), *aff'd by an equally divided Court*, 420 U.S. 376, 95 S. Ct. 1344, 184 U.S.P.Q. 705 (1975).

III. DEVELOPMENTS INTERPRETING OR AFFECTING SPECIFIC NEW STATUTORY PROVISIONS

A. Copyrightability

1. Computer Programs

Section 102(a) expanded federal copyright protection to include all "original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." But Section 102(b) also expressly recognized the hitherto judicially developed idea-expression dichotomy by providing that protection would not extend to "any idea, procedure, process, system, method of operations, concept, principle or discovery...." Following the recommendations, as revised, of CONTU in 1980, Congress added a definition of computer program to Section 101 and substituted a new Section 117. Section 117 clearly indicates that programs are copyrightable and also that, except for copying for "archival purposes only" or back-up permitted to the "owner of a copy of a computer program," the copying of a program will be an infringement.²⁹

The decision in the *Apple* case reaffirmed the Third Circuit's earlier positive answers to the questions of whether a computer program in object code not readable by humans could be classified as a protected "literary work" and whether the embodiment of a computer program on a ROM (a read-only-memory computer chip), as distinguished from a traditional writing, was protectible.³⁰ *Apple* also held that computer operating system programs were, as a class, copyrightable, rejecting the contentions that they were the equivalent of a utilitarian article or "process," "system" or "method of operation" or that these fell on the idea side of the divide between unprotected ideas and protected expression.³¹ *Apple*'s definitive answers to these key questions have carried out an overall tendency to expand protection with obviously important consequences for increasingly large sectors of our economic life. But more difficult infringement issues still loom ahead concerning the scope of protection for computer programs,³² including programs derived from pre-existing ones, in view of the admitted difficulty in identifying where ideas and pre-existing material leave off and original expression

²⁹ *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 219 U.S.P.Q. 113 (3d Cir. 1983), *cert. denied*, 464 U.S. 1033, 104 S. Ct. 690 (1984). Professor Kaplan thought it would be ill-advised to make copying for storage purposes the equivalent of copying for infringement purposes. B Kaplan, *supra* note 8, at 104.

³⁰ *Id.* at 1249, reaffirming *Williams Electronics, Inc. v. Artic International, Inc.*, 685 F.2d 870, 215 U.S.P.Q. 405 (3d Cir. 1982).

³¹ *Id.* at 1251-1252.

³² See B. Kaplan, *supra* note 8, at 103.

begins. Most recently the Third Circuit has gone further in holding that the copyright protection for a computer program covers its overall structure as well as its source and object codes.³³

2. "Mask Works"

In another important step to expand intellectual property protection for new technology, on November 8, 1984, President Reagan signed into law the Semiconductor Chip Protection Act of 1984, a separate statute providing protection to semiconductor "mask works."³⁴ Whether this signals a revival of hope for passage of industrial design protection is unclear.³⁵

3. *Compilations (Scope of Protection)*

Another copyrightability issue which is receiving increasing attention at the appellate level is the proper scope of protection for compilations. Although recent litigation has involved the more conventional forms of compilation, such as trade directories and card catalogues, unauthorized uses of computer data bases may soon also lead to legal confrontations. Notwithstanding a difference between circuits on the theory of protection for compilations,³⁶ the most recent opinions in the Second and Ninth Circuits are focusing on the new language of the statute defining a "compilation" as including data that must really have been "selected, coordinated or arranged in such a way" as to render the "resulting work" "an original work of authorship."³⁷ In doing so, the courts may now be moving toward

³³ See *Whelan Associates v. Jaslow Dental Laboratory*, 797 F.2d 1222, 1233-34 and 1239, 230 U.S.P.Q. 481 (3d Cir. 1986) (*petition for cert. filed*). In *Whelan*, the Third Circuit also adopted a "substantial similarity" inquiry according to which both lay and expert testimony are admissible, finding the usual "lay observer" test "not useful" with respect to "exceptionally difficult materials like computer programs." *Id.* at 1233. See note 86, *infra*.

³⁴ Pub. L. No. 98-620, 98 Stat. 3347 (1984) (establishing new Chapter 9 in Title 17).

³⁵ Professor Kaplan's negative view of industrial design protection, B. Kaplan, *supra* note 8, at 56, might not extend to "mask work" protection if this is the kind of "third quiddity" he suggests may be considered for protecting programs existing in the form of physical parts of the computer's machinery or circuitry. *Id.* at 103.

³⁶ See, e.g., *Financial Information, Inc. v. Moody's Investors Service*, 751 F.2d 501, 224 U.S.P.Q. 632 (2d Cir. 1984), *on remand* CCH COPR. L. REP. ¶ 25, 960 (S.D.N.Y. filed July 10, 1986), 81 Civ. 6001, Slip Op.; *contra* *Schroeder v. William Morrow & Co.*, 566 F.2d 3, 198 U.S.P.Q. 143 (7th Cir. 1977).

³⁷ See *Financial Information, Inc.*, *supra* note 36, 751 F.2d at 506-507; *Eckes v. Card Prices Update*, 736 F.2d 859, 222 U.S.P.Q. 762 (2d Cir. 1984) and *Cooling Systems and Flexibles, Inc. v. Stuart Radiator, Inc.*, 777 F.2d 485, 491 (9th Cir. 1985). In *West Publishing Co. v. Mead Data Central, Inc.*, 799 F.2d 1218, 230 U.S.P.Q. 801 (8th Cir. 1986), a divided panel of the Eighth Circuit, which recognizes the compilation owner's industry or "sweat of the brow" as the basis for protection, held that inclusion in defendant Lexis' case database of corresponding page locations in West's National Reporter System for each portion of the reported texts, i.e.,

some kind of resolution consistent with the basic theory of copyright protection for the questions of just what use may be made of facts contained in prior directories and compilations.³⁸ In *Moody's*, the court remanded for a specific answer to the question of just what selection, coordination and/or arrangement existed with respect to the plaintiff's index cards containing information on municipal bonds.³⁹ The court rejected the "sweat of the brow" basis for protecting compilations under which the industry of the compiler is itself enough to justify protection.⁴⁰

4. *Choreography (Infringement)*

Section 102(a) of the new Act specifically enumerates choreographic works as copyrightable subject matter for the first time, although they were implicitly protected earlier, under Section 5(d) of the 1909 Act.⁴¹ In *Horgan v. MacMillan, Inc.*, we have been given the first decision dealing with the protection of a choreographic work.⁴² The District Court, in denying a preliminary injunction motion, held that the photographic stills taken from a performance of the *Nutcracker* ballet, as reproduced in a book, did not constitute a substantial and material taking of the underlying choreographic expression and stated that the staged performance of the ballet could not be recreated from the photographs.⁴³ The Court of Appeals rejected the latter statement as the standard for determining copyright infringement, holding that the issue was rather whether the photographs were

"jump cites", would infringe plaintiff's protectible arrangement of decisions, even though Lexis concededly has the right to reproduce West's page location showing the commencement of the report of each decision. The court's decision was an affirmation of a grant of a preliminary injunction with a strong dissent.

³⁸ See Professor Kaplan's prediction that the advent of the "new breed of electronic devices" (computers) capable of data manipulations would renew consideration of these issues. B. Kaplan, *supra* note 8, at 59.

³⁹ On remand, the District Court found the plaintiff's index cards not to be copyrightable. *Financial Information, Inc.*, *supra* note 8, *on remand*, 81 Civ. 6001 (S.D.N.Y. filed July 10, 1986). Such decisions make current Professor Kaplan's observation about the initial litigation arising under the Statute of Anne enacted in 1710: "The meaning of the statute is apt to be first tested in strange cases on the periphery of the enactment rather than in its heartland." B. Kaplan, *supra* note 8, at 9.

⁴⁰ *Financial Information Inc.*, *supra* note 36, 751 F.2d at 505-506; similarly, in *Cooling Systems*, *supra* note 37, 777 F.2d at 491, the Ninth Circuit entirely disregarded its older decision in *Leon v. Pacific Telephone & Telegraph Co.*, 91 F.2d 484, 486 (9th Cir. 1937); *contra* *West Publishing Co. v. Mead Data Central, Inc.*, *supra*, 799 F.2d 1219 (8th Cir. 1986); *Schroeder v. William Morrow & Co.*, *supra* note 36, 566 F.2d at 6.

⁴¹ A. Latman, *Treatise*, at 53.

⁴² *Horgan v. MacMillan, Inc.*, 621 F. Supp. 1169, 227 U.S.P.Q. 975 (S.D.N.Y. 1985), *rev'd and remanded*, 789 F.2d 157, 229 U.S.P.Q. 684 (2d Cir. 1986).

⁴³ 621 F. Supp. at 1170.

“substantially similar” to the choreography.⁴⁴

B. Preemption and the 1976 Act's Exclusive Federal System of Protection

There have been numerous decisions dealing, often inconsistently, with the intended effect of Section 301 “to preempt and abolish any rights under common law or statutes of a State that are equivalent to copyright and that extend to works coming within the scope of Federal copyright law.”⁴⁵ In general, the courts have tended to hold that claims denominated or perceived as ones for “misappropriation” are preempted except for misappropriation of trade secrets.⁴⁶ In somewhat of a surprise, because of the original listing of conversion among specified non-preempted claims in the bill reaching the House floor in 1976,⁴⁷ because of the confused floor debate relating to deletion of this list,⁴⁸ and because of the additional elements required to prove conversion and tortious interference with contract, these claims have been viewed in the Second Circuit as “qualitatively” or in essence causes of action based upon unauthorized reproduction of a copyrighted work and therefore preempted.⁴⁹ Various other claims under state and federal laws have been held not to be preempted, including causes based upon misappropriation of ideas (which are not the subject matter of copyright protection), the right of publicity, *droit de suite*, bad faith in commercial dealing, misappropriation of trade secrets, imitation of trade dress, violations of another federal statute such as Section 43(a) of the Lanham Act, breach of contract, unjust enrich-

⁴⁴ 789 F.2d at 162. The court did not, however, opine on whether the plaintiff was likely to prevail on the merits or direct the issuance of a preliminary injunction. Instead, it expressed its “strong view that this case should proceed to a final disposition on the merits rather than to a consideration of the motion for a preliminary injunction” *Id.* at 164.

⁴⁵ House Report at p. 130.

⁴⁶ See, e.g., *Avco Corporation v. Precision Air Parts Inc.*, 210 U.S.P.Q. 894 (M.D. Ala. 1980), *aff'd*, 676 F.2d 494, 216 U.S.P.Q. 1086 (11th Cir.), *cert. denied*, 459 U.S. 1037, 103 S. Ct. 450 (1982), *later app.*, 736 F.2d 1499 (11th Cir. 1984), *cert. denied*, 105 S. Ct. 966 (1984); *Mitchell v. Penton/Industrial Publishing Co.*, 486 F. Supp. 22, 205 U.S.P.Q. 242 (N.D. Ohio 1979).

⁴⁷ This bill was the Senate bill, S-22. The House of Representatives deleted from Section 301(b)(3) of S-22 the clause enumerating the illustrative examples of causes of action not preempted under Section 301. See H.R. REP. NO. 94-1733, 94th Cong., 2d Sess. 78-79 (1976) (the “Conference Report”).

⁴⁸ 122 Cong. Rec. H-10910 (daily ed. Sept. 22, 1976).

⁴⁹ *Harper & Row Publishers, Inc. v. Nation Enterprises*, 501 F. Supp. 848, 212 U.S.P.Q. 274 (S.D.N.Y. 1980), *aff'd on this point*, 723 F.2d 195, 220 U.S.P.Q. 321 (2d Cir. 1984), *rev'd on other grounds*, 105 S. Ct. 2218 (1985); *but see Oddo v. Ries*, 743 F.2d 630, 634, 222 U.S.P.Q. 799, 802 (9th Cir. 1984) which, in emphasizing the Second Circuit's language from *Harper & Row*, at 723 F.2d 200, to the effect that where there are “elements beyond mere reproduction or the like,” there is no preemption, may be inconsistent with *Harper & Row*.

ment (quasi-contract) and state regulation of motion picture licensing activities.⁵⁰

The inconsistencies in applying Section 301(a) undoubtedly stem from the courts' desires to find a way to remedy wrongdoing one way or another in particular cases.⁵¹

*Roth v. Pritikin*⁵² decided the important issue of the retroactive effect of Section 301(a). Section 301(a) provides that "on and after January 1, 1978 all legal and equitable rights" relating to copyrighted works, "whether created before or after that date," are governed exclusively by the Copyright Act of 1976. The court rejected the plaintiff's argument on the basis of Section 301 that the new definition of "work for hire" in Section 101 should be applied retroactively to govern the 1977 arrangements made between the authors of the Pritikin diet book and a recipe writer who assisted them. The court, noting the constitutional problems in a statute's altering previously existing contractual rights, read Section 301 to mean that the exclusive rights now provided in Section 106 could be asserted by the owner of a work created before January 1, 1978, but that Section 301 did not intend to decide or alter the pre-existing ownership of rights.⁵³ *Roth v. Pritikin* would thus be a significant precedent affecting the application of other 1976 Act provisions dealing with copyright ownership, including, for example, Sections 201 (Ownership of Copyrights), 204 (Execution of Transfers of Copyright Ownership) and 105 (Subject matter of copyright: United States Government Works).

⁵⁰ See, e.g., *Bromhall v. Rorvik*, 478 F. Supp. 361 (E.D. Pa.) (misappropriation of ideas); *Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831, 218 U.S.P.Q. 1 (6th Cir. 1983) (right of publicity); *Morseburg v. Balyon*, 621 F.2d 972, 207 U.S.P.Q. 183 (9th Cir.), cert. denied, 449 U.S. 983, 101 S. Ct. 399 (1980) (*droit de suite*); *Odde v. Ries*, supra note 49, 743 F.2d at 634 (breach of fiduciary duty); *Technicon Medical Information Systems Corp. v. Green Bay Packaging, Inc.*, 687 F.2d 1032, 215 U.S.P.Q. 1001 (7th Cir. 1982), cert. denied, 459 U.S. 1106, 103 S. Ct. 732 (1983) (trade secrets); *Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc.*, 209 U.S.P.Q. 951 (N.D. Tex. 1980), rev'd on other grounds, 659 F.2d 695 (5th Cir. 1981), cert. denied, 457 U.S. 1126 (1982) (trade dress); *DC Comics v. Filmmation Associates*, 486 F. Supp. 1273, 206 U.S.P.Q. 112 (S.D.N.Y. 1980) (Section 43(a)); *Fantastic Fakes v. Pickwick International, Inc.*, 661 F.2d 479, 212 U.S.P.Q. 727 (5th Cir. 1981) (breach of contract); *Werlin v. Reader's Digest Association*, 528 F. Supp. 451 (S.D.N.Y. 1981) (unjust enrichment and quasi-contract); and *Allied Artists Pictures Corp. v. Rhodes*, 679 F.2d 656 (6th Cir. 1982) (state motion picture regulatory laws).

⁵¹ Professor Kaplan has identified a similar, earlier use of the *INS* decision, *International News Service v. Associated Press*, 248 U.S. 215 (1918), by state judges to prevent what they viewed as objectionable or unfair "reaping." B. Kaplan, supra note 8, at 90.

⁵² 710 F.2d 934, 219 U.S.P.Q. 204 (2d Cir.), cert. denied, 461 U.S. 961, 104 S. Ct. 394 (1983).

⁵³ *Id.* at 937-939.

C. Fair Use

Section 107 of the 1976 Act codified the prior judicially made doctrine of fair use. Because Section 107⁵⁴ was "intended to restate" and "not to change" the decisionally made fair use doctrine,⁵⁵ the most significant fair use decisions will be included separately below as part of the discussion of continuing jurisprudence under the new and old statutes.⁵⁶ I will here note two developments relating to the new fair use provision and its legislative history.

In *Marcus v. Rowley*, after finding the defendant's fair use defense inadequate under traditional fair use principles, the court gave status to the agreement reached between major lobbying groups on "Guidelines" for classroom copying. This agreement is reprinted in the House Report.⁵⁷ The Ninth Circuit found that these "represent the Congressional Committee's view of what constitutes fair use under the traditional judicial doctrine developed in the case law" and that they indicated minimum standards of fair use.⁵⁸ The Court therefore accorded the "Guidelines" the status of being "instructive" and also examined the defendant's conduct against the Guidelines' three tests of brevity and spontaneity, cumulative effect and inclusion of the owner's copyright notice.⁵⁹ In doing so, the court did not notice that the Guidelines themselves state they were "not in-

⁵⁴ Section 107 provides:

"Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies of phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include -

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work."

⁵⁵ House Report at p. 66. As noted in the House Report, there was also "no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change." *Id.*

⁵⁶ See text accompanying notes 91-109, *infra*.

⁵⁷ 695 F.2d 1171, 217 U.S.P.Q. 691 (9th Cir. 1983); see "Agreement on Guidelines For Classroom Copying in Not-For-Profit Educational Institutions (pertaining to books and periodicals) between the Ad Hoc Committee of Educational Institutions and Organizations on Copyright Law Revision, the Authors League of America, Inc. and the Association of American Publishers, Inc.," reprinted as part of the legislative history of Section 107 (fair use), at pages 68-79 of the House Report.

⁵⁸ *Marcus*, *supra* note 57, 695 F.2d at 1178.

⁵⁹ *Id.*

tended to limit the types of copying" allowed under the statute.⁶⁰

Another important precedent involving the above Guidelines may arise from a private settlement of the lawsuit brought against New York University for allegedly improper photocopying of classroom materials. The settlement included a dismissal of the lawsuit without prejudice in return for implementation by the University of specified procedures, including use of the Guidelines, to provide guidance to its faculty on photocopying and, where appropriate, securing permissions.⁶¹

D. Ownership

1. Work Made for Hire

According to the legislative history, the redefinition of work made for hire in Section 101 represented "a compromise," in drawing "a statutory line between those works written on a special order or commission basis that should be considered 'works made for hire,' and those that should not."⁶² But in *Aldon Accessories, Ltd. v. Spiegel, Inc.*,⁶³ the court determined that an American commissioning party was the copyright owner of a statuette, not because the work fell within the specific categories of "commissioned" works that can be considered works made for hire (listed in subdivision (2) of the statutory definition), but rather because the Taiwanese artists manufacturing the work were found to be "employees" of the commissioning party within the meaning of subdivision (1) of the definition, i.e. employees preparing the work "within the scope" of their "employment."⁶⁴ The court held that congress had not intended in subdivision (1) to change the earlier judge-made law on who was an "employee" and that the "right to direct and supervise" the outside or independent contractors where the commissioning party exercises this right rendered them "employees", even though the outside persons were not regular employees.⁶⁵ Unless this reasoning is seen as resulting from an absence of sufficient authorship on the part of the Taiwanese manufacturers,⁶⁶ this decision will surprise those who had viewed Section 101 as changing the whole definition of work made for hire under the prior law. It will affect many businesses and individuals.

⁶⁰ House Report at p. 68.

⁶¹ See A. LATMAN, R. GORMAN, J. GINSBURG, COPYRIGHT FOR THE EIGHTIES, 491-492 (2d ed. 1985), for a description of the settlement.

⁶² House Report at 121.

⁶³ 738 F.2d 548, 222 U.S.P.Q. 951 (2d Cir.), *cert. denied*, 105 S. Ct. 387 (1984). See *Evans Newton Inc. v. Chicago Systems Software*, 793 F.2d 889, 230 U.S.P.Q. 166 (7th Cir. 1986), following *Aldon v. Spiegel*.

⁶⁴ *Id.* at 552.

⁶⁵ *Id.* at 552-553.

⁶⁶ See *Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises, Inc.* (E.D. La. October 23, 1986), as yet unreported but noted in 31 BNA PAT. TRADEMARK & COPYRIGHT J. 392 (hereinafter "PTCJ").

2. Termination of Prior Grants

From an author's perspective; the right to terminate prior grants under Sections 203 and 304(c), as a safeguard against unremunerative transfers, may not be all that was hoped for. In the first two judicial tests of the new right, relating to the story "Tarzan of the Apes" and the song "Who's Sorry Now", the authors, or their families, have lost. The opinions have exposed important qualifications on the right and even pitfalls for authors who would assert it.⁶⁷ Both cases dealt with attempts to recapture the extended renewal copyrights for the works in question.⁶⁸

In *Burroughs*, the author's heirs had served a notice of termination covering the first and numerous other Tarzan stories on the author's original grantee, his family-owned corporation. The District Court's denial of a preliminary injunction against the corporation's 1931 sublicensee, MGM, is discouraging to authors for its emphasis on the numerous procedural hurdles that must be overcome to effectuate termination.⁶⁹

In a later appeal from a grant of summary judgment to defendant, two members of the panel held the heirs' termination ineffective against MGM on the ground that the termination notice did not list five later Tarzan stories.⁷⁰ The majority reasoned that if MGM retained the right to use these five stories, it could make a film not based on these stories but still using the characterization originating from the author's first Tarzan work. Judge Newman disagreed here, concluding that the continuing right to use material from these five sequels only allowed MGM to do so in the context of these stories.⁷¹ He nevertheless concurred in the result because the original grant had been a gratuitous transfer to a family-owned corporation and the author's heirs had failed to serve the corporation's sub-licensee MGM with the notice of termination under circumstances where, he felt, they knew or should have known of the corporation's 1931 sub-license to MGM.⁷²

*Mills Music*⁷³ involved the so-called "derivative works" exception to the termination right provided in Section 304(c)(6)(A). The Supreme Court dealt with the following issue not explicitly covered by the statute: Where the music publisher grantee has granted a sublicense to a record company to create a sound recording, who receives the revenue from the continuing sales of this derivative work after the music publisher's rights have been terminated—(a) the music publisher and the composer or his heirs according to the terms of the grant, or (b) solely the

⁶⁷ *Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 683 F.2d 610, 215 U.S.P.Q. 495 (2d Cir. 1982) and *Mills Music v. Snyder*, 466 U.S. 903, 105 S. Ct. 638 (1985).

⁶⁸ See 17 U.S.C. § 304(b) and House Report at 124-128.

⁶⁹ See *Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 491 F. Supp. 1320, 210 U.S.P.Q. 579 (S.D.N.Y. 1980), *aff'd without op.*, 636 F.2d 1200 (2d Cir. 1980).

⁷⁰ *Id.*, 683 F.2d at 622.

⁷¹ *Id.* at 632 (Newman J., concurring).

⁷² *Id.* at 632-634.

⁷³ *Mills Music, Inc. v. Snyder*, 466 U.S. 903, 105 S. Ct. at 638 (1985).

composer or his heirs? The Supreme Court held that the music publisher should continue to be included as one of the recipients according to the terms of the terminated grant, finding a congressional intent in the derivative work exception to encompass the grantee's sublicense to the sublicensee who prepared the derivative work.⁷⁴ In its detailed examination of the derivative work exception, the Court gave insufficient weight to the more important, fundamental purpose of the termination provision itself, viz, to benefit authors and not their grantees.⁷⁵

E. Copyright Notice

Under the 1909 Act, defective or omitted notices could lead automatically to forfeiture of copyright protection. The recent Second Circuit decision in *Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*⁷⁶ has recognized the liberalized treatment of the new copyright notice provisions and has now firmly rejected the reasoning of *Beacon Looms, Inc. v. S. Lichtenberg*,⁷⁷ which held that a deliberate omission of notice could not be cured under Section 405. Judge Friendly based his reading of the statute on both its wording and the legislative history which states that the 1976 Act's reform of the notice requirement represented "a major change in the theoretical framework of American copyright law," and that Section 405's curative provisions applied to omission of notice "whether...unintentional or deliberate."⁷⁸

F. The Manufacturing Clause

The original goal of eliminating the "manufacturing clause" by July 1, 1982 has not been met. In 1982 Congress overrode the President's veto and extended this deadline until July 1, 1986.⁷⁹ Proposals to amend the statute so as to retain the manufacturing clause indefinitely⁸⁰ did not pass in 1986. But at this point, it may be unrealistic to expect no further attack on the original goal.

G. First Sale Doctrine

As originally enacted, the new statute (Sections 109 and 115) carried forward the "first sale doctrine" allowing the owner of a particular lawfully made copy of a work to sell or otherwise dispose freely of possession of his copy. To combat rentals for copying purposes, Congress acted again in 1984 to amend these

⁷⁴ *Id.* at 650-652.

⁷⁵ See House Report at 140-141.

⁷⁶ 780 F.2d 189 (2d Cir. 1985).

⁷⁷ 552 F.Supp. 1305, 220 U.S.P.Q. 960 (S.D.N.Y. 1982).

⁷⁸ *Hasbro Bradley, supra* at note 76, 780 F.2d at 193-194, quoting House Report at 146-147.

⁷⁹ Pub. L. No. 97-215, 96 Stat. 178 (1982).

⁸⁰ 32 PTCJ No. 784, 139, referring to S. 1822, reported out of the Senate Finance Committee on June 11, 1986. See 31 PTCJ No. 765, 250 (Jan. 30, 1986), referring to H.R. 3465 and 30 PTCJ 632; H.R. 3890 and S. 1938, identical to H.R. 3465, and S. 1822.

sections to prohibit the unauthorized rental, lease or lending of phonorecords for direct or indirect commercial advantage.⁸¹

H. *The Copyright Royalty Tribunal*

The Copyright Royalty Tribunal has had some difficulties, although these have not related so much to the issue of government control, as was feared, but to the quality of its members and a concern about the past practices of filling positions on the Tribunal with political appointees who lack experience in copyright matters. In general, however, the courts have affirmed the Tribunal's decisions. This should stimulate meaningful private negotiations over voluntary rates.

I. *Antitrust*

Finally, in two important decisions in the music field, the ASCAP and BMI blanket licenses of performing rights as offered to the three major and local independent television networks have been upheld as not constituting restraints of trade under Section 1 of the Sherman Act.⁸²

J. *State Sovereign Immunity*

In a 1979 decision under the 1909 Act, which should also affect the new statute, the Ninth Circuit held that the copyright owner could recover damages from a state for copyright infringement, concluding that sovereign immunity under the Eleventh Amendment did not bar such a recovery under a statute enacted pursuant to the Copyright Clause of the Constitution.⁸³ A contrary rule would seriously affect copyright owners because of the enormous use of copyrighted materials by state and local school and university systems.

IV. DEVELOPMENTS AFFECTING UNDERLYING CASE-MADE LAW

Infringement litigation will be affected by several major procedural and substantive developments and trends affecting the availability of summary judgment and preliminary injunctions, fair use analysis and unfair competition protection for entertainment properties.

⁸¹ Pub. L. No. 98-450, 98 Stat. 1727 (1984).

⁸² *BMI, Inc. v. CBS, Inc.*, 441 U.S. 1, 99 St. Ct. 1551, 201 U.S.P.Q. 947 (1979), *on remand*, *CBS, Inc. v. ASCAP*, 60 F.2d 930, 205 U.S.P.Q. 880 (2d Cir. 1980), *cert. denied*, 450 U.S. 970, 101 S. Ct. 1491 (1981); *Buffalo Broadcasting Company v. ASCAP*, 744 F.2d 917, 223 U.S.P.Q. 478 (2d Cir. 1984), *cert. denied*, 105 S. Ct. 1181 (1985). The political ability of anti-copyright forces to alter the result in *Buffalo* should not be discounted, however. *See, e.g.*, the exemption for performance of non-dramatic literary or musical works by veterans' and fraternal organizations in Section 110(10), added in 1982. Act of Oct. 25, 1982, Pub. L. No. 97-366, sec. 3, 96 Stat. 1759.

⁸³ *Mills Music, Inc. v. Arizona*, 591 F.2d 1278, 201 U.S.P.Q. 437 (9th Cir. 1979); *but see, e.g.*, *Wihtol v. Crow*, 309 F.2d 777, 135 U.S.P.Q. 736 (8th Cir. 1962); *Mihalek Corp. v. Michigan*, 595 F. Supp. 903, 225 U.S.P.Q. 736 (E.D. Mich. 1984) (1976 Act case).

A. Summary Judgment

Summary judgment for defendants in copyright-infringement cases is decidedly on the increase, and the oft-followed presumption against it on the basis of *Arnstein v. Porter*⁸⁴ has been put aside. The new statute does not define infringement but like the old,⁸⁵ looks to decisional law for its meaning. The traditional elements have remained that the defendant copied and that the copying of protectible expression went so far as to result in a material or "substantial similarity" to the plaintiff's work. The test for "substantial similarity" is the court's evaluation of the aesthetic impression the accused work will have on an imaginary "lay observer."⁸⁶ Under the influence of *Arnstein* "substantial similarity," like the issue of actual copying, had been considered one for the trier of fact either as a question of fact or as a mixed question of fact and law.

In *Warner Bros. v. American Broadcasting Co. Inc.* the Second Circuit abandoned *Arnstein*'s proscription of summary judgment on the issue of "substantial similarity," holding that the court could, as a matter of law, mark the outer limits of whether defendant's fictional television character was "substantially similar" to plaintiff's.⁸⁷ This decision is already leading to significantly increased summary judgment in copyright cases.⁸⁸

B. Injunctions

There is a growing judicial reluctance to grant preliminary and even permanent injunctions against an expensive venture created by a reputable defendant whose product, such as a new technological device, a film or book, is not a por-

⁸⁴ 154 F.2d 464, 68 U.S.P.Q. 288 (2d Cir. 1946), *cert. denied*, 330 U.S. 851, 67 S. Ct. 1529, 73 U.S.P.Q. 550 (1947).

⁸⁵ B. Kaplan, *supra* note 8, at 40.

⁸⁶ The traditional rule is that the fact-finder is to test the "substantial similarity" by evaluating the impression on the "lay observer" without the aid of expert testimony. See *Arnstein v. Porter*, 154 F.2d at 468-69. But most recently, in *Whelan Associates v. Jaslow Dental Laboratory*, *supra*, 797 F.2d at 1232-33, the Third Circuit has found it not useful to apply the lay observer test to a claim of copyright infringement of exceptionally difficult material such as a computer program and instead approved a district court's evaluation of "substantial similarity" with the assistance of both lay and expert testimony.

⁸⁷ 720 F.2d 231, 239-240, 245, 222 U.S.P.Q. 101, 108 & 112 (2d Cir. 1983). There had existed earlier a line of decisions where summary judgment was granted as to the non-copyrightability of all or portions of the plaintiff's work. See *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 977, 205 U.S.P.Q. 681, 685 (2d Cir. 1980), and cases there cited. But these did not authorize summary judgment on the issue of "substantial similarity."

⁸⁸ See, e.g., *Walker v. Time Life Films*, 784 F.2d 44 (2d Cir. 1986); *Wickham v. Knoxville Intern. Energy Exposition*, 739 F.2d 1094 (6th Cir. 1984); and *See v. Durang*, 711 F.2d 141 (9th Cir. 1983).

nographic version or pirated copy of the plaintiff's.⁸⁹ In *Gilliam*, notwithstanding its view that plaintiff was likely to prevail on the merits, the District Court declined to issue a preliminary injunction because of the infringer's investment in its programming and publicity. The Second Circuit, agreeing that plaintiff would prevail, directed the issuance of a preliminary injunction, only after the defendant's films had received a first television airing, with the court noting the absence of any scheduled rebroadcast and advertising expenses for the future. If the difficulty in securing preliminary injunctive relief increases, it could deny the copyright owner control over the use of his or her work to the point of effectuating a general, judge-made compulsory license in these kinds of cases.⁹⁰

⁸⁹ See *Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 491 F. Supp. 1320, 210 U.S.P.Q. 579 (S.D.N.Y.) (preliminary injunction denied), *aff'd without op.*, 636 F.2d 1200 (2d Cir. 1980); *Belushi v. Woodward*, 598 F. Supp. 36, 223 U.S.P.Q. 511 (D.D.C. 1984) (temporary restraining order denied); *cf. Sony Corporation of America v. Universal City Studios, Inc.*, 464 U.S. 417, 104 S. Ct. 774, 220 U.S.P.Q. 665 (1984), *reh. denied*, 465 U.S. 1112, 104 S. Ct. 1619 (reversing Ninth Circuit judgment for plaintiff which had directed District Court to reconsider appropriateness of permanent injunction); these decisions would appear to be part of a trend which includes the earlier 1909 Act decision in *Gilliam v. American Broadcasting Cos., Inc.*, 538 F.2d 14, 192 U.S.P.Q. 1 (2d Cir. 1976) (preliminary injunction granted by Court of Appeals); *compare with, e.g., Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 28 U.S.P.Q. 330 (2d Cir.), *cert. denied*, 298 U.S. 669, 56 S. Ct. 835 (1936); *Universal Pictures Co., Inc. v. Harold Lloyd Corporation*, 162 F.2d 354, 73 U.S.P.Q. 317 (9th Cir. 1947); *Bradbury v. Columbia Broadcasting System, Inc.*, 287 F.2d 478, 128 U.S.P.Q. 376 (9th Cir.) *cert. dismissed*, 368 U.S. 801, 82 S. Ct. 19 (1961). With respect to motion pictures it seems that the level of defendant's expenditures in making a film is becoming a more important exculpatory factor for a court than the inevitable dissimilarities between the claimant's novel and an accused motion picture version of it. *But see* B. Kaplan, *supra* at 57.

⁹⁰ An injunction may thus be farther today from the "often close to automatic" situation that Professor Latman noted in 1970. Latman, *Preliminary Injunctions in Patent, Trademark and Copyright Cases*, 60 TRADEMARK REP. 506 (1970). If the present tendency is more consonant with Professor Kaplan's earlier reminder that an injunction "does not go of course" plus his emphasis on the alternative of a monetary recovery, *see* B. Kaplan, *supra* note 8, at 73 and 114, this may, nevertheless, be insufficiently sensitive to the continuing importance of control to the copyright owner. As Professor Kaplan himself recognized, to modify the available remedies to allow withholding of injunctions is a form of compulsory licensing. *Id.* at 110. Former Register Ladd has similarly noted that "[e]very limitation on copyright is a kind of rate setting," even that of a "sincere judge searching a record for undefined harm." Ladd, *The Harm of the Concept of Harm in Copyright*, 30 J. COPR. SOC'Y 421, 431-32 (June 1983). Thus, in our concern about the monopolistic aspect of copyright, we must not disregard the actual nature of the copyright owner's protection:

"Copyright, after all, merely allows justice. It does not 'give' the author or the publisher anything. It cloaks in legal raiment the undoubted right. It does not guarantee success, or audience, or power, or riches. It is not a warranty,

C. Fair Use

The leading developments here are, of course, the Supreme Court decisions in *Sony*⁹¹ and *Harper & Row*.⁹² Each of these must be seen first as decisions of the actual cases and controversies in question and not general civics lessons.

In *Sony* the Supreme Court was faced with the question of whether the defendant was a copyright infringer because of its sale of video cassette recorders ("VCRs") used by some members of the general public to record plaintiffs' television programming from the public air-waves.⁹³ The Court's consideration of the fair use defense was the outgrowth of its holding that the sale of such copying equipment does not constitute contributory infringement if the VCRs are capable of substantial, i.e., commercially significant, non-infringing uses.⁹⁴ In answering the inquiry required by this holding, the Court accepted defendant's contention that one potential use, namely, private, non-commercial time-shifting⁹⁵ in the home, unauthorized by the plaintiff copyright owners, would be legitimate fair use and not constitute copyright infringement.⁹⁶

If *Sony* is examined in light of what it actually decided, I believe its holding that home VCR, off-air "time shifting" of entire free-broadcast television programming was fair use was heavily influenced by these general underlying facts: The plaintiffs were not suing the users of the copying devices but the manufacturers, thereby emphasizing a challenge against new technology; by rejecting the fair use defense, the Court would have intruded upon the privacy of millions of American homes; fashioning an appropriate remedy would have been a most difficult task for the courts; plaintiffs could not show easily demonstrable harm from off-air taping; an increase in revenues to the plaintiff motion picture producers does not necessarily, or even usually, benefit the authors; and a motion picture owner can protect himself in the future by assuming that a television broadcast license will result in home use time shifting and charging accordingly in the first instance.

but an invitation to risk. When the rewards are large, we should not resent or envy, but rejoice, and we should likewise cherish every miserable failure. For in the midst of that striving, success, and failure, where even remaindered titles expand choice and possibility, there occurs the winnowing from which emerges the excellent and the enduring. The public decides by how it responds and pays. No government is so wise nor should be allowed to try to be."

Id. at 429; see also Register's Report at 5.

⁹¹ *Sony Corporation of America*, *supra* note 89, 104 S.Ct. 774.

⁹² *Harper & Row, Inc. v. Nation Enterprises*, 471 U.S. 539, 105 S. Ct. 2218, 225 U.S.P.Q. 1073 (1985).

⁹³ *Sony Corporation of America*, *supra* note 89, 104 S.Ct. at 777.

⁹⁴ *Id.* at 789.

⁹⁵ According to the Court, "time-shifting" is the practice of recording a program which one cannot view as it is being televised, and then watching it once at a later time.

Id. at 778.

⁹⁶ *Id.* at 789 and 791-96.

The fact that a participation in a film's "net profits" is unlikely to increase an author's revenue⁹⁷ may well have undercut the industry's generally persuasive arguments that the author indirectly benefits from the producer's augmented ability to recoup and/or earn a fair profit on its investment. This comports with another of Professor Chafee's six ideals that protection should not go substantially beyond the purposes for which it is granted, viz, primarily to benefit the author.⁹⁸

In terms of the value of its express reasoning as a fair use precedent, *Sony* may have little, because of both the brevity of its discussion of the statutory fair use factors and its particular factual setting. Several points are worth noting, however. First, the importance to the decision of the combination of home, non-commercial use with the technological advance represented by the copying device may contribute to insulating from liability the manufacture and home use of many other kinds of new technological devices. This is clearly seen in the Court's ruling on contributory infringement, where the Court applied the patent law "staple item of commerce" doctrine to the new technology of the VCR by holding that the sale of copying equipment does not constitute contributory infringement if the product is also used for substantial, non-infringing purposes.⁹⁹ With the expected growth in home computers having access to numerous copyrighted materials, *Sony* may thus become a very important precedent notwithstanding its brief treatment of the statutory fair use factors. Second, the Supreme Court also stated that "every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of copyright"¹⁰⁰ and that if the intended use by a defendant is for commercial gain, the likelihood of injury to the potential market for or value of the copyrighted work may be presumed. This language has already influenced subsequent decisions, including the Supreme Court's own decision in *Harper & Row*.¹⁰¹ Third, the Court declined to give dispositive weight to the argument that a use cannot be "fair" unless it is a "productive use," i.e., for a purpose of incorporating the copied material into an independent work such as one of criticism or scholarship.¹⁰² Finally, the Court's holding that plaintiffs had not sufficiently shown some likelihood of potential harm to the copyrighted work from the non-commercial home time-shifting VCR users,¹⁰³ is unclear in its implications for the requisite burden of proof in other

⁹⁷ Because of the way "net profits" is usually defined in the operative contract, many other people are paid before there are "net profits" and before a right to participate in them (infrequently) results in any revenue to the author.

⁹⁸ Chafee at 526-527

⁹⁹ 164 S.Ct. at 787-788.

¹⁰⁰ *Id.* at 793.

¹⁰¹ 105 S.Ct. 2218 (1985). See also cases cited in n. 109, *infra*.

¹⁰² See, e.g., Seltzer, *Exemptions and Fair Use in Copyright: The Exclusive Rights Tensions in the New Copyright Act*, 24 BULL. COPR. SOC'Y 215, 237 (1977); Sony Corp. of America, *supra* note 89, 104 S.Ct. at 793 n.33, 795-796 n.40.

¹⁰³ *Id.* at 793-795.

situations concerning this fourth but crucial statutory fair use factor.

In *Harper & Row* the Supreme Court reinstated a trial judgment holding that the *Nation* magazine had infringed the copyright in President Ford's unpublished manuscript of his memoirs and rejecting defendants' fair use defense. Justice O'Connor, writing for a six-Justice majority, rejected a news reporting purpose or newsworthiness as an independent justification for unauthorized copying, holding that such a purpose is only one fact in the overall analysis. The Court (i) considered the purloining of the manuscript a negative factor, (ii) held that the unpublished status of a work was critical in negating the *Nation's* defense of fair use,¹⁰⁴ (iii) stressed the relevance of the quality of the expression copied and its quantity in relation to the defendants' work,¹⁰⁵ and (iv) found that *Time* magazine's cancellation of its first serialization license was an intended, and actual, result of the defendants' copying. The Court applied its reasoning from *Sony* that a use intended for commercial gain is presumptively unfair and, with regard to the fourth fair use factor, characterized as "the single most important element of fair use," ruled that the defendants' commercial purpose created a presumption of a likelihood of future harm to the potential market for or value of the copyrighted work.¹⁰⁶ The Court also ruled that fair use is an affirmative defense and is a mixed question of fact and law.

In terms of precedent *Harper & Row* will be significant in standing, at long last, as a Supreme Court victory for a copyright owner and for copyright protection. Our highest court has expressly recognized and emphasized the crucial Constitutional and statutory role played by copyright, "the engine of free expression,"¹⁰⁷ in working together with the First Amendment to promote access to knowledge and the exercise of our free speech rights. Thus, the Supreme Court firmly corrected Judge Kaufman's error in giving "insufficient deference to the scheme established by the Copyright Act for fostering the original works that provide the seed and substance of this harvest [of knowledge]" which the Founding

¹⁰⁴ Although the 1976 Act had not followed Register Kaminstein's original recommendation to preserve common law protection for undissemated works, Register's Report, *supra* note 8, at 41, the author's right to control the point of first disclosure was reflected in the legislative history, see S. REP. NO. 94 - 473, 94th Cong., 1st Sess. at 64 (1975) and recognized by the Supreme Court, *Harper & Row*, *supra* note 92, 105 S.Ct. at 2227.

¹⁰⁵ This consideration, disregarded by the Court of Appeals, was not new. As Professor Kaplan noted, Lord Cottenham developed the thought in *Bramwell v. Halcomb*, 2 My. & Cr. 737, 40 Eng. Rep. 1110 (Ch. 1836) - which soon influenced Justice Story in the leading American case of *Gray v. Russell*, 10 Fed. Cas. 1035, 1039 (No. 5728) (C.C.D. Mass. 1830) - "that the question of substantiality of an infringement was not necessarily a quantitative matter but might involve a qualitative judgment as to the importance of the part appropriated." B. Kaplan, *supra* note 8, at 20.

¹⁰⁶ *Harper & Row*, *supra* note 92, 105 S.Ct. at 2231-2232.

¹⁰⁷ *Id.* at 2230.

Fathers sought to promote.¹⁰⁸ By enforcing the author's exclusive control over first publication, *Harper & Row* will provide publishers with incentive to take the risk of publishing many works which might otherwise fail to reach the public.¹⁰⁹

D. Non-Copyright Developments in Unfair Competition

We should also note a "non-copyright" development which is likely to affect future copyright jurisprudence, namely, the increasingly successful use by plaintiffs of Section 43(a) of the Lanham Act¹¹⁰ to protect against unauthorized copying of a competitor's entertainment properties. Under that section, anyone who misrepresents the origin of his goods or services, thereby creating a likelihood of confusion as to source, is liable for unfair competition. Section 43(a) claims often accompany copyright infringement claims. In recent years, courts have held that the ingredients of entertainment properties, such as the appearances of cartoon characters and even of a distinctly decorated automobile, may function like trademarks as symbols of their source or origin and that copying of them is actionable under Section 43(a).¹¹¹ The issue such decisions raise for the future is whether such unfair competition protection will be permitted to prevent copying of works whose copyright protection has expired in the face of a copyright public domain policy of encouraging the use of unprotected material. This issue has long existed in theory but no decision has squarely faced the problem, e.g., of a defendant's marketing a doll of a famous character or a sequel to a successful novel for which protection has expired. It is only in recent times that mass merchandising

¹⁰⁸ *Id.* at 2223.

¹⁰⁹ Even before the Supreme Court decision in *Harper & Row*, the Second and Eleventh Circuit opinions in *Financial Information, Inc. v. Moody's Investors Service, Inc.*, 751 F.2d 501, 224 U.S.P.Q. 632 (2d Cir. 1984) (sometimes referred to herein as "Moody's") and *Pacific and Southern Co. v. Duncan*, 744 F.2d 1490, 224 U.S.P.Q. 131 (11th Cir. 1984), *cert. denied*, 105 S.Ct. 1867, *on remand* 618 F. Supp. 469, 228 U.S.P.Q. 141 (N.D.Ga. 1985), *aff'd*, 792 F.2d 1013 (11th Cir. 1986), had begun to return fair use analysis to the mainstream of the statute and prior case law by following *Sony's* emphasis on the presumptive unfairness of any use intended for commercial gain. Although acknowledging *Sony's* view that the absence of a productive use is not dispositive, these decisions, nevertheless, also underscore the negative effect of an unproductive use.

¹¹⁰ 15 U.S.C. § 1125(a).

¹¹¹ *Warner Bros., Inc. v. Gay Toys*, 724 F.2d 327 (2d Cir. 1983), *later proceeding*, 598 F. Supp. 424, 223 U.S.P.Q. 503 (S.D.N.Y. 1984); *D.C. Comics, Inc. v. Filmation Associates*, 486 F. Supp. 1273, 206 U.S.P.Q. 112 (S.D.N.Y. 1980); *but see Pagliero v. Wallace China Co.*, 198 F.2d 339, 343, 95 U.S.P.Q. 45 (9th Cir. 1952), reasoning that in the absence of patent or copyright protection, features which are important ingredients in the commercial success of a product may be imitated because they are aesthetically functional. Such a broad view of aesthetic functionality is criticized in *Gay Toys*, *supra*, and *Keene Corp. v. Paroflex Industries, Inc.*, 653 F.2d 822, 825, 211 U.S.P.Q. 201 (3d Cir. 1981); *see also Vuitton et Fils, S.A. v. J. Young Enterprises, Inc.*, 644 F.2d 769, 773, 210 U.S.P.Q. 35 (9th Cir. 1981).

based upon copyrighted works has reached a level which may lead someone to mount such a major effort to exploit commercially an unprotected work and defend it.

V. *Observations and Conclusion*

In view of the foregoing developments, I believe we can now make certain observations and venture some commentaries. Although we may not yet be able, as William Dean Howells tells us, to "see it all," it will hopefully be worthwhile to try to see some "new truth" emerging at an early enough point to make use of it.

Here, then, are my observations:

The selection of quotations at the outset stems from my personal view that, although change is the only thing we can count upon, we all have a basic tendency to resist change and consequently that, in any areas subject to human control, change either comes slowly, or passes us by before we can see or acknowledge its reality. I therefore believe, not surprisingly, that the most notable strain in the evolution of the law under the new statute is the continuing, tremendous significance of the past, by which I mean both the earlier underlying case-made and statutory law. The important role of our prior law is seen in many decisions under the new statute, including instances where the courts have resisted statutory changes—in one case, to the point of ignoring the new rule on omission of copyright notice.

In the fair use area, we can see, first, that the new statute itself in its selection of the four statutory factors to be considered in determining whether a use is fair bears a remarkable similarity to the list first enumerated by Justice Story in *Folsom v. Marsh* more than 130 years before:

"the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects of the original work."¹¹²

Similarly, as noted above, Justice O'Connor's common-sense stress in *Harper & Row* on the qualitative nature of the taking instead of the quantity of 300 to 400 words, is reminiscent of Lord Chancellor Cottenham's thought of 140 years earlier in *Bramwell v. Halcomb*. We also see the past in *Harper & Row*'s emphasis on the unpublished nature of the author's manuscript as a "critical" factor in the decision. For, although Section 107 now clearly applies to both published and unpublished works, at common law an author's right of first publication had been virtually absolute with no fair use exception.¹¹³ *Harper & Row* thus evidences

¹¹² 9 Fed. Cas. at 348.

¹¹³ See A. LATMAN, FAIR USE OF COPYRIGHTED WORKS (1958), reprinted as Study No. 14 in COPYRIGHT LAW REVISION STUDIES NOS. 14-16, Prepared for the Senate Committee on the Judiciary, 86th Cong., 2d Sess. 7 and n.18 (Comm. Print 1960); *Harper & Row*, *supra* note 92, 105 S.Ct. at 2226 & 2228, and authorities cited there.

the influence of the policy behind the pre-1976 Act common law rule as well as traditional First Amendment precedent suggesting a freedom not to speak publicly until one has finally decided what to say and when.¹¹⁴

In terms of copyright formalities, one of the changes most welcomed in 1976 was the express provision in Section 405 allowing for the curing of even an intentionally omitted copyright notice. It has, nevertheless, taken eight years and a strong scholar like Judge Friendly to effectuate this change and overcome the stubborn resistance to the new rule.

The ghosts of copyright past have also undoubtedly played their role in frustrating the expectations of many with regard to the newly created statutory right of copyright termination and new definition of a "work made for hire." Here, the old truths for authors - that they lose out - has been joined by the increased complexity of the new statute in contributing to undermining the fundamental goals of the new provisions.

Although we are seeing some repetition of past experience under the 1909 Act in the inconsistency of decisions implementing the newly expressed statutory objective of copyright preemption, this must be expected and may not be all bad. The courts' unwillingness to dismiss various claims existing in the penumbra of preemption where copyright protection is unavailable or insufficient in order to remedy what they perceive as wrongdoing, is only carrying out the basic function of our legal system to do justice in particular cases.

The tendency toward legislative expansion of protection for utilitarian articles embodying new technology resulting from hard work and/or great expenditures, such as mask works, would again appear to continue an existing trend under the 1909 Act.¹¹⁵

And in the case of the manufacturing clause, we see that the political forces favoring retention of the previous statute's special protection for our domestic printing industry are still with us and almost undid the reform enacted in 1976.

On the other hand, if changes do not always come quickly, some are arriving more swiftly than others and are already giving us some genuinely new realities. Thus, the courts are already increasing their use of summary judgment to reduce caseloads. Also in litigation, notwithstanding *Harper & Row's* recognition of an author's right to control first publication of a book, there would appear to be increasing cause for concern about creeping compulsory licensing through growing judicial reluctance to grant injunctions against large scale infringements.

In fair use analysis, one of the little discussed but obvious underpinnings of the *Sony* decision, a defendant's participation in providing public access to the

¹¹⁴ See *Harper & Row*, *supra* note 92, 105 S.Ct. at 2226, 2227 & 2230, and authorities cited there.

¹¹⁵ See House Report at 51.

benefits of a genuinely new and popular technological advancement, has become an important positive factor for a defendant, even if it may not really fit precisely into one of the statutory categories of factors to be evaluated.

On copyrightability, the courts seem to be moving slowly but steadily toward reducing the scope of protection for compilations of facts due to a reexamination of the statutory basis for protection of such works, namely, their selection and arrangement of data, instead of the "sweat of the brow" or labor involved in their preparation.

The growing level of revenue available from mass merchandising based upon copyrighted works has increased the likelihood of a judicial decision on whether unfair competition protection under Section 43(a) of the Lanham Act will be allowed to prevent copying of works whose copyright protection has expired.

Finally, although it is still too early to tell whether any real change has occurred, the *Harper & Row* decision is encouraging for its contribution to improving the recognition of the role of copyright protection in our society. To those who, as I do, welcome this aspect of the majority opinion, it would be well to enjoy it while we can. For *Harper & Row* represents an exception to the line of six straight Supreme Court decisions since 1958 holding against the copyright owner on infringement issues.¹¹⁶

Nevertheless, after so many decisions at the highest and other levels paying lip service to the benefits of copyright or negatively portraying copyright protection as a tolerated monopoly or as being in conflict with free speech interests, the Supreme Court, in a case where the copyright owner won, has now set forth in somewhat moving terms the societal benefits of authorship. Copyright, we are told, is the "engine of free expression," working together with the First Amendment to promote access to knowledge and the exercise of free speech rights. It does this by fostering original works of authorship that provide the substance of knowledge and the subject matter of our discourse.

In closing, let us, therefore, return to the beginning and Register Ringer's observation that the Copyright Act of 1976 has identified copyright more closely with the author. If this is so, then let us hope today that our past in *Harper & Row* will also stand for "the new truth" that under the 1976 Act and future

¹¹⁶ Before *Harper & Row*, the last victory for the copyright owner in an infringement action was *Benny v. Loew's, Inc.*, 356 U.S. 43, 116 U.S.P.Q. 479 (1958), affirming by an equally divided court 239 F.2d 532 (9th Cir. 1958). Thereafter, the copyright owner lost in the following cases: *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 158 U.S.P.Q. 1 (1968); *Williams & Wilkins Co. v. United States*, 420 U.S. 376, 184 U.S.P.Q. 705 (1975); *Teleprompter Corp. v. CBS*, 415 U.S. 394, 181 U.S.P.Q. 65 (1974); *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 186 U.S.P.Q. 65 (1975); *Mills Music v. Snyder*, 105 S.Ct. 638 (1985) and *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 220 U.S.P.Q. 665 (1984).

copyright laws, the highest office or title to which one can aspire is not that of President, or for that matter even copyright owner, but rather "author".

2. THE 1976 COPYRIGHT REVISION REVISITED: "*Lector, si monumentum requiris, circumspice.*"

By RALPH OMAN*

Introduction

Christopher Wren, the celebrated English architect who rebuilt the churches and public buildings of London after the Great Fire of 1666, lies buried in a simple grave in St. Paul's Cathedral, his masterwork. After his death, his admirers approached his son and asked what kind of monument should commemorate his father's peerless legacy. His son scoffed at the notion of a monument, and instead installed a plaque on the wall in St. Paul's near his father's earthly remains, with the inscription *Lector, si monumentum requiris, circumspice*. "Reader, if you seek his monument, look around you."

Today, we have only to look around us to see the monuments to the Copyright Act of 1976--the prospering copyright industries, a booming cable industry, marvelous new space-age technologies for bringing the genius of America's creators to their appreciative public, and a burgeoning export industry that envelops the world. Faced with this overwhelming evidence of the great skill of Congress in drafting a balanced law, I do not want to sound churlish by haggling over a minor failure. But I worked as counsel to Senator Hugh Scott of Pennsylvania on the Senate Subcommittee on Patents, Trademarks, and Copyrights at the tail end of the revision effort, and I am sure that Senator Scott would authorize me to take at least one pot shot at the 1976 Act.

The battle royal that tied Congress in knots during revision--the copyright liability of the fledgling cable television industry--had made a tremendous impression on the legislators. The courts had wrestled with the issue for years, and in 1968 in *Fortnightly*¹ the Supreme Court chose not to expand the frontiers of copyright beyond the specific technologies enumerated in the 1909 Act as amended. Instead, it dumped the case back in Congress' lap.

We have been invited...to render a compromise decision...that would...accommodate various competing considerations of copyright, communications, and antitrust policy. We decline the invitation. That job is for Congress.

392 U.S. at 401.

With the Court's dictum and the cable controversy fresh in its mind, Congress sought to minimize the potential for future battles precipitated by the advent of new technology for exploiting copyrighted works, battles that Congress

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¹ *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968).

institutionally had difficulty dealing with because of the great technical complexity of the issues. Senators and Representatives are generalists, and they have neither the time nor the inclination to get involved in the petti-fogging minutiae of regulation. To foreclose a reprise of that drama, and to delay as long as possible the need for another major revision, Congress made two innovative changes in the new law: it established the Copyright Royalty Tribunal to get itself out of the ratemaking business, and it wrote a non-medium specific law and directed the courts to construe its mandate broadly. On the first change, it succeeded. On the second, it failed.² One has only to read the Court's decision in *Betamax* or listen to the debate in Congress on satellite signal scrambling and the backyard dish, to realize that regardless of Congress' attempt to include these unknown technologies in the embrace of the new copyright law, the courts so far have politely declined their invitation.

Discussion

To be specific, the Act of 1976 contains two touchstones of copyrightability: originality and fixation in a tangible form. Both terms had long and rather well-defined histories in 1976. Those histories were the children of some two centuries of copyright jurisprudence in this country, and the cousins of a somewhat longer line of cases in Great Britain.

By providing for copyright along these rather generic lines--as opposed to previous copyright laws, which provided coverage for specific works in specific media--Congress attempted to signal bench, bar and the public alike that it would no longer be necessary to repair to Capitol Hill every time some new device or process entered the copyright marketplace.

The carefully chosen phrase "original works of authorship" was intentionally left undefined³ so as to do no more than codify the judicially established standard of originality. Congress knew full well that "[a]uthors are continually finding new ways of expressing themselves"⁴ and did not wish to repeat its experience under previous acts when, for example, it had had to revise the law to accommodate such new technological wonders as motion pictures and sound recordings.

The tangibility requirement was likewise not new. It represented the attempt both to codify a wealth of judicial decisions and to avoid freezing copyright

² Even worse, our experience subsequent to enactment of the revised law makes clear that Congress not only failed to shield itself from cries for changes in the law to accommodate new technologies, but it exposed itself to a whole new category of petitioners -- those who lost exemptions from liability when Congress broadened the coverage. The non-profit veterans and fraternal organizations won an exemption in 1982, and groups that show movies to terminally ill children in hospitals may soon seek a similar exemption. So Congress suffered a double-whammy.

³ S. REP. NO. 473, 94th Cong., 1st Sess. (1975) at 50; H. REP. NO. 1476, 94th Cong., 2d Sess. (1976) at 51.

⁴ *Ibid.*

technology as it existed in 1976. To reach this second goal, the phrases "...now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device"⁵ were appended to the "tangible medium" criterion. Ideally, then, the Act of 1976 should have been a technology-independent medium-immaterial model of a modern copyright law.

Just as Congress designed the originality and fixation requirements to be hospitable to new works in new media, it also intended the scope of rights established by the Act of 1976 to be broad and adaptable.

Two of the most important rights in the age of electronic communication are the performance and display rights. In construing the 1909 Act, the Supreme Court had twice held that a cable television system's retransmission of broadcast television signals to its subscribers did not amount to a "public performance for profit" of the copyrighted works contained in the broadcasts.⁶

Congress reacted in two ways: It removed the "for-profit" requirement, so that all public performances are now events covered by the copyright law, and it defined "public performance" in such a manner as to make it clear that the law covers cable retransmissions.

The display right was invented by Congress in the 1976 Act and covers such traditional displays as the exhibition of a painting or photograph and such "hi-tech" uses as the computer or laser disk display of a literary work. Courts have had to deal with this right very rarely; two reported cases involve the display of conventional works⁷ and two "satellite" cases, discussed below, tangentially mention the right.

It bears noting that while Congress invented the display right and broadened the public performance right in enacting the present law, it left the historic core of copyright--the rights to reproduce, adapt, and distribute copies of works--largely untouched. As it has turned out, it is these areas in which courts have often seemed virtually incapable of implementing the congressional goal of having a copyright law that would adapt itself to new technologies and new marketing mechanisms without constant resort to the legislative process. This has been true with respect to both consumer uses and commercial uses of copyrighted works.

On the home front, the videocassette recorder was little more than a novelty and the *PROM Blaster*⁸ for copying video game software and the dual drive audio tape recorder were barely gleams in their inventors' eyes when Congress wrote

⁵ 17 U.S.C. Sec. 102(a).

⁶ *Fortnightly Corp. v. United Artists Television, Inc.* 382 U.S. 390 (1968); *Teleprompter Corp. v. CBS Inc.*, 415 U.S. 394 (1974).

⁷ *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171 (5th Cir. 1980); *Burwood Products Co. v. Marsel Mirror and Glass Products, Inc.*, 468 F. Supp. 1215 (N.D.Ill. 1979).

⁸ *Atari, Inc. v. JS&A Group, Inc.*, Copy.L.Rptr. (CCH) Para. 25,613 (N.D.Ill. 1983).

the Act of 1976. Congress did not foresee the current sophistication, diversity, and price of devices capable of copying copyrighted works in the home. But Congress at least had the good sense to know that it could not foretell the future and therefore tried to ensure that courts would have at their disposal a copyright law that could accommodate whatever developed. The law is in place, but the courts have been rather reluctant to apply it in the manner that Congress intended. We can best appreciate that reality by comparing the results—both legal and economic—in the *Betamax* and *PROM Blaster* cases.

In *Betamax*⁹ the Supreme Court held that home taping of copyrighted television broadcasts for time-shifting purposes amounted to “fair use,” notwithstanding that entire works were copied and that the cumulative effect was to erode a very large potential market that copyright owners were attempting to exploit. The majority states, correctly, that “...it is not our job to apply laws that have not yet been written.” What the Court failed to note was that the law *had* been written.¹⁰ It simply chose to ignore it. Justice Blackmun, in his dissent, makes the same point.

It is no answer, of course, to say and stress, as the Court does, this Court’s “consistent deference to Congress” whenever “major technological innovations” appear. ... Perhaps a better and more accurate description is that the Court has tended to evade the hard issues when they arise in the area of copyright law. I see no reason for the Court to be particularly pleased with the tradition or to continue it. Indeed, it is fairly clear from the legislative history of the 1976 Act that Congress meant to change the old pattern and enact a statute that would cover new technologies, as well as old.

104 S. Ct. at 797.

A law designed to permit copyright to protect new uses of traditional works in new media hardly amounts to an unwritten law. We find the intent of Congress not just in the legislative history; we find it in the law itself. The law in this case seems almost painfully clear: Section 106(1) gives the copyright owner the exclusive right to prepare or authorize the preparation of copies of his work, and sections 107(3) and (4) indicate very strongly that copying a work in its entirety, with the result that a potential market is greatly constrained or foreclosed, is not fair use.

The Court, it bears noting, did not speak to the question of the taping of

⁹ *Sony Corp. of America v. Universal City Studios, Inc.*, 104 S.Ct. 774 (1984).

¹⁰ Oddly enough, in justifying its reluctance to expand copyright protection, the Court cites a string of pre-1976 Act cases: *Teleprompter Corp. v. CBS*, 415 U.S. 394 (1974); *Fortnightly Corp. v. United Artists*, 392 U.S. 390 (1968); *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908); *Williams and Wilkins v. United States*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd by an equally divided court*, 420 U.S. 376 (1975).

cable-originated programming, of tape-to-tape "dubbing" of new copies from authorized copies, or of what is known in the trade as "librarying." By holding as it did, however, it makes the likely results in such cases more unclear than had the *Betamax* case been decided in the copyright owners' favor. Having refused to apply the law in the expansive manner that some of its drafters might have envisioned, it is not unreasonable to predict that the Court would find cable copying or dubbing or librarying to be fair use, thus carving out a non-statutory exemption far larger than those created by Congress in sections 112 to 118 of the law.

Both the majority and the dissent noted that Congress could act to change the result, but to date the representatives of the electronics and tape manufacturing industries have forestalled any legislative action on the video front. And, besides, the filmmakers are profiting from the huge secondary home video market, and the incentive to copy has greatly subsided with cheap, convenient rental shops springing up on every street corner.

The *PROM Blaster* case, on the other hand, declared the vending of a device to copy video game software to be contributory copyright infringement. The economic consequences of this victory were small, however, as the videogame market crashed, leaving copyright owners unharmed by PROM blasters but devastated by their product's popular demise.

Perhaps because the law with respect to home recording of audio materials is not the subject of a Supreme Court decision, and probably because economic losses to the creator for audio home taping are more easily documented and show no sign of abating, as in the video market, Congress has been a bit more willing to consider legislation that would compensate copyright owners for the wholesale unauthorized duplication of their works. The 99th Congress has before it two bills that, if enacted, would provide compensation for copyright owners through a levy in the nature of a royalty either upon the sale of "hardware" (tape recorders), or of "software" (blank tapes) and "hardware."¹¹ While they differ in some of their details, they are alike in providing that the sale of recording devices and blank tapes would for the most part be an infringement of copyright unless royalties of five (S. 1739) or ten percent (H.R. 2911) of the price of a standard recorder (25 percent in the case of recorders with two tape drives) and one cent per minute of tape playing time (H.R. 2911) were deposited into a fund for disbursement to copyright owners. Neither bill is likely to be enacted before the 99th Congress adjourns *sine die*, but both have received serious attention in hearings and may provide models for real relief in the near future.

In the meantime, technology may, as it often does, overtake the legislative process. The recording and electronics industries have developed prototypes of

¹¹ H.R. 2911, 99th Cong., 1st Sess. places the royalty on both; S. 1739, 99th Cong., 1st Sess., as amended by the Subcommittee on Patents, Copyrights, and Trademarks, places the royalty only on "hardware."

machines that, thanks to the presence of the ubiquitous semiconductor chip, can distinguish between recordings for which copyright owners have authorized copying (and, for which, presumably, they have charged a high price in the nature of a duplication license fee) and those for which they have not authorized duplication. The machines would simply "refuse" to duplicate the latter recordings. If Congress chooses not to mandate compensation for copyright owners for the duplication of their sound recordings, then this technological fix may enter the marketplace, and the copyright owners can seek to enforce their rights in court and claim that those manufacturers who refuse to incorporate the necessary circuitry in their machines are contributory infringers. Their chance of success is speculative, at best.

The explosive growth of the audio and video recorder populations has led to the creation of an industry undreamt of ten years ago: the rental shop, where copyrighted works (for the most part authorized copies) are rented to consumers for home use (and, of course, potentially for copying). Because watching a videotape or playing an audio recording at home is a private performance outside the scope of the copyright law, no control or compensation was available with respect to such markets without a change in the law. In part because the audio rental market was in its infancy, and in part because the nexus between audio rental and home taping of the rented works was so obvious, Congress amended section 109 of the copyright law to provide exclusive rental rights for the owners of copyrights in sound records.¹²

Video rental stores continue to operate with no copyright liability for their rentals, because Congress has not enacted similar legislation with respect to motion pictures. This is due both to the better-established position of the rental entrepreneurs and to the fact that most people who rent videotapes tend simply to view them rather than copy them, because of the technical difficulty (two machines are needed) and because of the expense.

Congress has also heard rumblings on another type of copyrighted work subject to some rental activity--software. To date, the results resemble those in neither the audio nor video battles. Software, particularly microcomputer software published on floppy diskettes, has occasionally been offered by middlemen for rental, ostensibly for "testing" purposes, to see if the user wished thereafter to buy the program. Not surprisingly, software authors suspected that most people who rented software in copies that did not contain a technological bar to easy copying were in fact copying the diskettes, thereby obtaining large software libraries on the cheap with no compensation at all to the copyright owner. Action against the rental shops has proceeded on two fronts: a vigorous and largely successful public relations campaign urging computer magazines not to accept rental advertising and the filing of a bill in this Congress that would amend section 109 of the law

¹² Pub.L. 98-450 (1984).

to forbid the commercial rental, lease, or lending of software. Again, the likelihood of early enactment is slim, but the issue is on the table.

The Act of 1976, although designed to be technology-independent, spoke to the issues raised by cable television in a manner almost entirely dependent upon cable technology as it existed in 1976. It defined "public performance" so as to ensure that cable retransmissions of copyrighted broadcasts are within the scope of the law, and exempted from copyright liability the retransmission of broadcast signals by passive common carriers.¹³ Unfortunately, but not surprisingly, the technology of delivering television signals to homes has changed dramatically since the law was written. Satellite rather than terrestrial microwave retransmissions of broadcast signals became the norm, resale of distant signals was authorized by the FCC and led to the advent of the now well-known "superstations," and the number of cable-originated program services has mushroomed to the point that many cable systems now provide more "cable only" programs than local and distant broadcast signals combined.

Two courts have held, to the dismay of some copyright owners and exclusive licensees, that the satellite carriers that distribute superstation signals may aggressively market and slightly modify the signals they sell without losing their eligibility for the "passive carrier" exemption.¹⁴ As if this apparent expansion of satellite carriers' privileges were not enough, the advent of the relatively inexpensive back-yard "dish" antenna has meant that all signals carried by satellites can now be received by individuals, as well as by broadcasters and cable systems. The net result has been twofold: first, some carriers have begun "scrambling" their signal so as to prevent uncompensated viewing of the programming they carry, and second, Congress has looked at legislation that would either delay scrambling pending a negotiated solution¹⁵ or grant compulsory licenses to carriers so as to permit them to market encoded signals to home earth stations.¹⁶

Computers as well as satellites have created new copyright problems. The automated data base, which used to be the tool of a relatively few obscurantists in the sciences, has become a staple in the legal, medical, library, and journalistic professions. It is clearly a copyrightable work; the legislative history contains the statement "The term 'literary works'...includes...compilations of data [and] computer data bases."¹⁷ But this does not answer the questions concerning how to register claims in data bases, what to deposit, and how to accommodate the constantly changing nature of the data base. These, of course, are precisely the ques-

¹³ 17 U.S.C. Sec. 111(a)(3).

¹⁴ *Hubbard Broadcasting, Inc. v. Southern Satellite Systems, Inc.*, 777 F.2d 393 (8th Cir. 1985); *Eastern Microwave, Inc. v. Doubleday Sports, Inc.*, 691 F.2d 125 (2d Cir. 1982).

¹⁵ H.R. 3989, 99th Cong., 1st Sess. (1985).

¹⁶ H.R. 5126, 99th Cong., 2d Sess. (1986).

¹⁷ H.R. REP. NO. 1476, 94th Cong., 2d Sess. (1976), at 54.

tions with which the Copyright Office must deal in responding to the demands of the creative public to adapt its procedures to encompass all forms of copyrighted works. The Office is in the process of preparing regulations that will make it clear how to satisfy the sometimes diverse needs of authors, users, and the public record of claims to copyrights.

Another computer-related issue that now confronts the Copyright Office is how to deal with claims to copyright in "colorized" motion pictures. These products are generally videotapes of black-and-white motion pictures rendered in color with the aid of a computer. Entrepreneurs in the business of colorizing motion pictures seek to register claims to copyright in their wares, on the grounds that their activity amounts to non-trivial original authorship. Again, technology has permitted creative individuals to do things with (or to) copyrighted works that Congress did not and could not contemplate in 1976.

Conclusion

King Alphonso the Tenth ruled Spain for the last half of the thirteenth century. At one point in his long reign, Alphonso, with a kingly modesty, ventured that if he had been present at the Creation, he "... would have given some useful hints for the better ordering of the universe." But, since Alphonso had not been present, the Almighty was forced to proceed without his helpful advice. As a result, we share Alphonso's fate in having to deal with a disorderly world. Yet Alphonso accepted the world as he found it, and learned to live with its imperfections.

I might do well to take inspiration from Alphonso's fatalism and declare the Copyright Act of 1976 a successful ordering of the copyright universe and be done with it. The doctrine of collateral estoppel might also come into play since I was present at the creation of the 1976 Act, and at least could whisper useful hints in the ear of someone who could make changes.

I raise my niggling concerns, however, because they touch on the larger question of the role of Congress in mediating economic controversies in which the public has a large stake.

All of these concerns, taken together, suggest that at least one of the following propositions must be true:

1. Congress did not enact a technology-independent copyright law in 1976.
2. Congress did in fact enact such a law, but the courts are loath to apply it in an expansive, author-oriented manner.
3. It is impossible to enact a truly technology-independent copyright law.

There is probably some truth in all three. While the broad definitions contained in section 101, the broad scope of copyright in section 102 and the broad rights in section 106 do strive mightily for a technology-independent law, such details as the supremely complex cable provisions in section 111 are almost an invitation for confusion in the face of change. To the extent that the law is generic rather than technology-specific, the courts, have, on balance, done a less than

perfect job of applying a fairly straightforward law--at least as regards the provision of clear rights--to new facts, such as those presented by home taping. Finally, to expect that any law--whether a copyright law, a communications law, or perhaps even the tax code--can be independent of the state of technology at the time of its enactment is to expect too much.

Indeed, even if Congress had succeeded in enacting a non-medium specific law, it would not have accomplished its broader objective--shielding itself from the clamoring of aggrieved petitioners. If the Court had followed the letter of the 1976 law and ruled in favor of the copyright owner in the *Betamax* case, the VCR manufacturers would have rushed to Congress for relief (as in fact they did after the decision in the Court of Appeals). If the courts had ruled in favor of the copyright owners on the superstation retransmission issue, Ted Turner would have sailed in harm's way in the halls of Congress, guns blazing. And if the courts were to rule in favor of the copyright owners on the question of photocopying, and hold the Xerox Corporation liable as a contributory infringer, Congress, whether it liked it or not, would still find itself at the eye of the storm.

Moreover, if the courts followed Congress' mandate literally, a question could legitimately be raised about their ability to fashion comprehensive remedies in dealing with these arcane mixtures of law and policy that would work satisfactorily. Only Congress can tie it all together in a neat and consistent package. Not surprisingly, Justice Blackmun, that voice of reason, had the last word on the subject when he opined in his *Betamax* dissent that "[l]ike so many other problems created by the interaction of copyright law with a new technology, '[t]here can be no really satisfactory solution to the problem presented here, until Congress acts.'"

In a common law system, the balance between courts and legislatures is not sharply defined but a matter of continuous development, and Congress will always be part of that process. The Copyright Act of 1976 represents a Congressional attempt to encourage courts, in the common-law tradition, to take a leading role in affording copyright protection to new works in new markets. For the moment, at least, courts apparently are more comfortable in their traditional role as "gap-fillers--and arbiters of disputes about works and uses known to Congress in 1976. If this is to change, perhaps Congress will have to speak even more unequivocally about its desire that new works and new uses automatically be covered by the copyright law. Whether in doing so it will succeed in putting itself above the battle is another question.

3. POLITICS AND POKER* -- MUSIC FACES THE ODDS: *A Ten-Year Retrospective*

By ALVIN DEUTSCH**

Prior to the enactment of P.L. 94-553 (the 1976 U.S. Copyright Revision Act), the last major change in the copyright laws was embodied in the 1909 Act. For early seventy years, Congress avoided revising the Act, notwithstanding the advent of hitherto unknown uses which have revolutionized the world of copyright.

The only amendment to the Copyright Act specific to the music industry between 1909 and 1976 of which this author is aware is the Sound Recording Amendment of 1971,¹ which extended federal copyright protection to sound recordings fixed on or after February 15, 1972.

It therefore could be indicative of the detours and traps along the copyright route that will have to be travelled during the next sixty years to note that in the ten-year period since the enactment of the 1976 Act (eight years since its effective date),² Congress has already seen fit to rework the yet infant legislation.

The 1976 Act expanded the term of copyright protection and also created a termination right to allocate the benefits of such extended period. The Act also broadened the rights included under the copyright umbrella, although in four areas, it qualified such rights by balancing the interests of proprietors and users by establishing a compulsory licensing system. It is in these areas, as well as in the ongoing jockeying by proprietors and users in Congress, that the major developments in the field of music have occurred since the Act was passed.

I. EXPANSION OF TERM AND RIGHT TO TERMINATE

Two benefits regarding duration were accorded creators under the 1976 Act. The copyright term was expanded, but equally important, authors and their statutory heirs were given a new right to terminate grants made to their publishers. The effect of termination was to restore to the "terminating party" 100% of his/her copyright interest.

For most works created on or after January 1, 1978, protection is accorded

* From the Pulitzer Prize winning musical "Fiorello," words by Sheldon Harnick, Music by Jerry Bock, © 1959 Sunbeam Music Corp.

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¹ P.L. 92-140, 85 Stat. 391.

² The effective date of the 1976 Act was January 1, 1978. 17 U.S.C. Trans. & Supp. Sec. 102.

for a term consisting of the life of the author plus fifty years.³ Unpublished works created prior to January 1, 1978 but not theretofore in the public domain or copyrighted, subsist for the life of the author plus fifty years, but will not in any event expire before December 31, 2002, or if published before that date, before December 31, 2027.⁴ Copyrights in their first term as of June 1, 1978 can be renewed for a period of 47 years⁵ (19 years longer than the 28-year renewal term under the 1909 Act⁶); and those in their renewal terms as of that date are protected for a term of 75 years (a 19-year extension) from the date copyright was originally secured.⁷

Congress intended that the author or his/her dependents benefit from the extended 19-year term of presently subsisting copyrights⁸ and hence enacted a provision whereby the author or designated statutory beneficiaries could recapture, during such extended term, rights under the copyright previously conveyed for the renewal term.⁹ Likewise, while the renewal scheme was replaced by the term of life plus fifty for works created after January 1, 1978, Congress intended to safeguard authors and dependents against unremunerative transfers¹⁰ and enacted a provision for recapture of rights 35 years after publication of the work or 40 years after the grant is made, whichever is earlier.¹¹

However, Congress was also concerned with protecting the investment of creators of derivative works (such as a motion picture based on a novel or a sound recording based on a musical composition) and hence incorporated a provision in each termination section entitling an owner of a derivative work to continue to exploit such work after termination pursuant to the terms of the grant authorizing the creation and exploitation thereof.¹²

The derivative works "exception" proved to be an early, but not easy, test of discerning Congress' intent. A 5-4 decision by the U.S. Supreme Court in *Mills Music, Inc. v. Snyder*¹³ reversed a unanimous decision of the U.S. Court of Appeals¹⁴ which had held that composers and lyricists who terminated grants to their music publishers were entitled to receive the mechanical royalties on old

³ 17 U.S.C. § 302(a). The term of protection for works made for hire, anonymous works, and pseudonymous works is 75 years from the year of first publication or 100 years from the year of creation, whichever expires first.

⁴ *Id.* § 303.

⁵ *Id.* § 304(a).

⁶ *Id.* § 24 (1909 Act).

⁷ *Id.* § 304(b) (1976 Act).

⁸ H. REP. NO. 94-1476, 94th Cong., 2d Sess. 140 (1976).

⁹ 17 U.S.C. § 304(c).

¹⁰ H. REP. NO. 94-1476, *supra* at 124.

¹¹ 17 U.S.C. § 203.

¹² *Id.* §§ 203(b)(1); 304(c)(6)(A).

¹³ 83 L. Ed. 2d 556, 105 S. Ct. 638, *reh'g denied*, 84 L. Ed. 2d 841 (1985).

¹⁴ 720 F.2d 733 (1983).

recordings, previously licensed by their now terminated publishers and still being released.

While recognizing that the derivative works "exception" would permit record companies after termination to continue exploiting records recorded prior to termination, it came as a rather large surprise to songwriters and their heirs when the U.S. Supreme Court held that the clause was also intended to protect music publishers (and like parties) who, while not actual creators of derivative works, had licensed their creations, thereby entitling them to continue to share in royalties paid by record companies on such recordings.¹⁵

II. THE COMPULSORY LICENSES

The 1976 Act provided, for the first time, that performances of copyrighted music by jukeboxes, cable and educational television entitled the copyright proprietor to compensation for such uses. All such uses were previously exempt from payment either by reason of the language of the 1909 Act or by case law.

However, at the same time that Congress created these new rights, it imposed upon the presumptive right of exclusivity, normally attendant on copyright ownership, a mandatory compulsory license available to all wishing to make use, without negotiation, thereby eliminating the copyright proprietor's exclusive control. (Since 1909, however, there had been a mechanical compulsory license in effect.) A handmaiden of the compulsory licenses is the Copyright Royalty Tribunal ("CRT"), created by the 1976 Act.¹⁶ The CRT adjusts royalty rates under the four compulsory license provisions of the Act, and distributes and collects royalties under two of those provisions. It adjusts the mechanical royalty rate under Section 115 of the Act,¹⁷ the cable royalty rate under Section 111,¹⁸ the jukebox royalty rate under Section 116,¹⁹ and the educational broadcasting rate under Section 118 (which rate it also establishes).²⁰ The CRT also distributes the fees collected under the cable and jukebox provisions.²¹

The following summarizes the actions of the CRT relative to the four compulsory licenses over which it has jurisdiction.

¹⁵ While the Court's decision concerned the termination provision for pre-1978 grants, Section 304(c), its reasoning would appear to apply as well to grants covered by Section 203.

Bills were introduced in Congress in 1985 to reverse the effect of the Supreme Court decision by Senator Arlen Specter (S.1384, 99th Cong., 1st Sess.) and Congressman Howard Berman (H.R. 3163, 99th Cong., 1st Sess.). Hearings were held before the Senate Judiciary Subcommittee on Patents, Copyrights, and Trademarks, but to date, neither bill has received Congressional action.

¹⁶ 17 U.S.C. §§ 801-810.

¹⁷ *Id.* § 801(b)(1); 37 C.F.R. §§ 301.1(a); 301.60 (1985).

¹⁸ 17 U.S.C. § 801(b)(2); 37 C.F.R. §§ 301.1(a); 301.60 (1985).

¹⁹ 17 U.S.C. § 801(b)(1); 37 C.F.R. §§ 301.1(b); 301.60 (1985).

²⁰ 17 U.S.C. § 801(b)(1); 37 C.F.R. §§ 301.1(c); 301.60 (1985).

²¹ 17 U.S.C. § 801(b)(3); 37 C.F.R. §§ 301.1(d); 301.70 (1985).

A. Jukeboxes

Section 116 of the Act established a compulsory license for use of music in jukeboxes. (Under the 1909 Act, performance of music on jukeboxes did not constitute a public performance for profit unless a fee was charged for admission to the place where the box was located, and hence was not a copyright infringement.²²)

Congress set the initial royalty fee at \$8 annually for each jukebox.²³ The Act provides for review of the rate by the CRT in 1980, 1990, and each subsequent tenth year.²⁴ After holding hearings in 1980, the CRT increased the annual royalty in phases to \$50 per year, as follows: \$25 per year commencing January 1, 1982, and \$50 per year commencing on July 1, 1984.²⁵

Since the next proceeding was not mandated by the Act until 1990, the CRT ordered a third step to commence in 1987 which will be an adjustment of the \$50 rate in direct proportion to the change in the Consumer Price Index from 1981-1986.²⁶ The Amusement and Music Operators Association, the jukebox operators' trade organization, and ASCAP appealed the CRT's rate adjustment, and the CRT's award was affirmed in *Amusement and Music Operators' Ass'n v. CRT*.²⁷

Subsequently, at the behest of jukebox operator representatives, bills were introduced that would have amended the jukebox license to provide for a one-time royalty of not more than \$25 per box for boxes owned as of the effective date of the bill and a one-time fee of \$50 per box for each box manufactured or imported after such effective date.²⁸

However, the proposed legislation was withdrawn after the performing rights societies and AMOA entered into an agreement which, while not changing the CRT rates, effectively provided for reduction in the form of a rebate mechanism keyed to specified levels of compliance with the statutory and regulatory requirements concerning the compulsory license.²⁹ The agreement provides for a committee of six members - three representing jukebox interests and one each from the three performing rights societies - to administer the agreement.³⁰ The agreement, itself, however, has not been made public. (The major problem in this area has been the lack of compliance by the jukebox industry. As recently

²² 17 U.S.C. § 1(e)(1909 Act); *ACEMLA v. CRT*, 763 F.2d 101 (2d Cir. 1985).

²³ 17 U.S.C. § 116(b).

²⁴ *Id.* §§ 801(b), 804(a); 37 C.F.R. §§ 301.61(a), 301.61(b)(3) (1985).

²⁵ 37 C.F.R. § 306.3 (1985).

²⁶ *Id.* § 306.4 (1985).

²⁷ 676 F.2d 1144 (7th Cir.), *cert. denied*, 459 U.S. 907 (1982).

²⁸ S.1734, 98th Cong., 1st Sess. (1983); H.R. 3858, 98th Cong., 1st Sess. (1983).

²⁹ Press release entitled "Music Performing Rights Organizations and Jukebox Owners Reach Agreement," dated May 13, 1985.

³⁰ *Id.*

as August, 1986, *Billboard Magazine* reported that of the estimated 225,000 - 500,000 jukeboxes only 88,000 are registered with the Copyright Office.³¹

In addition to its rate adjustment power, the CRT is given responsibility for distribution of the annual jukebox fees.³² In cases where controversy exists, the CRT must determine the distribution of such fees.³³ Two classes of claimants, copyright owners unaffiliated with a performing rights society, and performing rights societies, may file for a share of the fees.³⁴ The Act expressly provides (and indeed encourages) that claimants agree among themselves as to the sharing of the fees.³⁵ If there are adverse claims to any portion of the fees, the CRT must conduct a proceeding to determine distribution, but may immediately distribute portions of the fees not in dispute.³⁶

A history of CRT jukebox fee distribution is conveniently summarized in *ACEMLA v. CRT*,³⁷ which was the first court challenge to a CRT distribution of a jukebox fund, and involved the 1982 fund. ASCAP, BMI and SESAC reached a voluntary agreement on sharing the 1978 fund. As they were the only claimants and there was no dispute, no proceeding was necessary, and distribution was made in accordance with the agreement.³⁸ In 1979, Italian Book Company, a performing rights society, also claimed entitlement, and since no agreement was reached, the CRT commenced a distribution proceeding. The parties eventually reached a voluntary agreement covering both the 1979 and 1980 funds.³⁹ The four societies reached a voluntary agreement for the 1981 fund as well.⁴⁰

While these four societies reached an agreement for the 1982 fund, three additional claimants, alleging to be performing rights societies licensing Latin American music (hereafter "LAM"), claimed entitlement to at least five percent (5%) of the fund.⁴¹ The CRT distributed approximately ninety percent of the fund it deemed not in controversy, and instructed the societies to submit justification for entitlement to the balance of the fund.⁴² After reviewing their evidence, the CRT rejected LAM's claims and ordered distribution of the entire fund to the four societies as per their voluntary agreement.⁴³

³¹ Holland, "Crackdown on Unlicensed Jukes," *Billboard*, August 16, 1986 at p. 6.

³² 17 U.S.C. §§ 116(c); 801(b)(3).

³³ *Id.* § 801(b)(3).

³⁴ *Id.* § 116(c)(2); 116(c)(4)(A); 116(c)(4)(B); 37 C.F.R. § 305.2 (1985).

³⁵ 17 U.S.C. § 116(c)(2).

³⁶ *Id.* §§ 116(c)(3); 116(c)(4)(C); 801(b)(3).

³⁷ 763 F.2d 101 (2d Cir. 1985).

³⁸ *Id.* at 105.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.* There were also two individual unaffiliated claimants whose claims were denied and who did not appeal. *Id.*

⁴² *Id.* at 106.

⁴³ *Id.*

The Second Circuit Court of Appeals reversed and remanded with regard to the ten percent of the fund. The court interpreted the Act as directing the CRT, where there is dispute, to distribute the fund based on proof of entitlement.⁴⁴ It found that the CRT failed to do so. While the CRT rejected LAM's claim, it did not require the other four societies to prove entitlement, but rather simply allocated the balance of the fund to them as per their agreement. Distribution in accordance with an agreement is authorized only when all societies agree; where there is dispute, agreement among some of them is not a substitute for proof of entitlement.⁴⁵ The case was remanded for further proceedings to establish entitlement to the disputed portion of the fund.⁴⁶ From 1978 until 1984 the CRT distributed approximately \$17.3 million dollars of jukebox royalties to copyright proprietors.⁴⁷

B. Cable Compulsory License

Whether cable retransmission of television programs should or should not be permitted without permission of and payment to copyright owners was one of the most hotly debated issues in the copyright law revision process and was probably the principal fact in delaying passage of the Revision Act.⁴⁸ In the midst of these proceedings, the U.S. Supreme Court handed down two decisions holding that cable retransmission was not an infringement of copyright.⁴⁹ Congress effected a compromise of the issue by creating a compulsory license.⁵⁰

Since the cable license is the most intricate and has spawned the most litigation, a discussion of its complexities is beyond the scope of this article. In contrast to the other compulsory licenses, the cable license is not exclusively, or even principally, concerned with music interests. It will be discussed briefly, however, since music copyright owners share in the cable fund⁵¹ and the license and fund are administered by the CRT.

⁴⁴ *Id.* at 109.

⁴⁵ *Id.*

⁴⁶ *Id.* at 109-110. The CRT's determination on remand, as well as its 1983 distribution, are set forth in 50 Fed. Reg. 47577 (1985). These determinations have been appealed by LAM to the Court of Appeals for the District of Columbia. *ACEMLA v. CRT*, No. 85-1804 (D.C. Cir.).

⁴⁷ Telephone conversation with Robert Cassler, General Counsel of CRT, August 6, 1986.

⁴⁸ See generally Greenman & Deutsch, *The Copyright Royalty Tribunal and the Statutory Mechanical Royalty: History and Prospect*, 1 *CARDOZO ARTS & ENTERTAINMENT L. J.* 1, 26-55 (1982); *Nat'l Cable Television Ass'n., Inc. v. CRT*, 689 F.2d 1077, 1084 (D.C. Cir. 1982).

⁴⁹ *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968); *Teleprompter Corp. v. Columbia Broadcasting Systems, Inc.*, 415 U.S. 394 (1974).

⁵⁰ See Greenman & Deutsch, *supra* note 48.

⁵¹ Music interests received 4.5% of the 1983 fund. 51 Fed. Reg. 12792 (1986).

Congress established the initial cable license rates,⁵² calculated as a percentage of gross receipts from cable subscriptions,⁵³ and provided that the fund was to be distributed annually by the CRT.⁵⁴ In addition, the CRT was empowered to adjust the rates periodically,⁵⁵ pursuant to statutory guidelines.⁵⁶ Adjustment proceedings were to occur in 1980, 1985, and each subsequent fifth calendar year,⁵⁷ but certain rate adjustment proceedings triggered by particular amendments in FCC rules concerning the carriage by cable of broadcast signals or with respect to syndicated and sports program exclusivity could be commenced by petition.⁵⁸ The CRT has adjusted the cable license fees commencing with 1985.⁵⁹

As observed by the present Register of Copyrights:

“Whenever the CRT has adjusted the rates, there has been litigation. Although the 1976 Act provides claimants with antitrust immunity as an incentive to work together to allocate shares among themselves and to present a plan to the CRT, every distribution has been the subject of a controversy involving the CRT and has gone to a court of appeals before final distribution could occur. In these cases, television and radio broadcasters, together with a variety of copyright owners, have clamored for the recognition of their right to some compensation. If that claim was recognized, they then have clamored for a share of the pie larger than that decreed by the CRT.”⁶⁰

The music interests, however, appear to have been able to join forces, and in almost all proceedings have taken a unified position.

The Register has further noted that “virtually all of the CRT’s cable-related actions have been upheld, albeit somewhat grudgingly.”⁶¹ It may be that the most

⁵² The original royalty schedule was based on agreements between industry groups. *Nat’l Cable Television Ass’n v. CRT*, *supra* at 1080.

⁵³ 17 U.S.C. §§ 111(d)(2)(B); 111(d)(2)(C); 111(d)(2)(D).

⁵⁴ *Id.* §§ 111(d)(3) - (d)(5); 801(b)(3).

⁵⁵ *Id.* §§ 804(a); 804(b).

⁵⁶ *Id.* § 801(b)(2).

⁵⁷ *Id.* §§ 804(a)(i); 804(a)(2)(A); 37 C.F.R. §§ 301.61(a), 301.61(b)(1) (1985).

⁵⁸ 17 U.S.C. § 804(b); 37 C.F.R. § 301.61(c) (1985).

⁵⁹ 37 C.F.R. § 308 (1985).

⁶⁰ Oman, *The Compulsory License Redux: Will It Survive in a Changing Marketplace?* 5 CARDOZO ARTS & ENTERTAINMENT L. J. 37, 44-45 (1986).

⁶¹ *Id.* at 45. *See, e.g., Nat’l Ass’n. of Broadcasters v. CRT*, 675 F.2d 367 (D.C. Cir. 1982) (first CRT fund distribution [1978 fund] affirmed with minor exception; ASCAP claims that music claimants as a group entitled to larger share of fund than allocated [4.5%] and that ASCAP was entitled to a larger share of that portion than allocated [54%] rejected); *Nat’l Cable Television Ass’n. Inc. v. CRT*, 689 F.2d 1077 (D.C. Cir. 1982) (first rate adjustment affirmed with minor exceptions; remanded to correct mathematical error in inflation/subscriber charge increases calculation); *Christian Broadcasting Network, Inc. v. CRT*, 720 F.2d 1295 (D.C. Cir. 1983) (1979

significant impact of the cable compulsory license on the music industry will be the body of case law created by the cable cases concerning the power and procedures of the CRT and its applicability to the other compulsory licenses. That is not to minimize its economic importance to the music industry. Between 1978 and 1985 the CRT has distributed approximately \$440 million dollars to aggregate copyright interests (e.g. networks, sports and religious claimants) of which music has received approximately \$18 million dollars.⁶²

C. *Noncommercial Broadcasting Compulsory License*

The 1909 Act did not specify whether performances of music by public broadcasting required permission of the copyright owners.⁶³ The 1976 Act created a compulsory license as a compromise.⁶⁴ to be administered by the CRT.⁶⁵ Section 118 of the Act called for the CRT to establish initial license fees in the absence of private agreement among the parties through the period ending December 31, 1982⁶⁶ and subsequent determinations in June, 1982 (for 1983-1987) and at five-year intervals thereafter.⁶⁷ The statute expressly provides, however, that copyright owners and public broadcasters may reach voluntary agreements, and that such agreements supersede CRT rates.⁶⁸ While the CRT has published a schedule of rates for 1983-1987,⁶⁹ the vast majority of such licensing, since the passage of the statute, has been pursuant to voluntary agreements.⁷⁰ Thus, this compulsory license scheme seems to be working smoothly, and has engendered the least dispute. For the years 1978 through 1982 inclusive, ASCAP received approximately \$7 million dollars in license fees, and will receive a total of \$11 million dollars for the years 1983 through 1987.⁷¹

fund distribution with certain exceptions; remanded for broadcasters); *Nat'l Cable Television Ass'n. Inc. v. CRT*, 724 F.2d 176 (D.C. Cir. 1983) (CRT order resulting from rate adjustment proceeding initiated by petition and determining additional distant signal adjustment and fee to compensate for loss of syndicated exclusivity protection affirmed); *Nat'l Ass'n. of Broadcasters v. CRT*, 772 F.2d 922 (D.C. Cir. 1985), *cert. denied. sub. nom. Christian Broadcasting Network, Inc. v. CRT*, 106 S. Ct. 1245 (1986) (1979, 1980 and 1982 fund distributions fully upheld [most claimants had settled division of the 1981 fund and there was no appeal of the few claims resolved by the CRT]). The 1983 fund distribution is presently under challenge. *Nat'l Ass'n. of Broadcasters v. CRT*, No. 86-4042 (2d Cir.).

⁶² See note 47, *supra*.

⁶³ See Korman, *Performance Rights in Music Under Sections 110 and 118 of the 1976 Copyright Act*, 22 N.Y.L. SCH. L. REV. 521, 537-544 (1977).

⁶⁴ *Id.*

⁶⁵ 17 U.S.C. § 801(b).

⁶⁶ *Id.* § 118(b).

⁶⁷ *Id.* § 118(c); 37 C.F.R. § 301.61(a) (1985).

⁶⁸ 17 U.S.C. § 118(b).

⁶⁹ 37 C.F.R. § 304 (1985).

⁷⁰ See Oman, *supra* note 60 at 47-48.

⁷¹ See 43 Fed. Reg. 25,068 (1978); 44 Fed. Reg. 45,130 (1979); 45 Fed. Reg. 51,197

D. The Mechanical Compulsory License

Established by the Copyright Act of 1909, and never amended until the passage of P.L. 94-553, the recording industry was, since its inception, entitled to record any song, after its first release, by reason of a compulsory license. The recording triggered the payment to the copyright proprietor of a mechanical license fee, fixed by statute at 2¢ per song.⁷² This statutory fee served as a ceiling for most licenses which were usually negotiated down by record companies with agencies acting on behalf of the copyright proprietors.

Although Congress determined to retain the mechanical compulsory license, the rate fixed by it changed throughout the revision process.⁷³ Congress finally decided on a rate of \$2.75 cents per song, or one-half cent per minute of playing time, whichever is larger.⁷⁴ The CRT established by the new law was empowered to review the rate at periodic times.⁷⁵ The Act called for a review proceeding in 1980,⁷⁶ 1987, and thereafter at 10-year intervals.⁷⁷

After holding hearings in 1980, the CRT increased the rates, effective July 1, 1981, to four cents per song or three-quarters of a cent per minute of playing time.⁷⁸ However, since the CRT was not statutorily empowered to hold the next rate adjustment proceeding until 1987, but was concerned that the adjusted rate might not prove fair for an entire seven-year period, it further provided for annual adjustments of the rate based on changes in the average suggested retail price of record albums, to be determined by the CRT from such surveys and studies as it deemed appropriate, including materials submitted by interested parties.⁷⁹

The CRT's decision was appealed.⁸⁰ The Court of Appeals for the District of Columbia affirmed the rate adjustment to four cents but reversed the CRT's imposition of a mechanism for interim rate adjustments, holding that it had no authority to engage in such "discretionary interim proceedings."⁸¹ The court stated however, that it would permit a mechanism for *automatic* rate changes in interim years, and remanded for the limited purpose of allowing the CRT to consider adoption of an alternative scheme for interim adjustments.⁸²

(1980); 46 Fed. Reg. 39,139 (1981); 47 Fed. Reg. 32,943 (1982); ASCAP Public Broadcasting License Agreement, on file with the U.S. Copyright Office, Licensing Division.

⁷² 17 U.S.C. § 1(e) (1909 Act).

⁷³ For a history of the 1976 Act mechanical compulsory license provision, see Greenman and Deutsch, *supra* note 48.

⁷⁴ 17 U.S.C. § 115(c)(2).

⁷⁵ 17 U.S.C. § 801(b).

⁷⁶ *Id.* § 804(a)(i); 37 C.F.R. § 301.61(a) (1985).

⁷⁷ 17 U.S.C. § 804(a)(2)(B); 37 C.F.R. § 301.61(b)(2) (1985).

⁷⁸ 46 Fed. Reg. 10, 466 (1981); 37 C.F.R. § 307.2 (1985).

⁷⁹ 46 Fed. Reg. 891, 892 (1981).

⁸⁰ *RIAA v. CRT*, 662 F.2d 1 (D.C. Cir. 1981).

⁸¹ *Id.* at 17-18.

⁸² *Id.*

Following the remand, songwriter, publisher, and record industry organizations jointly submitted to the CRT a proposal for specific interim rate increases on specific dates.⁸³ This proposal was adopted by the CRT,⁸⁴ and the present rate is five cents per song or .95 cents per minute of playing time, whichever amount is larger.⁸⁵

While the CRT is one of the smallest federal agencies, it is clear that it has played a significant role in the music industry in its allocation and distribution of monies among the various interests. While the courts have not found its performance perfect, the CRT's decisions have largely been affirmed, and it has fulfilled the objectives set for it by Congress in establishing the compulsory licenses and providing for their administration by the CRT. As characterized by the court in *ACEMLA*, *supra*: "Not precise adjudication, but fairness and rough justice seem to have been the congressional objectives established by the 1976 amendment."⁸⁶

However, the CRT as a body has been subject to attack. The first broadside came from its then chairman, Commissioner James, who in 1981 called for its abolition.⁸⁷ As a result of the Commissioner's testimony and subsequent resignation from the CRT, the General Accounting Office was requested to examine the CRT's performance, and in a 1981 report, the GAO concluded that it had performed competently, although it recommended various improvements.⁸⁸ Bills were subsequently introduced which would abolish the CRT.⁸⁹ To date, none have received Congressional action.

However, there is no indication that the current four compulsory licenses will not continue, and at least for the moment, so will the CRT. Indeed, the CRT may be called upon to administer a fifth compulsory license concerning home audio taping if such legislation is enacted.

III. MUSIC COPYRIGHT AND CONGRESS

Congress, which for nearly 70 years gave scant attention to copyright, has since 1976 become an active participant in this arena. There are several areas where it has been involved in the field of music: (A) the fraternal orders amendment; (B) the record rental amendment; (C) source licensing bills; (D) home taping bills.

⁸³ 46 Fed. Reg. 55, 276, 277 (1981).

⁸⁴ 37 C.F.R. § 307.3 (1985).

⁸⁵ *Id.* § 307.3(c).

⁸⁶ 763 F.2d at 108.

⁸⁷ See generally Greenman & Deutsch, *supra* note 48 at 81-84.

⁸⁸ *Id.* at 84-85.

⁸⁹ See H.R. 2752, 99th Cong., 1st Sess. (1985), which would abolish the CRT and transfer its functions to the Register of Copyrights; and H.R. 2784, 99th Cong., 1st Sess. (1985), which would abolish the CRT and in lieu thereof create a Copyright Royalty Court.

A. Fraternal Orders Amendment

The 1909 Act limited the copyright owner's exclusive right of public performance in nondramatic musical compositions to public performance "for profit".⁹⁰ While the "for profit" proviso is not contained in the 1976 Act,⁹¹ specific exceptions to exclusive public performance rights are contained in subsections (1) through (4) of Section 110.⁹²

Subsection (4) exempts performances of nondramatic musical works without any purpose of direct or indirect commercial advantage where there is no payment to performers, promoters or organizers, provided that either (i) there is no admission charge, or (ii) the proceeds are used solely for educational, religious, or charitable purposes, unless the copyright owner has objected thereto.

At the behest of veterans' and fraternal organizations, Congress enacted legislation in 1982⁹³ adding a Section 110(10) exempting performance by such an organization even if the performance would not be exempt under Section 110(4), if the performance is given

in the course of a social function which is organized and promoted by a non-profit veterans' organization or a nonprofit fraternal organization to which the public is not invited, but not including the invitees of the organizations, if the proceeds from the performance, after deducting reasonable costs of producing the performance, are used exclusively for charitable purposes and not for financial gain.

Congress was apparently unreceptive to arguments of songwriter and music publishing representatives, and the performing rights societies, that Section 110(4) of the Act already represented a careful and equitable balance between the rights of creators to be compensated for the performance of their music and the needs of nonprofit organizations for free access to such music, and reflected a judgment that songwriters should not be compelled to contribute their music free when performers, musicians, organizers, and suppliers of refreshments and utilities, are being paid.⁹⁴

⁹⁰ 17 U.S.C. § 1(e) (1909 Act).

⁹¹ *Id.* § 106(4) (1976 Act).

⁹² Subsection (1) exempts performance in the course of face-to-face teaching activities of nonprofit institutions; subsection (2) exempts certain governmental and nonprofit educational broadcasts of nondramatic musical and literary works for systematic instruction; subsection (3) exempts performance of nondramatic musical and literary religious works during religious services.

⁹³ P.L. 97-366 (1982); 96 Stat. 1759.

⁹⁴ *See, e.g.*, Statement of ASCAP in Opposition to H. R. 2007, July 14, 1982. The Copyright Office agreed, submitting that the interests of such organizations had already and recently been accommodated by the 1976 Act, which accommodation should not be disturbed. Statement of Dorothy Schrader, General Counsel, Copyright Of-

While the Amendment is limited in application and does not have a significant impact on the overall scheme of the Act, it does constitute an erosion of the rights of copyright proprietors, and opens the way for other special interest groups to attempt to obtain similar exemptions.

B. Record Rental Amendment

Section 109(a) of the 1976 Act⁹⁵ is a codification of the "first sale doctrine," and provides that a copyright holder has no right to control distribution of a copy or phonorecord of a copyrighted work beyond the sale of such copy or phonorecord to a wholesaler, retailer, or consumer. Shielded by the protection of this Section, record rental establishments were renting phonorecordings at nominal fees, while also selling blank tapes. Accepting testimony of record industry, music publisher, and songwriter representatives that there is a direct link between such commercial rentals and the making of copies of records without permission of or compensation to copyright owners,⁹⁶ Congress enacted P.L. 98-450.⁹⁷

The Amendment added a new subsection (b)(1) to Section 109 of the Act providing that the owner of a particular phonorecord may not, for direct or indirect commercial advantage, rent or lease same without permission of the owners of copyright in the sound recording and the musical works embodied therein. However, the copyright owners are not obligated to give such permission.⁹⁸

The Record Rental Agreement is the only piece of legislation enacted by Congress since 1976 at the behest of music copyright interests. It is noted, however, that Section 4(c) of P.L. 98-450 is a sunset provision, limiting the legislation for a period of five years from its effective date, October 4, 1984.

C. Source Licensing Bills

In significant decisions, the Court of Appeals for the Second Circuit held that blanket licenses issued by the performing rights societies on behalf of copyright proprietors to network and non-network television stations did not violate the antitrust laws.⁹⁹ Having lost the battle in the courts, the independent television net-

file, Hearings before Subcomm. on Improvements in Judicial Machinery, Senate Judiciary Comm., 96th Cong. 2d Sess. (Ser. No. 96-90) 100 (1980).

⁹⁵ 17 U.S.C. § 109(a).

⁹⁶ H. REP. NO. 98-987, 98th Cong., 2d Sess. 2 (1984), *reprinted in* 1984 U.S. Code Cong. & Ad. News 2899.

⁹⁷ 98 Stat. 1727.

⁹⁸ P. L. 98-450 also added a new subsection (3) to Section 115(c) of the Act granting the copyright owner of a nondramatic musical work recorded under a compulsory license the right to a share of the royalties for rental received by a compulsory licensee (i.e. record company) in proportion equal to that received for distribution under Section 115(c)(2).

⁹⁹ CBS, Inc. 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*, 84 L. Ed. 2d 329 (1985).

works have turned to Congress, and two bills have been introduced that would prevent such form of licensing.¹⁰⁰ Both bills would provide that an owner of an audiovisual work may not convey public performance rights in such work to a non-network television station without simultaneously conveying the right to perform the music embodied therein. If enacted, such legislation would have a major impact on the licensing of music¹⁰¹ and would effectively remove the performing rights societies from the business of licensing music performance rights for syndicated television programming, a substantial portion of the revenue of these organizations. While hearings have been held before subcommittees in both houses, as of this date the bills have not been reported out to either the full Judiciary Committees or the House or Senate as a whole.

D. Home Audio Taping Bills

The U.S. Supreme Court in *Sony Corp. of America v. Universal City Studios, Inc.*¹⁰² held that home videotaping of copyrighted television programs for private use was "fair use" and not an infringement, relying on the finding that the prevailing use of such taping is for time-shifting purposes and not for librarying. However, the decision does not expressly apply to home audio taping. Inasmuch as it can be argued that home audio taping, as opposed to home video taping, is primarily for librarying rather than time-shifting purposes, one could infer that *Sony* dictates that such taping is not protected by fair use, as such librarying use substitutes for purchase of recordings. Studies that indicated that home audio taping has a harmful impact on the potential market for sale of recordings.¹⁰³ On the other hand, there is language in the legislative history accompanying passage of the Sound Recording Amendment of 1971¹⁰⁴ suggesting that home audio taping constitutes fair use,¹⁰⁵ although such language is not carried in the legislative history accompanying the 1976 Act.

Bills have been introduced in Congress that would render home audio taping non-infringing but would create a compulsory license tied to sales of recording equipment.¹⁰⁶ The latest bill, known as the Home Audio Recording Act,¹⁰⁷ would add a new Section 119 to the Act providing that home audio taping of music and sound recordings for private use is not an infringement, but imposing a com-

¹⁰⁰ H.R. 3521, 99th Cong., 1st Sess. (1985); S. 1980, 99th Cong., 1st Sess. (1985).

¹⁰¹ For the argument that such legislation would have a substantial negative financial impact on songwriters, see Deutsch, *The Buffalo Shuffle*, 4 ENT. & SPORTS LAWYER 7 (1986).

¹⁰² 464 U.S. 417 (1984).

¹⁰³ See 3 NIMMER ON COPYRIGHT § 13.05[F] at 13-125-13-126 (1985).

¹⁰⁴ See note 1, *supra*.

¹⁰⁵ H. REP. NO. 487, 92nd Cong., 1st Sess. 7 (1971).

¹⁰⁶ See, e.g., S. 1739, 99th Cong., 1st Sess. (1985); H.R. 2911, 99th Cong., 1st Sess. (1985).

¹⁰⁷ S. 1739, 99th Cong., 2d Sess. (as amended May 21, 1986).

pulsory license royalty on certain kinds of recording equipment.¹⁰⁸ For conventional recording equipment, the royalty would be 5% of the wholesale selling price, and for "dual-port" equipment (which allows direct copying of tapes), the royalty would be 25% of the wholesale selling price. Sale of "multiple-port" equipment (which allows for the making of more than one copy of prerecorded tapes simultaneously) would be prohibited. The royalty fees would be collected by the Copyright Office and distributed by the CRT, pursuant to a specific formula, including allocation among creative and copyright elements on each recording. The royalty fees would be in effect for five years, at which time and at subsequent five-year intervals they could be adjusted by the CRT in accordance with specified criteria.

If enacted, such legislation would substantially benefit the music industry. However, testifying on behalf of the administration, Donald Quigg, Commissioner of Patents & Trademarks, urged the Senate Judiciary Committee not to approve S.1739. A further blow to the bill is the retirement, in 1986, of Sen. Charles Mathias, a supporter of the legislation and chairman of the Copyright Subcommittee.¹⁰⁹

CONCLUSION

The Fraternal Orders Bill gave significant strength to those who see in copyright an area for legislation where, ostensibly, there is little or no public interest. It represented shrewd lobbying by a special interest and produced a change in the law which was barely six years old. The source licensing bills carry the same dangers, except that copyright interests seem more alert and on guard.

In some respects, copyright has become a political football, available as a source of favor to well organized and wealthy organizations. Issues such as rewarding creators, expanding our cultural heritage, and protecting the integrity of works of original authorship, are lost in the maze. The public is generally unaware, unconcerned and disinterested in matters relating to copyright.

¹⁰⁸ In its Summary of Provisions -- Home Audio Recording Act (S. 1739), the Subcommittee on Patents, Copyrights and Trademarks summarized the perceived need for legislation:

"The Home Audio Recording Act addresses the copyright problems posed by the unrestricted home taping of copyrighted music. The widespread availability of inexpensive, high quality audio taping equipment makes it virtually impossible for the owners of copyrights in musical compositions and sound recordings to enforce their rights under the Copyright Act. The *status quo* is inconsistent with basic copyright principles, deprives holders of music copyrights of considerable sums to which they would otherwise be entitled, and reduces incentive for investment of time, money and creativity in American music."

It is noted that the bill does not apply to home *video* recording.

¹⁰⁹ Harris, "Reagan Opposes Bill On Hometaping Levy," *Variety*, August 13, 1986 at pp. 107-08.

What is the solution? The political nature of the events implicating music copyright may well indicate that the music industry should unite and organize a political action committee ("PAC"). PACs have proliferated in the past years as a means of funneling funds and energy to support candidates and causes which reflect and advance the goals of the supporting organizations. It may not be sufficient for each separate group to retain its own lobbyists to hone in on one particular issue at a time. While important, such lobbying is reactive and not foresighted. Like-minded interests need a common fund and entity which is constantly available as an advocate for those who recognize the importance of music in our society and the entitlements of its creators.

4. RELECTIONS ON THE COPYRIGHT REVISION ACT

By IRWIN KARP*

Reflection on -- "careful consideration" of -- the 1978 Copyright Revision Act indicates it needs some revisions. What they are depends on who does the reflecting and from what perspective. In this article I will discuss some sections that warrant revision; my reflecting is done from the perspective of authors of literary and dramatic works.

To urge that the Revision Act needs revision does not disparage the arduous, dedicated and extremely effective work of Chairmen Kastenmeier and McClellan, their Subcommittees and counsel, Registers Kamenstein and Ringer and their colleagues. As Chairman Rostenkowski modestly said of the 1986 Tax Reform Act, "No piece of legislation of such sweep is letter perfect."¹ Indeed, one cartoonist depicted the infant "1986 Tax Reform Act," in swaddling clothes, holding a smaller infant named "1987 Revision of the 1986 Tax Reform Act."

Although the 1976 Copyright Revision Act is closer to letter perfect, and was prepared more carefully, it too is legislation of such sweep that after 10 years various parts need retooling. After all: courts can misinterpret, or differ on, the meaning of a provision; language which read clearly to the Act's authors may have grown ambiguous (a common authorship experience); and a section that seemed auspicious in 1976 may prove less so with 10 years of experience.

Attorney Fees

Did the Revision Act provide sufficient guidance for the awarding of attorney's fees (Sec. 505)? Perhaps not. *Cohen v. VEPCO*,² now on appeal, rejects a long-standing interpretation of the statutory authority applied in Second and Ninth Circuit opinions.

The 1909 Act provided that "the court may award the prevailing party a reasonable attorney's fee" (Sec. 116), without specifying criteria for determining when fees should be awarded to a plaintiff who wins, or against one who loses, an infringement suit. But as indicated in *Diamond v. Am-Law Publishing Corp.*,³ pre-1978 decisions made a distinction "between the award of fees to a prevailing plaintiff and an award to a prevailing defendant (citations omitted)."

The *Diamond* opinion explains that:

- (i) Fees are generally awarded to prevailing plaintiffs because the section

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¹ N. Y. Times, 10.22.86, D2.

² 617 F. Supp. 619 (E.D. Va 1985).

³ 745 F.2d 142, 148 (2d Cir. 1984).

"is intended in part to encourage the assertion of colorable copyright claims and to deter infringement..."⁴

(ii) Fees are not awarded to prevailing defendants when the plaintiff's claim is colorable

"since such awards would diminish the intended incentive to bring such claims."⁵

The 1978 Act retained the attorney's-fee language of Sec. 116, only changing the order of the words. And the Second Circuit adhered to the pre-1978 distinction between awards of attorney's fees to successful plaintiffs and successful defendants. In *Roth v. Pritikin*,⁶ the court reversed an award to successful defendants, reiterating that attorney's fees can only be awarded to them "when the court finds (the) suit to have been baseless, frivolous, unreasonable, or brought in bad faith", quoting from *Grossett & Dunlap v. Gulf & Western Corp.*⁷

The Second Circuit's pre/post-1978 interpretation also was adopted in the Ninth Circuit.⁸ The Fourth Circuit, however, has been asked to decide whether the District Court, in *Cohen v. VEPCO*,⁹ was correct in flatly rejecting the Second Circuit's view that fees cannot be awarded to successful defendants as readily as to successful plaintiffs.

The District Court said that its research "reveals that Diamond is the culmination of a long line of bootstrapping from nothing to something" and that "absolutely nothing in the statute or the legislative history gives to courts any authority to distinguish between" fee awards to prevailing plaintiffs or defendants.¹⁰

If the Fourth Circuit adopts that conclusion, it will be interesting to see how much time elapses before the Supreme Court (in this or some subsequent case) establishes a uniform interpretation of Section 505 to govern awards of attorney's fees by courts in Virginia, New York and every other Circuit. Long-standing conflicts in applying a given provision of the Copyright Act are damaging, and unless Congress can move more rapidly to resolve them as the need arises, perhaps further thought should be given to adding copyright appeals to the jurisdiction of the U.S. Court of Appeals for the Federal Circuit.

⁴ *Id.* at 148.

⁵ *Id.*

⁶ 787 F.2d 54, 57 (2d. Cir. 1986).

⁷ 534 F. Supp. 606, 610 (S.D.N.Y. 1982). *Cf., e.g.,* Breffort v. I Had a Ball Company, 271 F. Supp. (S.D.N.Y. 1967).

⁸ *Jartech, Inc. v. Clancy*, 666 F.2d 403, 407 (1982), citing *Overman v. Loesser*, 205 F.2d 521 (9th Cir. 1953).

⁹ *Supra* note 2.

¹⁰ 617 F. Supp. at 622.

The Manufacturing Clause

Section 601 of the Revision Act modified the 1909 "Manufacturing Clause," continuing its ban on importation of foreign-made, English-language copies of non-dramatic literary works by U.S. authors, with less drastic copyright consequences.

Section 601(a) also mandated expiration of the Clause on July 1, 1982. Heavy lobbying pressure from the printing industry and unions induced Congress to extend the Clause for four years and, in the spring and summer of 1986, almost achieved its permanent extension in a revised form, over the opposition of executive agencies and authors' representatives. But the Manufacturing Clause expired, and Congress did not vote on the Bill, because of effective counter-lobbying by a coalition of industries and associations which were alerted to the inequities of Section 601 by the European Economic Community's threat to embargo some \$500 million of their products if Congress extended it.

At this time Section 601, nonexistent, does not require revision. But efforts may be made to revive it, perhaps as part of the trade protection bill in the 1987 Congress.

The 1982 extension of Section 601 was challenged in a suit by the Authors League, the Association of American Publishers and me. The Court of Appeals upheld Judge Goettel's dismissal of the action.¹¹ One consolation for the plaintiff organizations was his strong affirmance of their standing to sue on behalf of their author and publisher constituents, a useful precedent if they choose to challenge legislation affecting copyright or freedom of expression that may be constitutionally infirm.

Some comments in the courts' opinions about copyright and the First Amendment are worth noting. The District Court reasoned that Congress could prevent authors and publishers from distributing foreign-made copies of their works here because "the right to express an idea in a particular form arises from the copyright law, not from the first amendment."¹² This concept, ignoring Supreme Court decisions protecting "freedom of expression" as well as freedom to communicate "ideas",¹³ may be tempting to the Meese Commission. But, as we argued, the Copyright Act protects an author's expression against appropriation by others; it does not deprive him of First Amendment protection against government restraints on that expression.

The Court of Appeals' majority opinion did not embrace the District Court's theory, but offered another which also may be welcome to the Attorney General's Commission and others interested in new methods of controlling sexually oriented

¹¹ Authors League of America, et al. v. Ralph Oman, et al., 619 F. Supp. 798 (S.D.N.Y. 1985); *aff'd*, 790 F.2d 220 (1986).

¹² 619 F. Supp. 798 (S.D.N.Y. 1985).

¹³ E.g. Carey v. Brown, 447 U.S. 455 (1980); Consolidated Edison Co. v. Public Service Commission, 447 U.S. 530 (1980); Winters v. New York, 333 U.S. 374.

materials, books exposing derelictions of public officials and the like. The majority conceded the First Amendment would protect the right of distribution against a ban on a "particular form of distribution" ... e.g. a ban on distribution of foreign-made copies. But, said its opinion, the Manufacturing Clause did not "run afoul" of the First Amendment because authors and publishers can avoid the ban by abandoning their copyrights.¹⁴ An effective prescription for suppressing "objectionable" books, films, etc. that do not violate the Supreme Court's current obscenity standards: write the tighter prohibitions to apply only to copyrighted work; authors and publishers would be free to create and distribute them, if they abandoned their copyrights; Q.E.D. -- no First Amendment violation. And since authors and publishers usually cannot afford to write or publish new books for the commercial market without copyright protection, "the engine of free expression," much of the material targeted by such a ban would never be disseminated. I doubt the Supreme Court would agree. Our brief didn't.

A ray of light was cast by Judge Oakes' concurring opinion. He said the Manufacturing Clause, "as applied may well in my opinion be unconstitutional," but preferred to leave the actual decision to "another day," in a case brought by a given author or publisher who had been injured -- "a day which with the expiration of the statute will, hopefully, never come."¹⁵

Registration

While Section 408(a) advises the unwary author that copyright registration is "permissive" [the caption reads: "Registration Permissive"] and says that "registration is not a condition for copyright protection", this is not the case. Quite the contrary, the Revision Act actually made registration a more compulsory formality by penalizing authors with the denial of two important remedies if they do not comply.

Prior to 1978, the Act required registration as a condition for suit. But registration could be delayed for many years, and filed after the infringement occurred.¹⁶ Regardless of the delay, and prior occurrence of the infringement, the plaintiff could recover statutory damages and attorney's fees.

The U.S. copyright system functioned for seven decades without depriving authors of these two essential remedies (often the only effective ones) if they failed to register before infringement. The Revision Act imposed that penalty in Section 412. Failure to register an unpublished or published work before infringement forfeits the author's right to those remedies (except if a published work is registered within three months of its first issuance.)

While Section 412 was rationalized as a needed inducement for registration

¹⁴ 790 F.2d at 223.

¹⁵ 790 F.2d at 225.

¹⁶ *Washington Publishing Co. v. Pearson*, 306 U.S. 30 (1939); *NIMMER ON COPYRIGHT* § 7.16[A][2][b] (1986).

to replace "compulsory" registration under the prior Act, as Professor Nimmer points out, registration was not in fact compulsory before 1978 -- except as a condition for bringing suit.¹⁷

Objections to Section 412 crystallized when the Register of Copyrights, early in 1986, prepared a "Draft Fee Bill" to increase the copyright registration fee from \$10 to \$25 and later substituted a bill to double the fee from \$10 to \$20. Substantial opposition from writers' and proprietors' organizations ultimately led him to withdraw his proposal.

In a letter and memorandum to the Register, I emphasized that the fee increase would be very, often prohibitively, costly to authors who had to register several works during a given year, and also to many publishers. I also stressed the unfairness and burden of Section 412, even at the current fee. I made a proposal, supported by others, that Section 412 be eliminated. This would greatly reduce the volume of registrations, and thus a considerable part of the Copyright Office deficit which had prompted the proposed fee-increase proposal. (Other countries do not have the deficits our Copyright Office incurs from registration; they do not require registration.) Repeal of Section 412 would restore to authors the same right to obtain statutory damages and attorney's fees which they had from 1909 to 1978.

I also proposed that the Copyright Act be amended to create an alternative, simplified registration -- employing the mechanism already in place under the compulsory deposit requirement of Section 407. The formal receipt now given on request when two copies of a work are deposited could be modified slightly to serve as a certificate of registration. This would greatly reduce the registration deficit, since much less staff work is required; the Copyright Office Draft Bill would only have increased the fee for the deposit receipt from \$2 to \$4. The certificate issued for this simple deposit/receipt type of registration would provide the most important information adduced on an original registration: that a given author claimed copyright in a given work on a specified date. And it would satisfy Section 412 if that were not repealed. Authors and publishers would have to make a full registration, under Section 408, to bring suit or obtain the other benefits of registration such as the prima facie effect provided in Section 410(b). If a full registration were made initially, there would not be any need to make a simplified registration under Section 407.

Registration and Covert Infringement

Systematic photocopying of journal issues poses new registration problems. A publisher may have good reason to believe issues of its journals are being systematically photocopied by a corporation's libraries and research department, but it cannot identify the specific contributions involved until pretrial proceedings

¹⁷ NIMMER ON COPYRIGHT § 7.16[C] (1986).

are completed. Consequently, prior to commencement of suit, the publisher cannot determine which contribution copyrights to register and cite in the complaint, and which copyright transfers to record.

Probably, appellate courts will hold that in cases of covert infringement, the copyrights allegedly infringed need not be identified until pretrial proceedings are completed. But if necessary, the Act should be amended to permit that procedure.

I think that other revisions should be considered:

. . . Photocopying of collective works highlights the need to repeal Section 412. Many publishers cannot afford to register copyrights in all contributions to the several issues of a tightly budgeted journal they issue each year. They only can register after an infringement occurs, thus forfeiting their right to recover attorney's fees and statutory damages.

. . . If Section 411 is not eliminated, and it should be (and would be if the Berne Implementing Bill is enacted), it should be amended to provide that registration can be delayed until after pretrial proceedings are completed, in a case of covert infringement where the plaintiff cannot identify the infringed copyrights prior to suit.

. . . Sections 408 and 409 should be amended to provide that registration of a copyright in a periodical issue or other collective work also registers "the copyrights in the separate contributions it contains ... regardless of ownership of copyright in the contributions..." The concept and quoted language are borrowed from Section 404, which permits one copyright notice in a collective work to protect the copyrights in the contributions and the collective work.

. . . Systematic photocopying of a periodical issue should constitute infringement of the copyright(s) in the contribution(s) copied and the copyright in the collective work, with provision for notice of suit to the owners of copyright in the contributions and division of the damages awarded between the authors of the copied contributions and the publisher.

. . . Where plaintiff can establish that systematic photocopying of its journals has occurred, but cannot establish which articles were copied or how many copies were made (because the defendant did not keep records), those factors should play a part in determining the quantum and quality of proof, and whether the burden of proof should shift to the defendant. When the amount of damages cannot be proven in comparable situations, it has been held the judge should make "the best estimate" he can "even though it is no more than a guess," since "pragmatism ... requires adjustment when the economic realities prevent placing the properties in neat logical valuation boxes (citation omitted)"¹⁸

¹⁸ *Gilroy v. American Broadcasting Co.*, 58 App. Div. 2d 533, 535 (1st Dept. 1977); *aff'd*, 46 N.Y.2d 580.

Renewal of Copyright

In *Fisher v. Witmark*,¹⁹ the Supreme Court largely nullified a primary purpose of the 1909 Act's renewal clause (Section 24), which was to enable authors to recapture rights they had transferred in perpetuity to publishers under contracts made during the first copyright term. The intended instrument of this policy was the inalienable right of renewal which Section 24 presumably granted solely to the author of the work, if he survived to the 28th year; any prior assignment of the renewal right was to be unenforceable.

Unfortunately, Justice Frankfurter's 5 to 3 opinion ruled that anticipatory renewal assignments were enforceable against authors who survived until the renewal year. As a result thousands of authors since 1943 have been deprived of any share of substantial proceeds earned by their works during the second copyright term, and thousands more compelled to share such proceeds with their original publishers who often had ceased to exploit the works themselves and were collecting payments from third persons they had authorized to publish or perform the authors' works. Too, authors were prevented from recapturing rights they never would have granted in the first place had they been able to bargain on an equal footing. Countless novelists and playwrights who sold motion picture rights to Hollywood studios were deprived forever of the opportunity to exploit television rights in their books and plays, or to share in the windfall income these producers later realized from television exhibition of motion pictures based on these authors' works.

Very few authors have ever had enough bargaining power to resist publishers' or producers' demands to acquire their renewal rights in contracts for uses of their works during the original copyright term. Trade book publishers rarely have granted paperback reprint licenses in a novel (or other book) to other firms for more than 5 to 10 years. But their standard authors' contracts under which they initially acquire rights in the novel compel the writer to assign all publishing rights to them for the duration of the copyright term -- and before 1978, invariably included the author's future renewal right. In the early 1970's, when I requested that a leading publisher delete the renewal-transfer clause from a proposed contract with a famous author for an unpublished novel, he told me this was a clause his firm had never changed, and never would change. And that was standard industry practice, just as now it is now the practice to acquire all rights for the author's life and 50 years after his death.

Consequently, the renewal clause of the 1909 Act (Section 24) and its continuation in Section 304(a) of the Revision Act seldom have protected authors who survive to the renewal year. They had, albeit unwillingly, assigned their renewal rights to the publisher years before, and their longevity enables the publisher to take the renewal rights in their works.

¹⁹ 318 U.S. 643 (1943).

The renewal clause should be revised. In its present form, it is a trap that prematurely terminates copyright protection for many authors (or their heirs) who simply are not aware of the need to renew, or forget to renew, or do not understand the renewal requirements. Typical of questions I have received from authors: ... "Has my copyright run out, and should I recopyright it?" ... "if the author fails to renew copyright in the 27th year (sic), can the right be restored by late renewal?" Since motion picture companies and publishers often neglect to renew valuable copyrights, it is no surprise that many individual authors do too -- often unintentionally forfeiting protection in significant and still-profitable works.

Many authors and their families are bound to lose their copyrights prematurely unless the renewal clause is modified. Any copyright secured between 1959 and 1977 has to be renewed. Renewal applications will continue to be filed or forgotten until 2005. So there is considerable need to make a change that prevents further unwitting and useless forfeitures. The rationalization that continued mandatory renewal of pre-1978 copyrights would help scholarship and education -- by throwing works into the public domain -- is extremely thin. Education and scholarship are not worse off under the non-forfeitable single life-plus-50-year term for copyrights secured after 1977.

The renewal clause could be revised to protect authors against premature copyright forfeitures by providing:

. . . at the end of the 28th year, an original copyright is automatically renewed for the benefit of the author or other persons entitled to renew under Section 304(a). [An original copyright now vests automatically in the author by operation of Sections 302 and 303. The renewal right could vest automatically by virtue of a revised Section 304(a)];

. . . the owner of the renewal right (or successors) may file a certificate in the Copyright Office, at any time during the 28th to 75th years of the copyright, stating the intention to enforce the copyright during the renewal term;

. . . if the certificate is filed after the 28th year, anyone who infringed the copyright between the start of the 29th year and the filing of the certificate would be protected against liability by the type of safeguards and conditions given under Section 405 to persons making use of a copyrighted work in reliance on its lack of a copyright notice. Additional protection might be provided for certain uses made by teachers, librarians, students and scholars.

Renewal by Executors

Section 304(a) provides, as did its predecessor, that when the author is not survived in the 28th year by a spouse and/or children, the copyright shall be renewed by his executor. This often causes serious and unnecessary complications when the executor has died, been removed or discharged, or when the renewal dates are many years away.

It is not necessary that the executor renew. The Act does not vest the renewal rights in him. He only renews for the benefit of the persons designated in the

author's will to inherit the renewal rights. These legatees become the owners of the copyright(s) during the renewal term. They should be given the right to file the renewal application. After all, if there is no will, the next of kin (who inherit under the state's intestacy law) are allowed by Section 304(a) to renew directly; they need not ask the probate court to appoint an administrator to perform that clerical function.

There is no reason why heirs whom the author designates in his will (or their successors) should not have the same privilege. Possibly courts, which seem more tolerant now about these formalities, might rule that the heirs or the executor's assignee could renew directly, rather than depend on the executor. Professor Nimmer believed the law permits this.²⁰ But such a ruling might take years to come, if it ever does, and may only apply when the executor is alive and still "in office." Better that Congress should permit deceased authors' heirs to renew directly, by a simple, non-controversial amendment of Section 304(a).

Sovereign Immunity

Does the "sovereign immunity" doctrine of the Eleventh Amendment protect the States from suits for copyright infringement? An appeal is pending, in *Mihalek Corporation v. Michigan*,²¹ from the District Court's decision that the Eleventh Amendment bars an infringement suit against the State and its Treasury Department for alleged use of plaintiffs' copyrighted materials, and that possible relief is limited to injunctions against individual defendants for future infringements.

Two other recent cases also held that sovereign immunity barred Copyright Act infringement suits against States or state agencies.²²

These broad applications of sovereign immunity doctrine have startled copyright proprietors whose literary, musical and dramatic works are used extensively by state agencies: schools, colleges and universities, libraries, promotional and tourist divisions and the like. They thought, and correctly I believe, that *Mills Music, Inc. v. Arizona*²³ had laid to rest the sovereign-immunity defense in suits against infringing States or their agencies. But Copyright Act protection against State infringement is caught up in a bitter, running dispute in the Supreme Court on the reach of sovereign immunity. In the last few years, in non-copyright suits under various statutes, the Court has divided 5-4; the latest decision is *Atascadero State Hospital v. Scanlon*.²⁴ Under the minority view, sovereign immunity would not bar infringement suits against the states, since it rejects the

²⁰ NIMMER ON COPYRIGHT § 9.05[D] (1986).

²¹ 595 F. Supp. 903 (E.D. Mich. 1984).

²² *Anderson Photography v. Radford University*, 633 F. Supp. 1154 (W.D. Va. 1986); *Woelffer v. Happy States of America*, 626 F. Supp. 499 (N.D. Ill. 1985).

²³ 591 F.2d 1278 (9th Cir. 1979).

²⁴ 105 S.Ct. 3142, 87 L.Ed. 171 (1985).

theory that the Eleventh Amendment restricts the federal judicial power, or bars federal courts from hearing suit against the States arising under Acts of Congress or the Constitution. It is less certain how the majority will decide the issue of sovereign immunity in a copyright infringement suit against a State.

In *Mills Music*, the Court of Appeals held that sovereign immunity had been "waived", leaving the state open to suit. It read the Supreme Court's pre-1979 Eleventh Amendment decisions to hold that a state "waives" sovereign immunity:

"when Congress has authorized suit against a class of defendants that include states, and the state enters into the activity regulated by federal law."²⁵

Looking to the 1909 Act, which governed, the court concluded that Section 101's catch-all grant of relief against "any person (who) shall infringe the copyright" included the States in the class of defendants who may be sued, and that Arizona's use of plaintiff's copyrighted song constituted "participation in the federally regulated activity."²⁶

The District Court, in *Mihalek v. Michigan*, concluded that the same Supreme Court decisions compelled a ruling that the Eleventh Amendment barred an action for damages against a State for copyright infringement, under the Revision Act. It did not, however, make a detailed analysis of the two-pronged test applied in *Mills Music*.

That subsequently was done in *Anderson Photography v. Radford University*.²⁷ In its April 1986 opinion, the District Court found that Congress had intended to include the States in the class of defendants who can be sued for infringement under Section 501, holding that its language -- "anyone who violates" a copyright owner's rights is "an infringer of copyright" -- was broad enough to do the job. Actually, the case for inclusion of States in that class is much stronger under the Revision Act than under the 1909 Act. Amicus curiae briefs, including mine, pointed to many sections of the Revision Act that grant exemptions, compulsory licenses or limitations of liability to State agencies and employees, reflecting a Congressional intention to include the States in the infringer class, and then provide specific exclusions from suit or liability to the extent Congress thought necessary.

It was at the second branch of the waiver test that the *Anderson Photography* opinion parted company with *Mills Music* and with *Johnson v. University of Virginia*.²⁸ This branch, the Supreme Court 5-member majority said last year, requires that the State consent to be sued either by explicit statement in a statute or constitutional provision, or

²⁵ 591 F.2d at 1283.

²⁶ 591 F.2d at 1285, 1286.

²⁷ 633 F. Supp. 1154 (W.D. Va. 1986).

²⁸ 606 F. Supp. 321 (W.D. Va. 1985).

“in the context of a particular federal program. In each of these situations we require an unequivocal indication that the State intends to consent to federal jurisdiction that otherwise would be barred by the Eleventh Amendment.”²⁹

The District Court did not accept the *Mills Music* theory that a state’s use of copyrighted material, or its conducting of activities requiring that use, constituted its implied consent to be sued for infringement. Emphasizing the impact of *Atascadero*, the court said it believed the 1985 *Johnson* case in the same District “would have been decided differently” if the *Atascadero* opinion had been available “because *Atascadero* imposes a more stringent standard than had been used in the past, by requiring courts to find an ‘unequivocal indication’ of a State’s consent to be sued in federal court.”³⁰

The Supreme Court majority might not agree with *Anderson Photography*’s conclusion that the language of the Copyright Act was sufficient to include the States in the class of defendants subject to infringement suits. In *Atascadero*, it said “When Congress chooses to subject the States to federal jurisdiction, it must do so specifically.”³¹ There is more than enough in the Revision Act to satisfy that test. But even if it failed to pass muster, it would be technically (if not politically) possible for Congress to add language to section 501 to make even plainer its intent to subject the States to Copyright Act jurisdiction and infringement suits.

If, however, the *Atascadero* majority agreed with *Anderson Photography*’s conclusion that a State’s use of copyrighted material, or conduct of operations requiring that use, is not an unequivocal indication of the State’s consent to be sued, it would be more difficult for Congress to extend federal court jurisdiction to the States. Perhaps it might satisfy the majority’s standard by amending the Copyright Act to provide that any State which did not abandon or compel abandonment of copyrights in works created by its agencies or employees, effective at the time of vesting, consented to be sued for infringement; or perhaps the *Atascadero* majority would construe a State’s acceptance of copyright protection (or at least the filing of registrations or use of copyright notices) as an unequivocal indication of its consent to be sued.

It is not beyond possibility’s realm that the *Atascadero* majority might recognize that the Copyright and Patent Acts are *sui generis* for sovereign immunity purposes. *Mills Music* did not rely solely upon “waiver”. It also concluded that

“abrogation of a state’s Eleventh Amendment immunity is inherent in the (Constitution’s) Copyright and Patent Clause and the Copyright Act”³²

²⁹ *Atascadero State Hospital v. Scanlon*, 105 S. Ct. at 3145, n.1.

³⁰ 633 F. Supp. at 1160.

³¹ 105 S. Ct. at 3149.

³² 591 F.2d at 1285.

citing the Supreme Court's observations in *Goldstein v. California*:³³

"[T]he States cannot exercise a sovereign power which, under the Constitution, they have relinquished to the Federal Government for its exclusive exercise."

"When Congress grants an exclusive right or monopoly, its effects are pervasive; no citizen or state may escape its reach."

The Patent and Copyright Clause, approved by the States, did more than grant Congress general power to regulate in a given area such as interstate commerce. It specifically authorized Congress to create a form of property (exclusive rights in writings and inventions) and stipulated that the property be granted to authors and inventors. These rights, and the Constitutional mandate, "would surely be illusory were a state permitted to appropriate with impunity the rights of a lawful copyright holder."³⁴

In *Atascadero*, the majority opinion responded to the charge that its strict construction of sovereign immunity would permit the States to violate "laws that bind every other legal actor in our union." The majority said, "It denigrates the judges who serve on the state courts to suggest they will not enforce the supreme law of the land."³⁵ But the state courts cannot enforce the "supreme law of the land" when a State or its agencies or employees infringes a copyright. Only the federal courts can, under their longstanding exclusive jurisdiction.³⁶

Could Congress constitutionally grant state courts jurisdiction over the States in suits for infringement under the Revision Act, by amending Section 301, Chapter 5 and 28 U.S.C. Section 1331? It is not easy to forecast what amendments, if any, will be necessary or possible to protect copyrights against state infringements until the Supreme Court writes on the subject.

Termination

Although the Constitution provides that copyright shall be granted to "Authors," not mentioning or evincing any concern for "Publishers," the Supreme Court has -- in crucial cases - mustered a majority bent on frustrating the Founding Fathers' basic purpose. In *Fisher v. Witmark*,³⁷ the majority opinion eviscerated the renewal clause, the one provision in the 1909 Act that would have implemented the Constitutional intent that the creation of literary works be promoted by securing the exclusive rights in them "for limited times (the copyright term) to (their) authors."

³³ 412 U.S. 456, 552, 560 (1973).

³⁴ 591 F.2d at 1286.

³⁵ 105 S. Ct. at 3146.

³⁶ 28 U.S.C. Section 1331.

³⁷ 318 U.S. 643 (1943).

Contracts compelling authors to transfer their rights to publishers for the copyright term negate that Constitutional intent. Congress did not do nearly enough in 1909 (or 1976) to prevent publishers from using their lopsided bargaining power to thus divest authors of their rights. But at least it adopted a renewal clause that was to revive the Constitution's purpose in the 28th copyright year, by allowing authors to recover through renewal the rights which -- under the Copyright Clause -- should have been secured to them for the duration of their copyrights.³⁸

*Mills Music, Inc. v. Snyder*³⁹ was essentially a 5-4 reprise of *Fisher v. Witmark*. The Congressional intention, reflected in the legislative history as well as the statutory language, was that when an author (or his heirs) terminated a grant of rights in his work to a publisher under Section 304(c), the consequence is: royalties paid after termination by a record company as a condition for the statutory privilege of continuing to use its derivative works (records of the author's song) belong solely to the author, as owner of the reverted right to make that derivative use of his composition.

The author of the termination clause, Barbara Ringer, former Register of Copyrights, told the Senate Judiciary Committee in 1985:

"in my opinion, the intention of Congress was that termination should mean termination. In the Mills case situation the publisher had already received everything Congress intended to give it. The intended beneficiary of the (derivative works) exception was not the entrepreneur (publisher) who had originally licensed the work, but the owner of the derivative work who was utilizing it. The middleman (publisher) is not the owner of the derivative work and is not utilizing anything. I believe that the Supreme Court decision seriously undercuts what Congress intended and deprives authors of benefits that are rightfully theirs."

It is obvious from the 4-Justice dissent, the unanimous Court of Appeals opinion for the author's heirs, the legislative history, and a change made in the earlier draft of Section 304(c) (expressly to prevent publishers from sharing in such post-termination record royalties by another device) that the majority was not dealing with statutory language or legislative history which clearly required that publishers continue sharing in post-termination royalties from recordings of the author's work that they neither created nor owned nor exploited.

On the contrary, the most that could be said for the majority's position was that the termination clause appeared (to it) to be ambiguous. But its priority, as in *Fisher v. Witmark*, was not the same as the Constitution's. The majority opin-

³⁸ Cf. NIMMER ON COPYRIGHT § 9.06[B] (1986).

³⁹ 469 U.S. 153, 105 S.Ct. 638 (1985).

ion had to strain mightily to construe the clause in the publisher's favor, rather than the author's.

Congress should, as Ms. Ringer urged, re-examine the termination problem and "ultimately ... redress the imbalance created by the Mills decision."

In about 35 years, the courts may have to construe another provision of the post-1977 termination clause (Section 203), unless the issue can be raised sooner in a declaratory judgment proceeding. A new clause in one major book publisher's standard authors' contract provides that if an author (or heirs) exercises the termination right, his exercise or disposition of the reverted rights is subject to these conditions:

... commencing with the termination date, he must negotiate in good faith with the publisher for 60 days "with respect to mutually agreeable terms and conditions";

... if they cannot reach a "mutually satisfactory agreement for such publication," the author is free to offer the terminated rights elsewhere;

... but before entering into any agreement with a third party, the author must give the original publisher the opportunity to match, within 10 business days, the terms offered by the third party which the author is willing to accept.

Is this obligation on the author enforceable? Section 203(a)(3) gives the author the right to terminate the publishing contract 35 years after the book is first published or 40 years after the contract is executed, whichever is sooner. Upon termination, under Section 203(b), all rights granted by the contract revert to the author (or heirs) and the section provides that

"A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination."⁴⁰

Subsection (b)(4) thus invalidates the type of transaction provided in the publisher's new clause -- which is an agreement by the author, before the effective termination date, to make a further grant of the rights that may revert 35 or 40 years in the future. The publisher contends there is an exception to the author's termination right "in the nature of the right of first refusal." But the "exception" which appears in the next sentence of (b)(4) provides only that "an agreement for such a further grant may be made" between the author and original publisher (or its successor) "after the notice of termination has been served..." The publisher's new clause imposes the agreement to make a further grant long before that time. It is contained in the original grant of rights -- and the termination notice cannot be served for at least another 25 years. Moreover, all that the "exception" does is allow the author and publisher -- if both of them wish -- to

⁴⁰ 17 U.S.C. § 203 (b)(4).

make an agreement for a new grant of the right to be reverted after the service of the termination notice; an agreement by the author with anyone else could only be validly made after the effective date of termination (2 to 10 years after the notice is served).

Nonetheless, the publisher's new clause, although invalid, may be a cloud over the author's title to the rights when they revert. As usual, many authors do not have enough bargaining power to compel deletion of such a clause. And they will sign the contract with the clause in place, rather than lose the contract; often no other publisher may be willing to take the book. And as other publishers incorporate the clause in their standard contracts, that will increase the pressure on authors to capitulate.

Unless the validity of the clause can be challenged now by a declaratory judgment action, its use probably will expand in the publishing community, and 35 years from now authors (and heirs) may face defenses of estoppel, trade practice, etc., when they bring actions to declare invalid these premature commitments to convey rights Congress intended to preserve for them by termination. *Rohauer v. Killiam Shows, Inc.*,⁴¹ along with *Fisher v. Witmark* and *Mills Music v. Snyder*, are grim reminders that an author's termination right can never be considered safe unless it has survived the court of last resort, and the track record is not encouraging.

If authors challenge this so-called "first refusal" encumbrance now and lose, they have some chance of persuading Congress to repair the damage. If they wait, they put their termination rights at risk under these encumbrances for more than a quarter-century, a delay that may make their prospects for legislative relief much dimmer.

Works Made for Hire

The Register of Copyrights' Supplementary Report (1965) on the Revision Bill said the "scope, definition and treatment" of works made for hire "has been a difficult and hotly contested issue" whose resolution would affect the copyright term, ownership of rights and the termination right. Mr. Kaminstein said the "definition now in Section 101 represents a carefully worked-out compromise aimed at balancing legitimate interests on both sides"⁴² -- a view confirmed by the House Judiciary Committee Report.⁴³

Many in the copyright community, however, believe the Section 101 definition(s) of a "work made for hire" have proven flawed and have not given authors a fair deal. They see two problems:

[1] The definition is not sufficiently precise to prevent some courts from holding that works created by independent contractors on special order or com-

⁴¹ 551 F.2d 484 (2d Cir. 1977).

⁴² SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS 66 (1965).

⁴³ H.R. REP. NO. 2237, 89th Cong., 2d Sess. 114 (1966).

mission are works made for hire, even though the conditions of clause (2) were not met. William Patry's analysis in PATRY, LATMAN'S THE COPYRIGHT LAW⁴⁴ cogently presents this view:

(a) Congress intended clause (1) of the definition -- "a work prepared by an employee *within the scope of his employment*" to apply only to works by regular employees, "i.e. salaried employees."⁴⁵

(b) Works made by independent contractors on special order could not be "per se" works made for hire under clause (1). They only could be treated as works made for hire if they fitted into one of the categories in clause (2) and the parties had agreed in writing to accord for-hire status to the work, as the clause requires. Under this view, even if the commissioning party had the right to, or actually did, supervise and control the efforts of the independent contractor, the work could not be deemed made for hire unless the conditions of clause (2) were satisfied.

I agree with the Patry analysis and think the legislative history he recounts⁴⁶ confirms it. As he notes, a majority of the cases take this view.⁴⁷ But some cases, notably *Aldon Accessories v. Spiegel*,⁴⁸ have disagreed and said that Congress did not intend Section 101's definitions to change case law under the 1909 Act. The *Aldon* opinion held that works created by individuals who were not "regular or formal" employees are works made for hire if the copyright owner "supervised and directed the work."⁴⁹ *Aldon* recently was followed in *Chicago Systems Software v. Evans Newton, Incorporated*.⁵⁰

I believe the for-hire concept perpetuated in *Aldon* and *Chicago Systems* has been a dangerous trap for individual authors who create literary and musical works. Years after the event, an author (or his heirs) may be faced with claims of "supervision and control" that can lead courts to confuse nothing more than routine editorial comment (or less) with full-scale supervision. The "employer's" claim is fortified by a copyright registration application alleging "for hire status," which is dutifully accepted by the Copyright Office without verification or notice to the unwitting writer-author. And frequently, the work was not written at the employer's risk and expense.

Limiting the per-se employment relationship, under Section 101 (1), to regular and formal employees is the only way to prevent those abuses, and to effectively limit for-hire copyright status to works created at the risk and expense of a true employer. In view of the dichotomy of judicial decisions, clauses (1) and (2) should

⁴⁴ 6th ed. 1986.

⁴⁵ *Id.* at 119 (emphasis added).

⁴⁶ *Id.* at 119-122.

⁴⁷ *Id.* at 122-123.

⁴⁸ 738 F.2d 548 (2d. Cir. 1984), *cert. denied*, 469 U.S. 982 (1984).

⁴⁹ *Id.* at 551-553.

⁵⁰ 793 F.2d 889 (7th Cir. 1986), *petition for cert. filed*.

be amended to make that limit more explicit, and also to require that the employment relationship be embodied, at its outset, in a written/signed agreement.

The primary effect of a copyright "work-for-hire" relationship is to transfer copyright ownership ... from the writer-author to the publisher claiming "employer-author" status. There is as much need to mandate a written instrument for that transfer as there is to require, in Section 204(a), a written/signed assignment to convey copyright in the same type of work from its writer-author to a publisher not claiming "employer-for-hire" status.

[2] Many writers' organizations contend that Section 101's "for hire" definitions have created another set of problems -- abuses by publishers which deny non-employee authors the protection of clause (2); e.g., a publisher demands that authors sign catch-all written agreements accepting for-hire status for all works written in the future, or that authors sign for-hire agreements for pre-existing free-lance works.

Clause (2) should be revised to foreclose these and other transgressions. But that would not get to the root of the author's problem. For one thing, improving the restrictions on spurious for-hire arrangements would not prevent publishers from acquiring all rights from an author for at least 35 years. Such amendments would only give some authors a right of termination that regressive misuse of the for-hire provisions now preclude. That does not help authors deal with the problems that affect them now or for the next 35 years: e.g. the publisher's non-negotiable demand to acquire all rights, rather than only those it directly exploits; contracts that deny authors a share of the income their works earn when the publisher licenses them to third parties; the author's inability to recover unexploited rights. In addition, publishers uniformly insist on oppressive clauses that place authors at a serious disadvantage, e.g., the egregious "satisfactory manuscript clause" which makes the contract a one-way option terminable at the publisher's subjective whim, option clauses, etc.

None of these inequities can be eliminated simply by tightening the definition of works made for hire, which only gives the author the possibility of terminating the contract 35 years later. The root of these problems is the drastic imbalance of bargaining power: Most authors, composers and artists cannot, individually, bargain on an equal basis with publishers and producers of their works. If they had equal bargaining power, many would have succeeded in excising "satisfactory manuscript" and other oppressive clauses from their contracts. The inequality of power is exacerbated by the continuing wave of mergers in book publishing and other copyright industries.

Screen and television writers, as employees, are entitled to have their organization bargain for them with producers to establish minimum contract terms that are fair and reasonable for those marketplaces. Authors, composers and artists, as self-employed individuals, are not able to have their organizations negotiate reasonable minimum terms with publishers and producers of their works. Only through such bargaining will the great majority of authors be able to obtain

equitable terms dealing with "satisfactory manuscripts," options, recovery of unexploited rights, indemnity obligations, sufficient royalty reports, etc.—provisions giving them a fair chance to share in the benefits their works produce and assuring that rights granted exclusively to "authors" under the Constitution do serve their purpose of providing "authors" with adequate economic incentive to create works for the public's benefit.

The Copyright Act should be amended to give authors, composers and artists exemptions necessary to permit their organizations to negotiate minimum contracts with publishers, producers and other corporations that use their works. The Congress has already established precedents:

... Section 118(b) provides that:

"Notwithstanding any provisions of the antitrust laws, any owners of copyrights in works specified in this subsection and any public broadcasting entities, respectively, may negotiate and agree upon the terms and rates of royalty payments..."

... Section 118(2) provides that these owners of copyright and public broadcasters may:

"during the course of voluntary negotiations, agree among themselves, respectively, as to the terms and rates of royalty payments without liability under the antitrust laws."

... Section 116(c) allows performance rights societies representing copyright owners, "notwithstanding any provisions of the antitrust laws," to agree among themselves as to the division of compulsory licensing fees paid by owners of coin-operated phonographs.

... Sec. 111(d)(5)(A) grants the same antitrust exemption for agreements by copyright owners to divide the compulsory license fees paid by cable systems.

CONCLUSION

Undoubtedly, there are other shopping lists of revisions for the Revision Act; some were before Congress in 1986, like the source-licensing proposal, and will be back in the 100th Congress. And perhaps the time has come to deal legislatively with the theory of "minimal" protection for nonfiction works strongly propounded in *Hoehling v. Universal City Studios, Inc.*, *Miller v. Universal City Studios, Inc.*, *Landsberg v. Scrabble Crossword Game Players, Inc.* and other decisions; and to provide more effective fair-use guidelines for author/publisher versus author/publisher situations. Too, some action should be taken to achieve more prompt resolution of conflicting judicial decisions on basic copyright issues; e.g. attorney's fees for prevailing defendants, sovereign immunity, works made for hire and differing formulas for judging infringement.

I do not believe another omnibus revision bill is necessary or desirable. Dealing with separate issues separately would be more efficient, less costly and more equitable.

PART II

LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

1. United States of America and Territories

5. U.S. CONGRESS. HOUSE.

H.R. 4366. A bill to amend title 17 of the United States Code to secure the rights of authors of pictorial, graphic, and sculptural works to the display of their works, and for other purposes. Introduced by Mr. Downey on March 11, 1986; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

This bill would grant owners of copyrighted pictorial, graphic, or sculptural works the exclusive right to display the works, either publicly or privately. However, public displays would have to be in conjunction with *bona fide* sales attempts. Authors of the aforementioned works would receive five percent of the selling price as a royalty upon resale of their works. In addition, initial sale when legal title is in the author would be exempt from the royalty requirement, as would resale for less than \$1000 or for less than the seller paid. Art dealers would be exempt from the royalty for a resale within ten years of the initial sale providing that all intervening sales were to art dealers.

6. U.S. CONGRESS. SENATE.

S. 2290. A bill to amend the Communications Act of 1934 to prohibit the encoding of satellite-transmitted television until decoding devices are fully available at reasonable prices. Introduced by Mr. Ford on April 11, 1986; and referred to the Committee on Commerce, Science, and Transportation. (99th Cong., 2d Sess.).

Entitled the "Rural Satellite Dish Owners Protection Act", this bill would ensure that only one decoder is necessary to receive the full breadth of encrypted programming by standardizing decoder technology in accordance with regulations established by the FCC. It would also ensure that the cost of such decoders is reasonable in relation to the cost of production and distribution, in addition to being available within 60 days of scrambling for sale or lease. [This bill is similar to H.R. 3989].

7. U.S. CONGRESS. SENATE.

S. 2330. A bill to amend the copyright law regarding work made for hire. Introduced by Mr. Cochran on April 17, 1986; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

This bill would amend the Copyright Act of 1976 by changing the definition of employee to exclude freelancers. The bill would also delete from the current law all types of works which may be subject to work-for-hire contracts, except motion pictures. Contributions to collective works, parts of audiovisual, other than motion pictures, supplementary works, and instructional texts, would be subject to the section of the copyright law providing for the transfer of limited rights to reproduce or distribute an author's work. Rights which are granted but are not exercised within three years would be subject to termination by the artist. In addition, the bill would also clarify the definition of joint work by requiring that, for a specially ordered or commissioned work to be considered a joint work, the parties must expressly so agree in a written instrument prior to commencement of the work.

8. U.S. CONGRESS. SENATE.

S. 2435. A bill to improve international intellectual property protection, to improve foreign market access for U.S. companies that rely on intellectual property protection, and for other purposes. Introduced by Mr. Wilson on May 12, 1986; and referred to the Committee on Finance. (99th Cong. 2d Sess.).

Entitled the "International Intellectual Property Protection and Market Access Act of 1986", this bill would enhance the protection of intellectual property rights and gain access to markets for industries that rely upon such rights. In addition, this bill would require the U.S. Trade Representative to establish negotiating priorities for increasing the level of intellectual property right protection abroad. This legislation would also amend the law that ties benefits under the Generalized System of Preferences and the Caribbean Basin Initiative to intellectual property rights.

9. U.S. COPYRIGHT OFFICE.

37 CFR 202. Copyright deposit requirements. Final regulations. *Federal Register*, vol. 51, no. 36 (Feb. 24, 1986), pp. 6402-10.

The Copyright Office has amended Part 202 of its regulations to revise certain requirements for the deposit of material for the benefit of the Library of Congress and for copyright registration. The revisions reflect a change in the deposit requirements concerning such materials as multimedia kits, computer programs embodied in machine-readable copies, identifying portions of computer programs, and copies containing both visually perceptible and machine-readable material.

10. U.S. COPYRIGHT OFFICE.

Report of Ad Hoc Group on the legal issues relating to consideration of adherence by United States to the Berne Convention. Extension of comment period. *Federal Register*, vol. 51, no. 73 (Apr. 16, 1986), p. 12946.

Due to the significance of the legal issues involved, the Copyright Office extended to May 19, 1986, the deadline for submitting comments on the Draft Report on the United States' adherence to the Berne Convention.

11. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Adjustment of cable copyright royalty rates; inquiry. Notice of inquiry. *Federal Register*, vol. 51, no. 23 (Feb. 4, 1986), pp. 4414-5.

The Copyright Royalty Tribunal has initiated an inquiry to seek comments on petitions by several copyright owners and users to adjust the cable copyright royalty rate. The comments should address such issues as standing to initiate a proceeding, consolidation of petitions, procedures and scheduling.

12. U.S. COPYRIGHT ROYALTY TRIBUNAL.

1983 cable royalty distribution proceeding. Notice. *Federal Register*, vol. 51, no. 23 (Feb. 4, 1986), pp. 4415.

The Copyright Royalty Tribunal has completed Phase I of the 1983 cable royalty distribution proceeding. The Tribunal's Phase I determinations call for 0.18% of the total royalty fund to be awarded to National Public Radio with the remainder being divided into three categories—royalties paid based on the statutory rates as adjusted for inflation, those paid according to the 3.75% rate adopted by the Tribunal in 1982, and royalties paid based on the syndicated exclusivity surcharge. In the statutory rate category, the Tribunal allocated 67.1% to program suppliers, 16.3% to sports, 5.2% to public broadcasting, 5% to commercial television, 4.5% to music, 1.1% to devotional claimants and 0.75% to Canadian claimants. In the 3.75% category, the Tribunal allotted 72% to program suppliers, 0.75% to sports, 5% to commercial television, 4.5% to music, 0.75% to devotional claimants and 0.25% to Canadian claimants. For the syndicated exclusivity category, the commissioners appropriated 95.5% to program suppliers and 4.5% to music.

13. U.S. COPYRIGHT ROYALTY TRIBUNAL.

1983 cable royalty distribution proceeding. Notice of final determination. *Federal Register*, vol. 51, no. 72 (Apr. 15, 1986), pp. 12792-818.

The Copyright Royalty Tribunal has made final determinations regarding the distribution of the 1983 cable royalties. The distribution proceeding

was conducted in two phases—Phase I to allocate royalties to specific categories of claimants and Phase II to allot royalties to individual claimants within a category. In Phase I, the Tribunal concluded that the royalties would be divided into three pools—the first for cable royalties generated by the statutory rate, a second for those resulting from the 3.75% rate, and a third for royalties derived from the syndicated exclusivity surcharge. The claimant groups to which the Tribunal made royalty allocations from at least one of the three pools were program suppliers, joint sports, public broadcasting service, commercial television, music, devotional claimants, and Canadian claimants. The Phase II royalty recipients were the Motion Picture Association of America, Inc., Multimedia Entertainment, Inc., and the National Association of Broadcasters.

14. U.S. COPYRIGHT ROYALTY TRIBUNAL.

1984 cable royalty distribution. Notice. *Federal Register*, vol. 51, no. 20 (Jan. 30, 1986), pp. 3816-7.

In the matter of the 1984 cable royalties, the Copyright Royalty Tribunal is soliciting comments from claimants concerning partial distribution of the funds and comments concerning procedures and schedules for hearings should a controversy be declared.

15. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Order granting final distribution of 1979-1982 cable royalty fees. *Federal Register*, vol. 51, no. 46 (Mar. 10, 1986), p. 8224.

The Copyright Royalty Tribunal has ordered the distribution of the remainder of the 1979-1982 cable royalty funds. The Tribunal issued the order after the Supreme Court denied the Christian Broadcasting Network's petition for a writ of certiorari, thus removing the only remaining controversy concerning the funds.

16. U.S. DEPARTMENT OF COMMERCE.

Industry Functional Advisory Committee on Intellectual Property Rights for Trade Policy Matters; establishment. *Federal Register*, vol. 51, no. 94 (May 15, 1986), p. 17785.

Acting under the authority delegated by the President, the Secretary of the Department of Commerce and the United States Trade Representative are setting up an Industry Functional Advisory Committee on Intellectual Property Rights for Trade Policy Matters. The Committee is to be comprised of representatives from industry or industry associations. Those interested in commenting, making inquiry or serving on the Committee are invited to write to the Trade Advisory Center.

17. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR Ch. 1. Subscription video services. Notice of proposed rulemaking. *Federal Register*, vol. 51, no. 10 (Jan. 15, 1986), pp. 1817-26.

The Federal Communications Commission has initiated a proceeding to reevaluate the agency's regulatory classification of subscription television and subscription broadcast satellite services based on a reexamination of the Communications Act of 1934, its legislative history and pertinent case law. Given the fact that these services have broadcast as well as non-broadcast characteristics the agency may reclassify subscription TV.

18. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR Ch. 1. Subscription video services. Proposed rule; extension of comment/reply comment period. *Federal Register*, vol. 51, no. 38 (Feb. 26, 1986), pp. 6762-6763.

In the matter of the classification of subscription video services, the National Association for Better Broadcasting petitioned the Federal Communications Commission for an extension of the comment period until after the D.C. Circuit rules on the FCC's remand motion in *Telecommunications Research and Action Center v. FCC* (No. 85-1160), a suit involving the classification of non-subscription teletext. The Commission has decided to grant the extension contingent on the court's ruling. If the court grants the motion, the deadline for those comments pertaining to non-subscription teletext will be due thirty days after the court's ruling; the deadline for comments on all other issues in this proceeding will not be affected. However, if the court denies the motion, "the regulatory status of non-subscription teletext will not be addressed . . . unless upon further order of the Commission."

19. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 73, 74 and 76. Oversight of radio and TV broadcast rules. Final rule. *Federal Register*, vol. 51, no. 97 (May 20, 1986), pp. 18448-51.

The Federal Communications Commission has amended its broadcast and cable TV rules, including those in Part 76, to remove those regulations that are no longer necessary, to make textual corrections and clarifying editorial changes, and to contemporize certain requirements.

20. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 73, 74, 76 and 78. Oversight of the radio and TV broadcast. Final rule. *Federal Register*, vol. 51, no. 56 (Mar. 24, 1986), pp. 9963-66.

The Federal Communications Commission has amended its radio and TV broadcast and cable TV regulations to delete rules that are no longer needed, correct textual inaccuracies, and make certain other revisions.

21. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Amendment of the rules concerning carriage of television broadcast signals by cable television systems; extension of reply comments. Proposed rules; extension of reply comment period. *Federal Register*, vol. 51, no. 47 (Mar. 11, 1986), pp. 8339-40.

The Federal Communications Commission extended from March 4 to March 21, 1986 the deadline for filing reply comments in its proceeding to amend the rules pertaining to the carriage of TV signals by cable systems.

22. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Cable television systems; carriage of television broadcast signals. Extension of time for reply comments. *Federal Register*, vol. 51, no. 40 (Feb. 28, 1986), p. 7084.

In response to a request by the Adelphia Communications Corporation, the Federal Communications Commission has extended the reply comment date in its proceeding to amend rules governing the carriage of television broadcast signals by cable television systems. The extension affords parties additional time to review the large number of initial comments and to adequately respond to the complex issues raised therein.

23. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Carriage of television broadcast signals by cable television systems. Order requesting comments. *Federal Register*, vol. 54, no. 62 (Apr. 1, 1986), pp. 11073-74.

The Federal Communications Commission has issued an order extending the comment period in the matter of the amendment of the mandatory signal carriage regulations for cable television systems. The purpose of the extension is to allow interested parties to offer their views regarding the must carry compromise agreement negotiated by the major broadcast and cable trade associations. Parties are asked to comment on any aspect of the compromise agreement, especially the extent to which it addresses the specific interests of the various groups involved and the relevant constitutional concerns, and on "whether local broadcast service and the concept of 'localism' as a communications policy objective are sufficiently important Federal interests to warrant the intrusion on the First Amendment rights of cable operators which must carry obligations necessarily produce."

24. U.S. PATENT AND TRADEMARK OFFICE.

Extension of previously granted interim orders under the Semiconductor Chip Protection Act of 1984. Date for hearing on interim orders under 17 U.S.C. 914. *Federal Register*, vol. 51, no. 96 (May 19, 1986), pp. 18352-54.

The Patent and Trademark Office has extended until September 12, 1986, the expiration date of the interim orders issued to Japan, Sweden, Australia and Canada under the Semiconductor Chip Protection Act. The extension is deemed appropriate "to promote the development of international comity in the protection of mask works" and to afford these countries continued protection during the upcoming public hearing (July 9, 1986) on the existing interim orders. The purpose of the hearing will be to review what progress is being made toward mask work protection in the fourteen countries that were granted interim orders and to discuss various issues pertaining to mask work protection internationally. Consideration also will be given to the progress of the World Intellectual Property Organization's efforts to draft a treaty for the protection of integrated circuit chips and the effect that activity may have on decisions relating to the interim order process.

25. U.S. PATENT AND TRADEMARK OFFICE.

Extension of previously granted interim orders under the Semiconductor Chip Protection Act of 1984. Notice of initiation of proceeding. *Federal Register*, vol. 51, no. 56 (Mar. 24, 1986), pp. 10073-98.

In relation to its issuance of orders for the interim protection of mask works of nationals, domiciliaries, or sovereign authorities of certain foreign nations, the Patent and Trademark Office is soliciting comments on the progress made by those countries to establish legal measures for the protection of semiconductor chips. The comments will be used to determine what action should be taken with respect to extending the existing interim orders under 17 U.S.C. 914 or recommending issuance of a Presidential Proclamation under 17 U.S.C. 902. The countries involved are Japan, Sweden, Australia, The Netherlands, Canada, Belgium, Denmark, France, the Federal Republic of Germany, Greece, Ireland, Italy, and Luxembourg.

26. U.S. PATENT AND TRADEMARK OFFICE.

Semiconductor Chip Protection Act of 1984; extension of previously granted interim orders. Extension of period for comments. *Federal Register*, vol. 51, no. 73 (Apr. 16, 1986), p. 12907.

The comment period for submitting remarks concerning interim orders issued by the Patent and Trademark Office under Section 914 of the Semiconductor Chip Protection Act of 1984 was changed from April 16 to April 30, 1986.

2. Foreign Nations

27. FRANCE.

The Law of July 3, 1985 — no. 85-660 — on authors' rights and on the rights of performers, producers of phonograms and videograms and audiovisual enterprises. *Revue Internationale du Droit D'Auteur*, no. 127 (Jan. 1986), pp. 145-163.

An English translation of the Law of July 3, 1985 published in the JOURNAL OFFICIEL DE LA REPUBLIQUE FRANCAISE. The law discusses copyright, audiovisual production contracts, neighboring rights, remuneration for private copying of phonograms and videograms, royalty collection and distribution societies, software, and guarantees and sanctions.

PART IV

JUDICIAL DEVELOPMENTS IN LITERARY
AND ARTISTIC PROPERTY

A. DECISIONS OF U.S. COURTS

28. RECENT DEVELOPMENTS IN COPYRIGHT: *SELECTED ANNOTATED
CASES*

By DAVID GOLDBERG, MARY L. KEVLIN and ANDRA L. SHAPIRO*

I. *JURISDICTION AND RELATED ISSUES*A. *Jurisdiction*

Peter Starr Production Co. v. Twin Continental Films, Inc., 783 F.2d 1440
(9th Cir. 1986).

In this case where a licensing agreement for reproduction and distribution of plaintiff's copyrighted film in Great Britain and Sweden was negotiated in France but executed in the United States, the Ninth Circuit reversed the District Court's summary judgment dismissing the complaint for lack of subject matter jurisdiction. In asserting that defendant licensor had "authorized" the infringing uses without authority, the complaint alleged sufficient "involvement" on defendant's part to constitute an act of infringement in the United States and to state a claim under §§ 106 and 501 of the Copyright Act. While the degree of defendant's participation in the actual reproduction and distribution of a copyrighted work may bear on the extent of its liability for damages, mere authorization in the U.S. of an extraterritorial infringing use is sufficient to confer jurisdiction on the court.

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These annotations cover cases decided since our report at the Copyright Society of the U.S.A. Annual Meeting of 1985 and reported through the May 26, 1985 issue of the U.S.P.Q.

Berger v. Simon & Schuster, 631 F. Supp. 915 (S.D.N.Y. 1986).

The District Court refused to assert subject matter jurisdiction over an action by an author against a publisher concerning a publishing contract. Pursuant to the contract, defendant published plaintiff's book, "The Southampton Diet", and secured copyright in plaintiff's name. Sales were disappointing but after plaintiff's second book with another publisher became a best seller, defendant reprinted the first diet book. Plaintiff sued for copyright infringement on the ground that the license to publish had expired under the term of the contract. Since no construction of the Copyright Act was required and the dispute had no federal copyright law ramifications, the case did not "arise under" the Copyright Act as required for subject matter jurisdiction. Infringement was determined only as a result of the court's construction of the contract.

Vault Corporation v. Quaid Software Ltd., 775 F.2d 638 (5th Cir. 1985).

The District Court's refusal to assert personal jurisdiction over a Canadian corporate defendant under the Louisiana Long Arm Statute was reversed. While neither plaintiff nor defendant was registered to do business in Louisiana, due process requirements of "minimum contacts" and "fair play and substantial justice" were satisfied. Defendant's contacts with Louisiana consisted of 510 mail order sales of infringing computer programs to Louisiana consumers, comprising .3% of its yearly revenues, and advertisements in seven national magazines. "Minimum contacts" are not determined by the actual number of contacts, but by whether the activities had reasonably foreseeable consequences within the state. The issue is whether defendant purposefully availed itself of benefits of the forum state. If one delivers its products into the national stream of commerce, with no limitation as to the states in which they are marketed, then its impact in any given state will be neither "random," "fortuitous," nor "attenuated."

Educational Testing Service v. Katzman, 631 F. Supp. 550 (D.N.J. 1986).

In an action alleging copyright infringement of the SAT and Achievement Tests, breach of contract, and common law tortious interference with contractual relations by defendant and his wholly-owned test review corporation, the district court followed the lead of the Supreme Court and Third Circuit in asserting "specific jurisdiction" over defendant. Absent diversity and absent a continuous and systematic presence in New Jersey, due process required that the copyright claim, which provided the only basis for subject matter jurisdiction, "arose out of" defendant's contacts with the forum. As a threshold matter, the court determined that, although defendant undertook some of his activities in New Jersey as part of a corporate entity, his status would not provide a shield against personal jurisdiction; while the corporation may not be an "alter-ego" to defendant, any specific action taken by him in New Jersey could be considered as a "contact" for jurisdictional purposes. Second, the court found that the requisite

"minimum contacts" existed. Although plaintiff asserted twelve contacts, including numerous telephone calls and letters to plaintiff's New Jersey offices and advertisements in newspapers circulated in the State, only two were held to be "related to" the copyright claim. These included a New Jersey meeting between plaintiff and defendant aimed at settling the copyright dispute, and attempts by defendant to take the SAT exam in New Jersey in violation of the agreement signed as a result of that meeting. While neither of these constituted an act of copyright infringement *per se*, both were sufficiently "related to" the claim to comport with the due process requirements for establishing specific jurisdiction. The court rejected an alternative jurisdictional theory asserted by the plaintiff based on the allegation that defendant provided a third party with plaintiff's copyrighted test questions for distribution in New Jersey. A copyright infringement claim does not arise from this allegation. Thus, personal jurisdiction could not be asserted based on the "effect" of defendant's activities in New Jersey, since he did not himself introduce the allegedly infringing material into the state's stream of commerce. "The effects test is not a proper basis for asserting jurisdiction over Katzman because the one effect attributable to [him], while related, was not the effect from which the cause of action arose."

Thomas Jackson Publishing, Inc. v. Buckner, 625 F. Supp. 1044 (D. Neb. 1985).

In an action for infringement of plaintiff's registered copyright in a song, the District Court of Nebraska denied defendants' motion to dismiss for lack of personal jurisdiction. Plaintiff is a Nebraska corporation; defendants are members of a musical group who reside in Georgia, where they were also served with process. The court upheld personal jurisdiction based on the Nebraska Long Arm Statute, which allows a court to exercise jurisdiction over a non-resident "(w)ho has any other contact with or maintains any other relation to this state to afford a basis ... consistent with the Constitution of the United States." Following *Burger King Corp. v. Rudzewicz*, 105 S.Ct. 2174, 2181-84 (1985), the court held that the correct test was a "minimum contacts" analysis. In this instance, plaintiff established defendants' "minimum contacts" with Nebraska by asserting that they arranged for the publication and distribution of sheet music and recordings of their allegedly infringing composition which were sold in Nebraska; that defendants' song, performed by defendants, was broadcast in Nebraska by radio stations; that defendants performed their song on national television programs transmitted to Nebraska; and that one of the defendants described himself as the author, producer, and performer of the song in the course of an interview conducted on a network cable television program also broadcast in Nebraska. Thus, while no physical ties existed between defendants and the state, defendants' "conduct and connection" with Nebraska led to a "reasonable expectation" that they could be sued there. Defendants' activities were "purposefully directed" at plaintiff, a corporation incorporated in the forum, making the likelihood of injury in

the state both "feasible and highly probable." Therefore, defendants had fair warning that their conduct may lead to liability in Nebraska, and the due process requirement was satisfied. Venue is also proper since defendants were "found" where the court has personal jurisdiction.

Payne v. Kristofferson, 228 U.S.P.Q. 682 (N.D. Ga. 1985).

In an action brought by a Georgia plaintiff against a California resident, a Tennessee resident, and a Tennessee corporation, alleging copyright infringement of plaintiff's registered song, the court denied defendants' motion to dismiss for lack of *in personam* jurisdiction. Under the Georgia long-arm statute, the court may assert personal jurisdiction over one who, either in person or through an agent, purposefully commits a tortious act or omission within the state. Because defendants had knowingly infused their product into the nationwide stream of commerce by recording the song and licensing its distribution, it was foreseeable that the recordings would reach the Georgia marketplace. Thus, they had "sufficient causal responsibility" for the sale and performance of the song in Georgia to satisfy the statutory requirement of committing a tortious act in the state. Moreover, the court found that the due process requirement of "minimum contacts" with the forum was fulfilled, despite the lack of any physical contact with the state. By licensing their song to a distributor with knowledge that distribution or licensing would be effected on a national basis, defendants could have anticipated a copyright infringement suit in any U.S. forum.

Triple A Partnership v. MPL Communications, 629 F. Supp. 1520 (D.C. Kan. 1986).

In a broad reading of the Kansas long-arm statute, the court denied defendant's motion to dismiss for lack of *in personam* jurisdiction. Plaintiff, a Kansas partnership, alleged that defendant music publishing company, incorporated and principally doing business in New York, infringed its registered copyright in a song by licensing rights in a substantially similar composition to various independent entities. Neither defendant nor its licensees maintains business offices or bank accounts in the forum, but all licensees exploit the Kansas market, garnering licensing fees and royalties based on sales of recordings and sheet music. Those revenues are in turn paid to defendant. Because the intent of the statute was to extend jurisdiction to a non-resident who "purposefully seeks and foreseeably benefits" from the activities of other entities in the state, the licensees constitute "instrumentalities" within the meaning of the statute. Furthermore, the court held that exercise of personal jurisdiction over defendant did not violate the Due Process Clause. With its licensing efforts, defendant attempted to disseminate the song throughout as many states as possible, including Kansas. Because it directly derived the revenues from sales in the state, it had delivered the song into the state's stream of commerce. It therefore benefited both

economically and legally from Kansas law, and should have "reasonably anticipated" the possibility that it was infringing in that state.

B. Joinder

Wales Industrial Inc. v. Hasbro Bradley, Inc., 612 F. Supp. 510 (S.D.N.Y. 1985).

Plaintiff was ordered to join as an indispensable party the assignor of its U.S. copyrights in robot convertible toys. The assignor retained an interest in the copyrights because the assignment agreement contained an assignment back after three years. Where validity of copyrights is an issue upon which the person's rights rest, joinder should normally be required. The court noted that otherwise defendants might be subject to multiple infringement suits with possibly inconsistent results concerning the copyrights. The court directed plaintiff to request assignor to join as plaintiff and if assignor refuses, to include assignor as an involuntary counterclaim plaintiff.

Angel Music, Inc. v ABC Sports, Inc., 609 F. Supp. 764 (S.D.N.Y. 1985).

In a suit involving the alleged failure of ABC Sports to obtain a synchronization license for use of plaintiff's copyrighted music during broadcast of the 1984 Olympic Games, the District Court refused to assert pendent party jurisdiction over defendant Harry Fox Agency for a claimed breach of its fiduciary duty to enforce plaintiff's synchronization rights. Though vested with the constitutional power to assert such jurisdiction, the court declined to do so holding that because the two claims did not arise out of a "common nucleus of operative fact," they did not comprise the requisite single constitutional case. While each claim derived from a single injury, namely the alleged unauthorized use of plaintiff's music by ABC, they rested on distinct legal theories requiring proof of different factual elements. Thus, success against one defendant would not necessarily lead to success against the other, and the mere possibility that separate trials would result in some overlap of proof was insufficient to compel one defendant faced with a "straightforward" state law claim to participate in a "potentially complex and lengthy" federal copyright suit. Although federal courts provided the only possibility for joinder, considerations of judicial economy and convenience did not, in this instance, outweigh the fundamental unfairness to Fox that would result from the single trial of two "essentially unrelated claims." If, however, ABC were to assert a affirmative defense that Fox, as plaintiff's agent or representative, failed to object to ABC's use of copyrighted music, the claims would be sufficiently related to allow joinder. Fox's motion to dismiss was granted subject to renewal of the claim by plaintiff if subsequent discovery revealed adequate grounds.

C. Standing

Motta v. Samuel Weiser, Inc., 768 F.2d 481 (1st Cir.), cert denied, 106 S.Ct. 596 (1985).

An unincorporated religious association was held too amorphous to own copyrights in its former leader's writings and thus the member lacked standing to enforce the copyrights. An individual claiming to be the leader of the group also lacked standing where rival factions existed and his leadership had not been demonstrated.

Bandai America, Inc. v. Bally Midway Mfg. Co., 775 F.2d 70 (3d Cir. 1985).

Where an exclusive copyright license was subject to recapture by its originator, the licensee nevertheless had standing to sue any infringers. Thus, a settlement agreement between licensee-appellee and infringer-appellant was not fraudulent, because the recapture rights would merely limit duration of the license, rendering appellee's failure to disclose them immaterial to the infringement action.

II. COPYRIGHTABILITY

A. Fact-Based Works

E kern v. Sew/Fit Co., Copyright L. Rep. (CCH) ¶25,894 (N.D. Ill. 1985).

An instructional text with accompanying artwork in a sewing method book were held copyrightable. The court noted that factual works are generally subject to narrower protection and that instructional vocabulary and common sewing expressions are not protected. Sufficient originality existed, however, in the combination of artwork and text. Summary judgment for defendants was precluded where defendants' similar book copied at least five illustrations with substantially similar accompanying text from plaintiff's book.

B. Compilations

Rockford Map Publishers, Inc. v. Directory Service Co. of Colorado, 768 F.2d 145 (7th Cir. 1985), cert. denied, 106 S.Ct. 806 (1986).

The court affirmed that plaintiff's county plat map is copyrightable and infringed. The map had been prepared by tracing topographical features from public domain aerial photographs, by drawing township and section lines, and by drawing boundary lines of each parcel from legal descriptions contained in deeds. The parcel owner's name was entered onto the map. The most recent update of plaintiff's map required 14 hours' work. The court found that the time expended was irrelevant to the question of the copyrightability which resides in the presenta-

tion and arrangement of material. This analysis represents a change from the "sweat of the brow" test applied by the Seventh Circuit in other cases, although no previous case law was explicitly overruled. In this case, the court found that pictorial representations made from legal deed descriptions constituted "a substantial change in the form of the information" and was copyrightable. Defendant infringed by using plaintiff's map as a template in preparing the map, although defendant verified the information in the legal records and the resulting map differed in several respects, e.g. it was not topographical. The court also affirmed the award of \$22,000 in attorney's fees to plaintiff as a proper exercise of the district court's discretion.

Rand McNally & Co. v. Fleet Management Systems, Inc., No. 80 C 4499 (N.D. Ill. Feb. 27, 1986).

The court denied defendant's motion, based on *Rockford Map, supra*, to reconsider a previous order granting partial summary judgment to plaintiff. Previously, the court had applied a "sweat of the brow" rationale in concluding that plaintiff's road mileage data was a copyrightable compilation and infringed by defendant's inputting the data into a computer data base. 600 F. Supp. 933 (N.D. Ill. 1984). The court rejected defendant's argument that *Rockford Map*, which stressed the presentation and arrangement of data, required a different result. The court conceded that had *Rockford Map* been decided earlier, different reasoning would be required. Plaintiff's mileage guides were held copyrightable in that the collection of numerous maps and arrangement of data from them into mileage guides involved a new arrangement or presentation of those facts. Although defendant's wholesale inputting of this data was in a different format (necessary for the computer), the court distinguished *Rockford Map* on the ground it did not address this question. *Rockford Map* was read as stating that although the protectible element in a compilation is its arrangement and presentation, nevertheless one who begins with the selection and arrangement of another's compilation infringes. Here, the court found that is what defendant did by starting with plaintiff's compilation. Noting the conflicting case law with respect to factual compilations, the court read *Rockford Map* as not overruling previous Seventh Circuit precedent.

Hutchinson Telephone Co. v. Frontier Directory Co., 770 F.2d 128 (8th Cir. 1985).

The court reversed the district court and found the telephone directory white pages compiled by a local telephone company to be an original work of authorship and thus copyrightable. The court looked to the legislative history of the 1976 Act which states that literary works include directories. Plaintiff's effort in soliciting, gathering, filing, sorting and maintaining the directory information met the "sweat of the brow" test for an original work of authorship. The proper focus of the test was that plaintiff itself compiled and generated its work; not

whether its sole motivation for doing so was the production of a directory. The court rejected the district court's theory that because plaintiff was obligated by state law to produce a directory, it was excluded from copyright protection. The Copyright Act provides for no such exception and courts should not create one. The court remanded for findings concerning infringement.

Toro Co. v. R&R Products Co., 787 F.2d 1208 (8th Cir. 1986).

A parts numbering system lacked sufficient originality to constitute a work of authorship. The court found that plaintiff's six-digit numbers randomly assigned to replacement lawn mower parts which were reproduced in defendant's catalog involved no effort or judgment in their selection or composition and lacked the requisite originality for copyrightability. A system using symbols in a meaningful pattern would be an original work.

West Publishing Co. v. Mead Data Control Inc., 616 F. Supp. 1571 (D. Minn. 1985).

West's arrangement of cases in reporters as represented by page numbers was held protectible as a compilation, and defendant was preliminarily enjoined from using the jump cites of cases in its LEXIS computer database. The court found West's arrangement of cases involved skill and labor and produced a self-indexing system by which cases can be identified and accessed. The page numbers represented West's copyrightable arrangement and are reproduced and infringed by their insertion into the LEXIS database. The court distinguished an earlier Second Circuit case which held that an official reporter's case arrangement and pagination were not protectible. Unlike plaintiff in that case, West is not an official reporter and has no statutory duty to arrange cases. Although West conceded that use of the first page number in a case is fair use, the court found that use of succeeding page numbers -- or jump cites -- is not fair use. The court applied the *Sony* standard that commercial uses are presumptively unfair and stressed that the LEXIS database with West pagination fulfills the same function as the West reporters, thereby obviating any need for the latter. The portion taken, moreover, is the key to the protectible arrangement of plaintiff's works.

Gem Products, Inc. v. Robertshaw Controls Co., 229 U.S.P.Q. 740 (C.D. Cal. 1986).

Preliminary injunction was denied where the plaintiff sought to enjoin defendant's use of part and model numbers from plaintiff's catalog. Plaintiff's catalog contained a list of plaintiff's parts for products manufactured by others as well as cross-reference lists of replacement parts for parts by competitors in the replacement market. The court found defendant's use of such part and model numbers in its computerized database did not involve a taking of copyrightable expression or arrangement, but merely a taking of unprotected facts.

C. Pictorial, Graphic and Sculptural Works

Animal Fair, Inc. v. Amfesco Industries, Inc., 620 F. Supp. 175 (D. Minn. 1985), *aff'd per curiam*, No. 85-5260 (8th Cir. Apr. 9, 1986).

Defendant footwear company was preliminarily enjoined from the manufacture, distribution, promotion and sale of a novelty slipper simulating a bear paw which was substantially similar to plaintiff's slipper. Plaintiff toy manufacturer held a valid copyright in the slippers despite the inadvertent omission of notice on certain of their labels, subsequently cured under §405 of the Copyright Act. Even assuming plaintiff's slipper was a "useful article" under the Act, the court found design aspects such as artwork on the sole, color combination, and sculptural facets conceptually separable from the utilitarian features and therefore protectible. Access and substantial similarity amounting to infringement were demonstrated where defendant used plaintiff's product as a model for its own and captured key artistic and expressive aspects of the copyrighted slipper.

Carol Barnhart Inc. v. Economy Cover Corp., 773 F.2d 411 (2d Cir. 1985).

Plaintiff's mannequins of partial human torsos used to display clothing were held utilitarian articles lacking separable artistic features and therefore uncopyrightable pursuant to §101 of the Copyright Act. Affirming summary judgment to defendant, the court noted that while copyright protection has been extended to works with a utilitarian component, Congress has expressly denied protection to works of applied art and industrial design lacking physically or conceptually separate artistic elements, notwithstanding their aesthetic appeal or value. Plaintiff's copyright registrations were held to constitute only prima facie evidence of copyright validity and not an irrebuttable presumption of validity. The court distinguished *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989 (2d Cir. 1980), involving the copyrightability of artistically sculpted belt buckles, saying their uniquely ornamental design was separate from and not dictated by a utilitarian function, whereas the allegedly aesthetic elements in plaintiff's torsos -- e.g. life-size dimensions of body parts -- were inextricably tied to utilitarian aspects, namely the display of clothes. The court rejected plaintiff's argument that torsos fell under the traditionally protectible category of sculpture, thereby entitling them to a lower standard of copyrightability.

Almar Sales Co., Inc. v. M&L Designs, 228 U.S.P.Q. 459 (3d Cir. 1985).

The court affirmed the decision below denying a preliminary injunction against the marketing of allegedly infringing hair barrettes. Plaintiff's copyrighted barrettes depicted the days of the week, considered clearly public domain material, which were lettered in standard style script arguably lacking any copyrightable dimension. Sculpted designs such as apples, hearts, clover and flowers, among others, accompanied the lettering. The court held that only the more unusual of

plaintiff's designs may have been entitled to copyright and since defendant did not reproduce these in substantially similar fashion, plaintiff was unlikely to succeed on the merits.

Ronald Litoff, Ltd. v. American Express Co., 621 F. Supp. 981 (S.D.N.Y. 1985).

Jewelry manufacturers and designers brought an action for infringement of two styles of copyrighted pendants which defendants had purchased for a mail-order sales campaign to its card holders. Defendants' motion for summary judgment on the copyrightability issue in connection with plaintiffs' initial-shaped pendants was denied since artistic jewelry is clearly capable of obtaining protection, plaintiff's copyright registration was prima facie evidence of copyright validity and defendants' claim that the pendants were uncopyrightable for lack of originality raised a genuine issue of fact. Nor were defendants entitled to summary judgment on the infringement issue where substantial similarity existed between the parties' pendants and defendants had access to plaintiffs' jewelry.

D. Government Works

Del Madera Properties v. Rhodes and Gardner, Inc., 227 U.S.P.Q. 486 (N.D. Cal. 1985).

A tentative map of a residential subdivision was held copyrightable as a "pictorial" or "graphic" work and not a "government work," despite the town council's approval of it. Defendants' argument that the map was a governmental enactment by virtue of its gaining the town council's approval and thereby uncopyrightable under § 105 of the Act was not accepted. The court distinguished the map which was merely approved from a building code in *Building Official & Code Administrators Int'l, Inc. v. Code Technology, Inc.*, 628 F.2d 730 (1st Cir. 1980), which was a self-executing ordinance. Defendants' argument that approval of the map constituted a land use decision running with the land and entitling them to develop the property in accordance with the map was also rejected. The court noted that defendants could submit modifications to the map for the town council's approval or alternatively develop land pursuant to the map and compensate plaintiffs the value of the copyright.

E. Computers

M. Kramer Manufacturing Co. v. Andrews, 783 F.2d 421 (4th Cir. 1986).

The District Court erred in finding plaintiff's copyright invalid in the audiovisual display of a video game which functioned by means of a computer program. The court rejected arguments that an audiovisual display is an unprotectible "idea," "system" or "process." Plaintiff's contribution to the work,

including modifying the screen display and adding a flashing card feature in the play mode, was more than merely trivial and constituted sufficient originality for a derivative work. Protection of the audiovisual display encompassed protection of the underlying computer program which constituted a copy of the work. The court also reversed the district court's finding that plaintiff's work was not infringed. The court noted the virtual identity of the computer programs, including a hidden legend in plaintiff's program.

NEC Corp. v. Intel Corp., 30 Pat. Trademark & Copyright J. (BNA) (N.D. Cal. Aug. 13, 1985).

The copyrightability of microcode was held not amenable to summary judgment. A triable issue exists as to the nature of microcode and as to what function microcode performs in connection with the microprocessor device. Whether it is a functioning part of the microprocessor or a copyrightable software instruction was left to trial.

F. Characters

Silverman v. CBS, Inc., 229 U.S.P.Q. 587 (S.D.N.Y. 1986).

An unauthorized intended stage production featuring "Amos 'n' Andy" characters could infringe copyrighted "Amos 'n' Andy" television programs notwithstanding that early scripts of the "Amos 'n' Andy" radio shows were in the public domain for failure to renew statutory copyrights therein. The court noted that graphic depictions of characters have been traditionally afforded greater protection than literary counterparts. Accordingly, "Amos 'n' Andy" characters in public domain scripts were protectible as embodied in television programs derived therefrom where the audiovisual presentation of the characters constituted expression of an idea surpassing word portraits in the public domain radio scripts. However, defendant/copyright owner's summary judgment motion for infringement of television programs was denied since the issue of substantial similarity between the allegedly infringing play and copyrighted television programs and characters therein would be resolved when the characters are actually presented on stage.

G. Originality of Authorship

Production Contractors, Inc. v. WGN Continental Broadcasting Co., 622 F. Supp. 1500 (N.D. Ill. 1985).

A special events organizer's parade, including promotion and production thereof, does not constitute an original work of authorship meriting copyright protection, but rather a common, unprotectible idea. While the legislative history behind §101 of the Copyright Act and the case law indicate that a live telecast of

a parade may be copyrightable if "fixed" simultaneously with its transmission, protection will only preclude videotaping or secondary transmission of the telecast and not defendant's independent creation of a simultaneous broadcast of parade.

Past Pluto Productions Corporation v. Dana, 627 F. Supp. 1435 (S.D.N.Y. 1986).

Plaintiff's copyrighted novelty foam hat simulating the Statue of Liberty's crown was not infringed by defendant's version of the crown. Plaintiff's work was derivative of public domain material (despite plaintiff's failure to state this fact in its copyright registration form), but lacked sufficient original additions to merit protection. In dismissing the complaint, the court noted that the spikes protruding from plaintiff's hat, the legend spanning its front, the green foam used, and the hole for the wearer's head all constituted public domain elements and plaintiff's silhouette window design, while arguably original with it, was merely a trivial contribution not rising to the level of protectible expression. Even if plaintiff had demonstrated a valid copyright in the hat design, defendant would not have infringed, notwithstanding its conceded access, since the differences between the two hats were significant enough to preclude a finding of substantial similarity in light of the limited ways to express the design of the public domain statue.

Towle Manufacturing Co. v. Godinger Silver Art Co., Ltd., 612 F. Supp. 986 (S.D.N.Y. 1985).

Defendant did not infringe plaintiff's copyright in a decorative cut-glass baby bottle where plaintiff's design consisted merely of a common arrangement of cuts patterned after a traditional style and where it lacked sufficient originality to merit protection. The court noted that while the degree of originality required by copyright law is minimal, some independent contribution to a public domain work is necessary to obtain copyright. Since ownership of a valid copyright is a prerequisite to an infringement action, plaintiff could not prevail despite evidence that defendant copied its design.

III. OWNERSHIP

A. *Work for Hire*

Iris Arc v. S.S. Sarna, Inc., 621 F. Supp. 916 (E.D.N.Y. 1985).

Defendants were preliminarily enjoined from manufacturing or marketing crystal animal figurines strikingly similar to plaintiff's crystal animal sculptures. The court rejected defendants' argument that plaintiff was not the copyright owner of figures designed by an independent contractor. Relying on *Aldon Accessories, Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir. 1984), the court held that the work came within subdivision (1) of the work made for hire definition in § 101.

Plaintiff's designer worked with its president and other employees in developing the figurines, incorporated their suggestions therein, maintained an office on plaintiff's grounds, and submitted works to plaintiff for final approval before manufacture. The court also rejected a challenge to the validity of the copyrights on the ground that plaintiff failed to describe its works as "derivative" in its copyright application. Pre-existing works on which plaintiff's figures were based are plaintiff's own copyrighted works which plaintiff alone had the right to exploit, and not public domain material.

Joseph J. Legat Architects, P.C. v. Urban Development Corp., 625 F. Supp. 293 (N.D. Ill. 1985).

Plaintiff's architectural plans created under contract with defendants did not constitute a work made for hire under § 101 of the Copyright Act. The architectural plans were not "commissioned works" within the meaning of the Act, nor was plaintiff's relationship to defendants one of an "employee within the scope of his ... employment," but rather one of an independent contractor. Defendants did not direct, control or supervise plaintiff's daily preparation of documents but merely had a final right of approval of the plans as is common to architectural clients. The decision in *Aitken, Haren v. Empire Construction Co.*, 542 F. Supp. 252 (D. Neb. 1982), controlled, where the court held the work made for hire doctrine inapplicable to services provided by an architectural firm to a building contractor:

"while [the builder] had the right to direct the result to be accomplished by [the architect's] work ... it did not have the right to control and direct the detail and means by which that result was accomplished."

Syigma Photo News, Inc. v. Globe International, Inc., 616 F. Supp. 1153 (S.D.N.Y. 1985).

A free-lance photographer was not an employee for hire with respect to pictures of Prince Charles, Princess Diana and their infant son. The sole extent of control was an agreement regarding the distribution and publishing dates of the photographs. This did not change the relationship from a "special order" or "commission" to employee for hire.

Woods Hole Oceanographic Institute v. Goldman, 228 U.S.P.Q. 874 (S.D.N.Y. 1985).

Plaintiff was entitled as a matter of law to copyright ownership in a documentary film created by defendant by virtue of an employment contract with plaintiff, insofar as the contract clearly specified the plaintiff's retention of copyright in the film and the film qualified as a work made for hire under §201(b) of the Copyright Act. The court noted that defendant was hired for the specific purpose

of producing the film and that plaintiff bore all expenses involved and supervised defendant's work.

Baltimore Orioles, Inc. v. Major League Baseball Players Association, 30 PAT. TRADEMARK & COPYRIGHT J. (BNA) 142 (N.D. Ill. 1985).

Professional baseball clubs' copyright ownership in videotaped telecasts of baseball games also extended to live performances of players as a matter of law. The court noted that clubs, as players' employers, held the copyright in telecasts under the work-for-hire doctrine, and the players' performances were subsumed under that copyright, drawing analogy to the telecast of a live opera where the copyright embraces the cast's performance. The court further found that the players' alleged rights of publicity and performance under state law were preempted under §301 of the Copyright Act as equivalent to copyright since the players' performances are valuable only insofar as they contribute to "[c]lub's entire production of the business of Major League Baseball." However, the players can assert publicity rights against parties outside the employment relationship.

Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises, Inc., 31 PAT. TRADEMARK & COPYRIGHT J. (BNA) 392 (E.D. La. 1985).

The organizer of a Mardi Gras-type parade and musical performance is not entitled to copyright as a matter of law in a videotape of the event pursuant to the work-for-hire doctrine. While the parade organizer conceived the idea for the event, arranged for its performers and produced it, the court noted ideas are non-copyrightable and the organizer's negligible participation in the filming of the event conducted under contract with an educational television foundation was characteristic of a client and not an author/employer for the purpose of copyright ownership. Rather, the educational television foundation was entitled to copyright in the film, since it functioned as an independent contractor in using its employees' own expertise to create the videotape by positioning cameras and recording equipment at select angles and by supervising the production crew. Such activities did not amount to "step by step" control and direction of the creative process by plaintiff that defines the employment relationship as articulated by the court in *Aldon Accessories v. Spiegel*, 738 F.2d 548 (2d Cir. 1984).

B. Transfer of Ownership

Burnett v. Warner Brothers Pictures, Inc., 228 U.S.P.Q. 143 (N.Y. App.Div. 1985).

An agreement assigning all rights in the play "Everyone Comes to Rick's" transferred all rights, including the character and sequel rights. The broad language of the assignment giving defendant an absolute right to use the work in any manner

or medium and to modify it in any way clearly granted all rights. The action for infringement was accordingly dismissed.

C. Common Law Copyright

Van Dusen v. Southeast First National Bank of Miami, 478 S.2d 82 (Fla. Ct. App. 1985).

A claim for common-law copyright infringement of a manuscript published without authorization as part of a book was remanded with directions to dismiss for lack of subject matter jurisdiction of the state court. The 1976 Copyright Act replaced the doctrine of common law copyright with a unified federal system of statutory protection. § 301(a). Where infringement occurs on or after January 1, 1978, the effective date of the new Act, federal courts have exclusive jurisdiction over the claim. The court determined that the action for common law copyright sought protection for the right of first publication so that an unauthorized publication in 1980 of a book containing the manuscript was "relevant infringing activity" invoking jurisdiction of the federal courts, notwithstanding that defendants had obtained access to and viewed the manuscript prior to the effective date of the new Act.

National Broadcasting Company, Inc. v. Sonneborn, Copyright L. Rep. (CCH) ¶ 25,474 (D. Conn. 1985).

In a suit for infringement of copyright in a videotape of "Peter Pan", defendant asserted that the work was published in 1960, more than five years prior to registration, thus defeating the presumption of validity afforded to a registration certificate under § 410(c) of the 1976 Copyright Act. Where the production was broadcast in 1960, the common-law definition of publication under 1909 Act governed, notwithstanding that the allegedly infringing act occurred after the revised definition of publication became effective under the 1976 Act. Congress did not intend the preemptive provision in the new Act to require application of the modified definition of publication retroactively. Accordingly, the court determined that plaintiff engaged in a limited publication at most, under the holding of *Paramount Pictures Corp. v. Rubinowitz*, 217 U.S.P.Q. 48 (E.D.N.Y. 1981), when it delivered kinescope copies of the production (black and white film recordings) to affiliates for delayed broadcast purposes; provided audition prints to European broadcasters as a licensing incentive; offered a copy to the production's leading star for personal use; licensed the production for exhibition abroad; and donated a copy to the Museum of Broadcasting for non-commercial reproduction. Plaintiff's return policy for copies, its express and implied reservation of rights in the production, the poor quality of the copies provided and the limited class to which the copies were distributed did not amount to a general publication such that plaintiff would forfeit its right to statutory protection. Additionally,

plaintiff's 1960 telecast was properly characterized as a "derivative work" in the copyright registration, since it embodied a distinctly original combination of camera angles, stage direction, color mix, special effects and editing, and as such, differed significantly from the earlier theatrical production and broadcast.

IV. FORMALITIES

A. Notice

Hasbro Bradley, Inc. v. Sparkle Toys, Inc., 780 F.2d 189 (2d Cir. 1985).

Rejecting the decision in *Beacon Looms, Inc. v. Lichtenberg & Co.*, 552 F. Supp. 1305 (S.D.N.Y. 1982), the court held that the omission of a copyright notice, even if deliberate, may be cured under the "reasonable effort" clause of §405(a)(2). Assignor of plaintiff's copyrights in toys had distributed the toys in Japan without a notice. Plaintiff had affixed a notice on all toys after the U.S. copyrights were assigned to it. The copyright owner who omits notice holds an "incipient copyright" for five years after publication of a work. A U.S. licensee or assignee who "discovers" such omission may effect a cure under §405(a)(2). Because there was no evidence that any of assignor's unmarked copies had been distributed in the United States, the court found it unnecessary to decide whether the "reasonable effort" standard required plaintiff to cure omission of notices on copies distributed in the United States by third parties and affirmed grant of a preliminary injunction. The court, however, disagreed with the line of cases which suggests that omission of notice by a foreign assignor from works published abroad is not relevant to the validity of the U.S. assignee's copyright if all copies published under the assignee's authority contain notice. In order to determine the validity of the copyright in the U.S., one must begin with the original copyright owner, here the foreign assignor.

Shapiro & Son Bedspread Corp. v. Royal Mills Associates, 764 F.2d 69 (2d Cir. 1985).

The court reversed summary judgment for defendants, finding plaintiff's efforts to cure a defective copyright notice under §405(a)(2) were not unreasonable as a matter of law. Where notice is defective rather than omitted, the reasonable effort test applies after the defect is discovered with respect to "copies which are distributed to the public after the defect is discovered," such as copies in the distribution chain including retailers. After discovering that a printed flyer inserted into bedspread bags was defective, plaintiff placed a proper notice on all bedspreads in its inventory, but made no effort to place a notice on bedspreads in the hands of retailers. In view of evidence of the rapidity of turnover at retail, that opening sealed bags by retailers might make spreads unmarketable, and that some form of notice, albeit defective, existed, plaintiff's failure to attempt to place

notice on goods out of its possession was not unreasonable as a matter of law. The test is reasonableness of the efforts "viewed as a whole."

Donald Frederick Evans and Associates, Inc. v. Continental Homes, Inc., 785 F.2d 897 (11th Cir. 1986).

The court affirmed that an architecture firm forfeited copyright protection for five architectural drawings containing house designs, because the firm's clients omitted notice from various publications. Several of the drawings appeared in a newspaper advertising supplement in which developers displayed new home designs. The copyright notice for the newspaper did not cover the advertising supplement because ads were placed by other than the copyright owner and thus fell into the advertising exception to the single notice provision for collective works under §404. The District Court erred, however, in counting as copies without notice the design drawings and photographs which appeared in a magazine feature article. This was not an advertisement and thus was covered by notice for the collective work under §404. The court rejected the argument that uses in the advertising supplement and various promotional brochures were unauthorized. Although a contract with one client concerning three designs specified that documents were not to be reproduced without permission, the architecture firm acquiesced in publications where it knew the drawings would be published and knew of the publication without seeking to enforce the provision. With respect to two designs, verbal authorization was given with respect to one and no prohibition against promotional uses existed with respect to the other. Notice was omitted on all copies of four designs. With respect to the fifth design, omission from 2.4% (2500 copies) constituted more than a relatively small number under §405(a)(1). Finding it unnecessary to decide whether the reasonable efforts to add notice under §405(a)(2) applied to already distributed copies, the court found the attempt to add notice inadequate. With respect to three designs, a rubber stamp to add notice was not sent to plaintiff's client until March, 1983, although plaintiff's president knew of the omission in May, 1982. With respect to the other two designs, plaintiff knew or should have known that notice was omitted in promotional materials and a defective notice was added to some reprinted copies only.

M. Kramer Manufacturing Co. v. Andrews, 783 F.2d 421 (4th Cir. 1986).

The District Court's finding that plaintiff failed to make a reasonable effort under §405(a)(2) to cure a defective notice was held clearly erroneous. Copyright was claimed by plaintiff in the audiovisual aspects of a video game. Initially notice was omitted and later a defective notice was added. Plaintiff's reasonable effort duty commenced when defectiveness of the notice was discovered and applied to copies not yet distributed to the public. Plaintiff's addition of a proper notice to all copies not yet sold, including stopping production for a period to add such

notice, was held sufficient where plaintiff sold directly to the public. Plaintiff's failure to add notice to a few copies already sold but still in storage awaiting delivery did not render the effort unreasonable. The District Court's finding that defendants were innocent infringers under §405(b) was held clearly erroneous where defendants knew others claimed copyright in the work, received a letter from plaintiff claiming copyright and in fact refused to copy plaintiff's first ROM which simply bore plaintiff's name as manufacturer.

Koontz v. Jaffarian, 787 F.2d 906 (4th Cir. 1986).

The court affirmed the District Court's application of the unit publication doctrine as to copyright notice. Plaintiff's notice on a manual for an electrical construction bid estimation system also covered the computer software and magnetic tapes which were always sold as a unit with the manual. The court affirmed the finding of infringement of plaintiff's manual and software.

Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001 (9th Cir. 1985).

Omission of copyright notice from some instruction sheets did not constitute a forfeiture where omission occurred without the knowledge or approval of the copyright owner or its licensee. Additionally, most of the instruction sheets did contain a notice. The court indicated the omission pertained only to a relatively small number of copies and would thus be excused under §405(a)(1).

Rachel v. Banana Republic, Inc., 228 U.S.P.Q. 416 (N.D. Cal. 1985).

The court granted summary judgment for defendants because plaintiff's omission of a copyright notice on synthetic animal heads cast the works into the public domain and alternatively because, even if valid, plaintiff's copyrights were not infringed as a matter of law. Failure to place notice on 39% of heads sold did not qualify as "a relatively small number" under §405(a)(1). Plaintiff's tardy efforts to cure this omission several months after its awareness that notice was necessary could not constitute a "reasonable effort" under §405(a)(2). Because the idea and expression of the realistic portrayal of animal heads merge, virtual identical copying, absent here, is necessary to establish substantial similarity. Additionally, defendants established independent creation as a matter of law.

Huckafit Sportswear, Inc. v. Banff Ltd., 228 U.S.P.Q. 244 (S.D.N.Y. 1985).

A TRO was granted despite defendants' argument that copyright notice was omitted from a sweater purchased in England on which defendant's design was based. Even if this sweater were plaintiffs' product, plaintiffs cured this omission making reasonable efforts to apply notice to all copies distributed in the U.S. If the sweater was not plaintiffs' product, it was not distributed under their authority

and thus the necessity to cure was inapplicable. To the extent that the case can be read to suggest that a cure of omission of notice abroad by a foreign assignor or licensor can be made by a U.S. assignee or licensee simply registering and placing notice on copies distributed under its authority, the Second Circuit's opinion in *Hasbro Bradley v. Sparkle Toy, supra*, appears to reject this position.

In Design v. S. Rothschild & Co., Copyright L. Rep. (CCH) ¶ 25,890 (S.D.N.Y. 1986).

Where defendant had purchased a sweater with plaintiff's copyrighted design which did not bear a notice and where it had distributed similar sweaters prior to actual notice, defendant was an innocent infringer under § 405(b) and not liable for damages.

Wales Industrial Inc. v. Hasbro Bradley, Inc., 612 F. Supp. 510 (S.D.N.Y. 1985).

Defendant's challenges to the copyright notice on plaintiff's convertible robot Transformer toys was rejected. Placement of a copyright notice on the robot and not on the dinosaur configuration of a toy was adequate. The fact that toys may have been displayed at a Japanese toy show by plaintiff's assignor is curable under §405(a)(2) where plaintiff registered the work and placed notice on all copies distributed under its authority. To the extent that case suggests that a cure of omission of notice abroad by a foreign assignor or licensor can be effected simply by the U.S. assignee or exclusive licensee registering and placing notices on copies distributed under its authority, the Second Circuit's opinion in *Hasbro Bradley v. Sparkle Toy, supra*, appears to reject this position.

Rodak v. Esprit Racing Team, 227 U.S.P.Q. 239 (S.D. Ohio 1985).

Plaintiff omitted copyright notice from drawings of a horse which were published in various advertisements. Rejecting defendants' reliance upon *Beacon Looms*, the court denied defendants' partial summary judgment motion. Because plaintiff believed no notice was necessary, the court found the mistake to be one of law rather than of fact, thus distinguishing *Beacon Looms*.

B. Recordation

Maxtone-Graham v. Burtchaell, 631 F. Supp. 1432 (S.D.N.Y. 1986).

Plaintiff's failure to record assignment agreements transferring to her the interviewees' rights in an interview would not bar an infringement action under § 205(d) in light of the special circumstances of the case. Plaintiff obtained permission to interview women who had suffered unwanted pregnancies on condition that the women would remain anonymous. When the women assigned their

interview rights to plaintiff in 1971 and 1972, the 1909 Act did not require recordation of these transfers. Although many courts have interpreted § 301(a) of the 1976 Act to require recordation of transfers which occurred prior to the effective date of the Act, such an interpretation was not followed here where plaintiff would have been unable to comply by virtue of her agreement to preserve the interviewees' confidentiality.

V. INFRINGEMENT

A. Access and Copying

Cameron Industries Inc. v. Albert Nipon Co., 630 F. Supp. 1293 (S.D.N.Y. 1986).

Notwithstanding testimony by three of plaintiff's employees that a fabric design was shown to and delivered to defendant, the court found no access or copying based on uncorroborated evidence. Even though the designs were substantially similar, defendant's denial of access and copying was accepted because of the credibility of the witnesses, documentary evidence and corroborative testimony by a third party of independent creation.

B. Substantial Similarity

Horgan v. MacMillan, Inc., 229 U.S.P.Q. 684 (2d Cir. 1986).

The executrix of the George Balanchine estate sought to enjoin publication of a book containing photographs and accompanying text about the New York City Ballet production of the copyrighted Balanchine Nutcracker ballet. Noting that the case was one of first impression, the Court of Appeals held that the standard for determining whether still photographs of the Nutcracker ballet infringe the copyrighted Balanchine choreography therein is "substantial similarity" and not the District Court's test of whether the ballet could be reconstructed from the photographs. The district judge adopted too narrow a rule for determining the degree to which choreographic material—described as the "flow of steps in a ballet"—could be expressed in a fixed photographic format. The judge erroneously held that still photographs cannot infringe choreography; it depends on whether substantial similarity exists. The decision denying plaintiff preliminary relief was reversed and the case remanded for full trial at which the proper legal standard for infringement is to be considered along with other factual issues.

Cooling Systems and Flexibles, Inc. v. Stuart Radiator, Inc., 777 F.2d 485 (9th Cir. 1985).

The District Court's conclusion that defendant's radiator catalog was not substantially similar to plaintiff's was not clearly erroneous given the limited

amount of copyrightable matter in plaintiff's work and the narrow range of expression available to defendant. The court noted that catalogs by their nature are fact-filled works which the copyright law treats differently from artistic works. Since there are only a limited means of expression available when producing a catalog, the similarity of expression required to find infringement should approach verbatim reproduction or close paraphrasing. The court rejected plaintiff's claims that there was copyrightable expression in the tripartite arrangement of this catalog and in the alphabetical listing of goods. The court further repudiated plaintiff's argument that common errors in the two works evidenced copying by defendant, saying that proof of common errors will not eliminate the requirement of demonstrating substantial similarity since the reproduction of facts, versus expression, will not constitute infringement notwithstanding that those facts are incorrect. The proper standard for substantial similarity was whether the small amount of copyrightable expression in plaintiff's catalog was substantially similar to equivalent sections in defendant's, and not whether substantial similarity existed in the total concept and feel of two works. The lower court did not abuse its discretion in awarding defendant attorney's fees, given plaintiff's bad faith or frivolity in proposing that defendant arrange its catalog in an impractical fashion to avoid alleged substantial similarity to its own, and given plaintiff's delay in amending errors and information as to authorship on its copyright registration certificate.

Edwards v. Ruffner, 623 F. Supp. 511 (S.D.N.Y. 1985).

An allegation that plaintiff's copyrighted photograph depicting a ballet dancer's legs in the classic fifth position and clad in torn leg-warmers, hosiery and ballet shoes was infringed by a photograph of a ballet dancer's legs in the same position sporting similar clothing but of different appearance and taken from a different angle, did not warrant issuance of a preliminary injunction. The court determined that the purportedly infringing work did not resemble plaintiff's photograph except to the extent that both featured dancers in the same traditional stance which plaintiff could not monopolize for his own use. Additionally, plaintiff failed to provide evidence of defendant's direct copying, nor did he demonstrate infringement by circumstantial evidence of defendant's access to his work or that substantial similarity existed between the two photographs.

Walker v. Time Life Films, Inc., 784 F.2d 44 (2d Cir. 1986).

The court held there was no substantial similarity as a matter of law between the copyrightable elements in plaintiff's book "Fort Apache" and defendant's film, "Fort Apache, The Bronx", notwithstanding that access to plaintiff's manuscript was conceded, and both works highlighted the violence and deprivation surrounding a police precinct in South Bronx. Similarities existed only in the most generalized, abstract sense that the works shared a common subject

matter. The character development and basic structures of the works differed, however. Plaintiff's book was an autobiographical chronicle of his earlier experience as a policeman, organized topically, whereas defendants' film was a dramatized fictional account with a unified plot and interrelated characters. Moreover, the court determined that much of the material allegedly taken from plaintiff's book was either unprotectible factual information such as police reports and news items or scenes a faire -- standard thematic elements necessarily employed in the presentation of a general topic. Noting that there are greater difficulties in proving infringement in the context of a non-fictional account, the court reiterated the Second Circuit position that copyright protection is not accorded to facts or current events notwithstanding that the information is the product of independent discovery. The District Court did not err in admitting expert testimony on the issue of substantial similarity. The standard for determining similarity was fashioned into a 2-prong test by the court in *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946), which distinguished between an initial demonstration of copying, in connection with which expert testimony is appropriate, and a subsequent determination that the copying is unlawful, which is left to the ordinary lay observer.

Arthur v. ABC, Copyright L. Rep. (CCH) ¶ 25,880 (S.D.N.Y. 1986).

The court found no substantial similarity as a matter of law between the protectible features of plaintiff's copyrighted sculpture and defendants' television broadcast log created for coverage of the Olympic Games, notwithstanding that both works embodied the famous Olympic symbol of five interlocking rings superimposed with lower case "a, b, c" initials. While plaintiff's early sketch of the interlocking ring and letters design was only an idea, lacking original expression sufficient to warrant protection, the translation of the idea into a sculptural work amounted to copyrightable subject matter. However, plaintiff's copyright in the sculpture would not preclude others from creating their own expression of the interlocking rings and letters idea. Accordingly, the court held plaintiff's rough twisted brass ring sculpture was dramatically different from and not infringed by defendants' modern, polished work.

Zambito v. Paramount Pictures Corp., 613 F. Supp. 1107 (E.D.N.Y. 1985).

The plaintiff screenwriter brought suit for copyright infringement of the screenplay "Black Rainbow" by defendants' film "Raiders of the Lost Ark". On cross motions for summary judgment on the issue of substantial similarity, the court concluded that any similarities between the two works consisted only of uncopyrightable "scenes a faire" -- standard type characters, settings or events dictated by the general theme-- and granted defendants' motion. Defendants' film borrowed no original protectible expression of plaintiff's ideas but at most generalized thematic elements necessarily tied to the basic and concededly

uncopyrightable concept of an archeologist's expedition for artifacts. The court noted that the mood and feel of the two works were entirely dissimilar in that plaintiff's screenplay was a somber tale characterized by sex, drugs and violence, whereas defendants' film was a tongue-in-cheek adventure story.

Universal City Studios v. Casey & Casey, Inc., 622 F. Supp. 201 (S.D. Fla. 1985).

The court denied plaintiffs' motion for preliminary injunction where it found, *inter alia*, that there was no substantial similarity between plaintiff's copyrighted television series "Miami Vice" and defendant's cartoon characters marketed as "Miami Mice". Following the Second Circuit's decision in *Warner Brothers v. American Broadcasting Companies*, 720 F.2d 231 (2d Cir. 1983), the court found that defendant's cartoon illustrations were of a comical nature and appealed to a younger audience whereas plaintiffs' series is an "adult" program featuring crime, violence and sophisticated dialogue.

C. Public Performance

Columbia Pictures Industries, Inc. v. Aveco, Inc., 612 F. Supp. 315 (M.D. Pa. 1985).

A video shop's rental of videocassettes as well as lease of private viewing rooms constituted infringement of plaintiffs' right to authorize public performance of the films. The court found no material differences from the situation involved in *Redd Horne*, in which the Third Circuit found the showing of films rented in private booths on the premises of a video store to be a public performance. The fact that defendants independently rented video cassettes and viewing rooms, rather than making a single charge as in *Redd Horne*, and that defendants did not operate a cassette player from a central area as in *Redd Horne*, but rather the defendant allowed customers to operate the machine, created no legal difference. Defendants' premises were a public place and the performance of the films by customers was not authorized by plaintiffs.

Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc., 228 U.S.P.Q. 743 (C.D. Cal. 1986).

The court found that hotel or resort accommodations are not public places under the copyright law, and thus that rental of videodisc movies which were viewed by guests in their rooms was not a public performance of the films. The court reasoned that a hotel room is a living accommodation where guests have privacy expectations. The court distinguished *Redd Horne* and *Aveco* in that video stores with viewing rooms have the sole purpose of serving as places to view films, similar to movie theatres, unlike hotel rooms which have a primary purpose of serving as accommodation similar to private homes.

Hinton v. Mainlands of Tamarac, 611 F. Supp. 494 (S.D. Fla. 1985).

Performance of music at a condominium complex clubhouse in which there was no impediment to the general public's entrance and at which a suggested \$3 donation was requested constituted public performance of the copyrighted music. The court did not find it necessary to decide whether a social function held at the clubhouse limited to residents would constitute a public performance of copyrighted works.

D. Distribution Rights

Obolensky v. G.P. Putnam's Sons, 625 F. Supp. 1552 (S.D.N.Y. 1986).

Defendant's motion for a directed verdict was granted where plaintiff claimed that an incorrect listing of his copyrighted book in a publisher's forthcoming publications catalogue infringed on his right to distribute the book. The parties had engaged in negotiations for publication of the book, in the course of which plaintiff had consented to the catalogue listings. Shortly thereafter, these discussions were abandoned and plaintiff published the book independently. In the interlude between abandonment and publication, however, the offending catalogues were issued. Subsequent catalogues listed the book as cancelled. The court held that since defendant had neither copied nor sold the book, plaintiff's claim lacked legal foundation. Its "essence" was that plaintiff had sold fewer books than it would have but for the catalogue listings. While such injury may have resulted from defendant's activity, it did not derive from an infringement of plaintiff's copyright.

E. Computer Programs

Williams v. Arndt, 626 F. Supp. 571 (D. Mass. 1985).

Translation into source code of commodity trading manuals specifying a trading method was held to be copyright infringement. The court rejected the argument that the source code was simply a new expression of an unprotectible idea and found it to be a translation into a different language. Otherwise, "every expression would be open to copying in source code form." Omission of notice from eleven copies of a manual distributed to select customers under a non-disclosure agreement did not constitute public distribution and thus notice was unnecessary. Additionally, eleven copies constituted a relatively small number and in any event, plaintiff cured the omission by sending copyright stickers to these customers. Defendant's programs were substantially similar to the plaintiff's manuals as shown by the fact that the results produced by both were the same in the vast majority of comparisons. The court awarded defendants' entire gross profits of \$291,000 because defendant was not an innocent infringer (having actual notice of plaintiff's claim from an early date) and because defendants

had not credibly demonstrated any expenses.

Q-Co. Industries, Inc. v. Hoffman, 625 F. Supp. 608 (S.D.N.Y. 1985).

Defendants' computer program which operated a prompter did not infringe plaintiff's prompter program designed to be run on a different computer (IBM-PC versus Atari 800-XL, respectively). The court rejected the argument that one defendant was joint owner of copyright in plaintiff's program. Plaintiff's program had been created by its full-time employee (also a defendant) as well as by a defendant whose title was "consultant." In finding the program a work-for-hire, the court noted that whatever his title, defendant was working with plaintiff's materials and under the direct control and supervision of plaintiff's full-time employee. Although the two programs shared certain structural and organizational similarities as well as a few textual similarities, the court found this to be use of ideas rather than of protectible expression. The programs were written in different languages and had to be different to accommodate the different computers for which they were designed. Although the court found that plaintiff had established a likelihood of success on its trade secret and misappropriation claims, preliminary relief was denied. No irreparable injury was established since defendants had not perfected their program and no sales had been made.

E. F. Johnson Co. v. Uniden Corp., 623 F. Supp. 1485 (D. Minn. 1985).

Defendant's computer program for a mobile radio was found substantially similar to plaintiff's program for its mobile radio. Compatibility with plaintiff's two-way communication system did not dictate most of the program similarities contained in defendant's program. In view of the invisibility of programs, the court noted that the ordinary observer test for substantial similarity may be less useful than the iterative test which analyzes the "quantitive and qualitative evidence of similarities." Under either test, the court found defendant's program substantially similar to plaintiff's. Defendant's program contained the same unnecessary lines of code and error as well as sequences which were less efficient for defendant's system. The court granted plaintiff's motion for a preliminary injunction.

F. Importation

Original Appalachian Artworks, Inc. v. Granada Electronics, Inc., 229 U.S.P.Q. 54 (S.D.N.Y. 1986).

Plaintiff licensed an American company to manufacture and sell Cabbage Patch Kids dolls in the U.S. and other companies to do the same abroad pursuant to foreign copyrights. Plaintiff alleged infringement of its American copyrights by defendant's unauthorized importation and distribution in this country of dolls manufactured by plaintiff's Spanish licensee. Denying plaintiff's motion for preliminary injunction, the court found no demonstration of irreparable harm was

required to warrant such relief since plaintiff received a royalty from its Spanish licensee for each allegedly infringing foreign doll imported by defendant. Additionally, there was no proof of consumer dissatisfaction with the Spanish-language, versus English, adoption papers and birth certificates accompanying the foreign dolls such that the popularity of the dolls and collateral products would be diminished. The court granted plaintiff's motion to dismiss defendant's antitrust counterclaims premised on an allegation that plaintiff's territorial licensing program amounted to a vertical restraint of trade and artificially raised prices of dolls in each territory. Defendant failed to demonstrate "antitrust injury" (one directly resulting from plaintiff's anticompetitive activity, and not solely a violation of antitrust laws) since it stood to profit from plaintiff's alleged domestic artificial price inflation by importing less expensive dolls into U.S. Nor did plaintiff engage in anticompetitive behavior by bringing the copyright infringement action, absent a showing of bad faith or intent to harass.

Warner Brothers, Inc. v. ITC, 787 F.2d 562 (C.A.F.C. 1986).

The Court of Appeals for the Federal Circuit upheld the refusal of an administrative law judge in proceeding before the International Trade Commission to invoke a presumption of irreparable injury in copyright cases. The court distinguished the right protected under Section 337 of the Tariff Act from the right under the Copyright Act when one seeks injunctive relief. The relaxed proof requirement for copyright injunctions will not be applied under Section 337 which includes a requirement of independent proof of distinct injury.

G. Contributory Infringement

Dixon v. Atlantic Recording Corp., 227 U.S.P.Q. 559 (S.D.N.Y. 1985).

Blues musician Willie Dixon brought an action for copyright infringement of his song "I Need Love" by rock group Led Zeppelin's composition "Whole Lotta Love". The Harry Fox Agency, accused of contributorily infringing plaintiff's song in its role as licensing and collecting agent for the owner/publisher of the allegedly infringing composition, moved for summary judgment. The court denied the motion without prejudice to its renewal following a limited discovery period during which plaintiff could ascertain the relationship between Fox and the song's owner/publisher. The court found irrelevant Fox's contention that it acted merely as agent for a fully disclosed principal in granting mechanical licenses permitting others to manufacture and distribute phonorecords of musical compositions pursuant to the compulsory license provision of §115 of the Copyright Act. The court noted that an agent committing a tort, including copyright infringement, is not immune from liability because he acted at the behest or on account of his principal. Moreover, the Second Circuit in *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971), ruled

that one who promotes or induces an infringing act can be liable as a "vicarious" infringer notwithstanding the absence of actual knowledge of copyright violation if he has the right and ability to control the infringing act and a direct financial interest in exploitation of the copyrighted work. Fox's control over the infringing activity was demonstrated by its discretion to negotiate and grant synchronization licenses as opposed to mechanical licenses, to settle disputes with licensees regarding royalty payments, and other duties inherent in its role as agent.

H. Criminal Infringement

Dowling v. U.S., 105 S. Ct. 3127 (1985).

The court, by a 6-3 majority, reversed the Ninth Circuit in holding the National Stolen Property Act, 18 U.S.C. §2314, inapplicable to acts of copyright infringement. That provision prohibits interstate transportation of "goods, wares [or] merchandise" worth in excess of \$5,000 knowing the goods "to have been stolen, converted or taken by fraud." Dowling had manufactured and distributed bootleg Elvis Presley recordings and was convicted under the statute. Noting that a copyright interest, unlike physical goods, does not entail physical control by its owner, the majority was unwilling to read the statute as extending to copyright infringement. Additionally, the majority reasoned that the history of the criminal copyright penalties indicated a gradual and carefully tailored application of such penalties.

Nunes v. U.S., 630 F. Supp. 1048 (D. Hawaii 1986).

The Supreme Court's decision in *Dowling v. U.S.*, *supra*, was held applicable to pirated recordings as well as bootleg recordings. The court vacated the sentence for violation of the National Stolen Property Act for transporting unauthorized copies of commercially released films across state lines.

Donald Frederick Evans Associates, Inc. v. Continental Homes, Inc., 785 F.2d 897 (11th Cir. 1986).

Section 506 authorizing a fine for use of a fraudulent copyright notice does not create a private right of action. Applying the factors outlined in *Cort v. Ash*, 422 U.S. 66 (1975), the court reasoned that although plaintiff was a member of the class for whose benefit the statute was enacted and no conflict existed, Congress intended that the statute would be criminal only and adequate protection was afforded plaintiff under other provisions of the Act.

VI. DEFENSES/EXEMPTIONS

A. Fair Use

Supermarket of Homes, Inc. v. San Fernando Valley Board of Realtors, 786 F.2d 1400 (9th Cir. 1986).

The court affirmed that wholesale copying of multiple listing information was not fair use as a matter of law. A real estate board distributed multiple listing books to participating brokers on condition that the books were shown to customers only in the presence of the brokers. Supermarket of Homes instead sold copies of relevant portions to customers. Applying the four-factor fair use analysis, the court reasoned that the use was not fair in that it was commercial, the entire work was copied (although distribution to particular customers was of selected portions) and use was a substitute for the copyright owner's work. Where a use is commercial, harm to the potential value of the owner's work may be presumed.

Maxtone-Graham v. Burtchaell, 631 F. Supp. 1432 (S.D.N.Y. 1986).

An author's use of extensive quotations from interviews reported in plaintiff's book "Pregnant By Mistake" was held fair use as a matter of law. Plaintiff's book presented interviews conducted by plaintiff with women who had suffered unwanted pregnancies and presented a pro-choice view with respect to abortion. Defendant, a Catholic priest, after being denied permission, used about 7,000 words from the interviews in a 37,000 word essay entitled "Rachel Weeping," which presented a pro-life viewpoint. The court found that the public importance of the issue broadened the permissible scope of fair use and did not read the Supreme Court's *Nation* decision to the contrary. The fact that defendant proceeded after permission was denied, in violation of a purported publishing custom, was held of no legal relevance. Applying the four-factor fair use analysis, the court, without reference to the *Sony* statement that commercial use is presumptively unfair, noted the scholarly purpose of and analysis contained in defendant's work. The factual nature of plaintiff's book as well as the lack of effect on the market for plaintiff's work (which was going out of print) were further factors in defendant's favor.

Hustler Magazine, Inc. v. Moral Majority, 606 F. Supp. 1526 (C.D. Cal. 1985).

Reverend Falwell's use of an ad parody published in "Hustler" magazine in mass mailings to his followers and in TV appearances was held a fair use as a matter of law. The ad portrayed Falwell in a take-off Campari "first time" ad in which Falwell purportedly described various sexual encounters. Falwell sent censored copies of the ad to his followers and displayed the ad in television broadcasts as an example of the attack on his integrity and of the general moral degeneracy of pornographers. The court held summary judgment was appropriate

where the basic facts were undisputed and the analysis turned on issues such as copyright policy and First Amendment considerations which are not matters primarily within the jurors' experience. Although use may have been commercial in that the mailings and TV programs requested donations, the court found personal and political motives present as well. In any event, the court found the *Sony* presumption rebutted where the use served a different function than the ad parody, where the use occurred in the course of political debate, where the use was to criticize the contents of the work and where there was no potential for harm to the work's value. The court treated the magazine as the work rather than the ad parody itself in calculating the substantiality of the taking.

Haberman v. Hustler Magazine, Inc., 626 F. Supp. 201 (D. Mass. 1986).

"Hustler" magazine's publication of two fine art photographs was fair use. The fact that the magazine is published for profit did not dictate a finding that the use was commercial. Rather, the magazine did not exploit the works to sell magazines but to entertain and comment upon the photographs. The fact that the magazine gave credit to the works' author and had obtained the works legitimately was considered in favor of the fair use finding. Although the works were artistic and substantially reproduced in their entirety, the fact that they had been published and that reproduction was required to comment upon them was considered. The most important factor--the effect on the potential value of the copyrighted works--favored a fair use finding where sales of plaintiff's postcards bearing the photographs increased, museums and galleries continued to display the works and another magazine had licensed one of the works for publication.

Pro Arts, Inc. v. Hustler Magazine, Inc., Nos. 85-3022 & 85-3041 (6th Cir. Mar. 25, 1986).

Use of a Farrah Fawcett poster in an ad for a magazine was held a fair use. The ad was entitled "Save This Child From the Seventies" and portrayed a teenager in the foreground. The poster appeared as part of the background and was only the size of a postage stamp. Although the primary purpose of the use was commercial, the court noted its secondary purpose was to parody the Seventies' culture. Moreover, the most important factor--the impact on the potential value of the copyrighted work--weighed heavily in favor of fair use.

Sinkler v. Goldsmith, 623 F. Supp. 727 (D. Ariz. 1985).

Reading to a large class of students letters written to her by a spiritual leader was not a fair use. The court reasoned that the fair use doctrine generally applies to materials, unlike the letters here, already released by the author for public consumption. Copyrights in the letters were owned by the deceased leader's widow because the leader had not indicated an intent to abandon rights in them.

B. Sovereign Immunity

Woelffer v. Happy States of America, 626 F. Supp. 499 (N.D. Ill. 1985).

A state agency, its director and a private advertising agency sought a declaratory judgment that use of a slogan does not infringe defendant's rights thereto, and that the Eleventh Amendment bars any counterclaim to be asserted by defendant. Defendant counterclaimed for infringement. The court held that the Copyright Act of 1976 does not abrogate the state's Eleventh Amendment immunity, noting that the Supreme Court decision in *Atascadero State Hospital v. Scanlon*, 105 S.Ct. 3142 (1985), casts doubt on the continued vitality of the decision to the contrary in *Mills Music, Inc. v. Arizona*, 591 F.2d 1278, 1285 (9th Cir. 1979). State plaintiffs' initiation of suit did not waive immunity with respect to that portion of the counterclaim seeking injunctive relief, attorney's fees and costs against the state agency. However, it did waive immunity with respect to the declaratory portion of the counterclaim. Moreover, the director of the state agency is amenable to the declaratory and injunctive portions of the counterclaim pursuant to the doctrine of *Ex parte Young*, 209 U.S. 123 (1908), and *Edelman v. Jordan*, 415 U.S. 651 (1974), which allows federal courts to enjoin state officials from violating federal law.

Richard Anderson Photography v. Radford University, No. 85-0373-R (W.D. Va. Apr. 23, 1986).

Plaintiff brought suit against State University, its governing body and its director of public relations, seeking damages for infringement of plaintiff's copyrighted photographs. Following the Supreme Court's decision in *Atascadero State Hospital v. Scanlon*, 105 S. Ct. 3142 (1985), the court dismissed the case against the university, its governing body and its public relations director in her official capacity, on the ground that the suit was barred by the Eleventh Amendment. Because plaintiff did not seek injunctive relief, the doctrine of *Ex Parte Young*, 209 U.S. 123 (1908), was not implicated. The court allowed the case to proceed against the director of public relations to the extent she may have acted in her individual, and not official, capacity. In addition, the court allowed plaintiff to amend its complaint in order to assert a claim against the Commonwealth of Virginia for an unlawful taking of property under the Fourteenth Amendment.

C. Miscellaneous Exemptions

BGO Music, Inc. v. Pee Bee Investments, Inc., 229 U.S.P.Q. 130 (S.D.W.Va 1985), *aff'd*, 229 U.S.P.Q. 131 (4th Cir. 1986).

The owner of a skating rink was not entitled to an exemption under §116(e) of the Copyright Act and was liable for copyright infringement for unauthorized public performance of plaintiffs' copyrighted songs at the roller rink. Defendant's

establishment where the juke box was located was not one that makes "no direct charge or indirect charge for admission" as required for exemption, though no charge is assessed non-skaters only. The court determined that the fee charged for the privilege of skating -- the main function of the establishment -- constituted an "admission fee" under the Act.

Rodgers v. Eighty Four Lumber Co., 623 F. Supp. 889 (W.D. Pa. 1985).

Unauthorized performance of plaintiffs' copyrighted musical composition by a chain store transmitting radio broadcasts over multiple speakers did not come within the exemption in §110(5) of the Copyright Act, rendering defendant liable for copyright infringement as a matter of law. The court rejected defendant's argument that the exemption applied since the music was primarily intended to drown out industrial noise for employees' benefit and not to attract customers, saying §110(5) embraces no such exemption, and the proffered reason for which the music was used was irrelevant to the infringement issue here. Rather, defendant exceeded the "outer limit" of the exemption in terms of store size and sophistication of the system as defined by the legislative history and the holding in *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975), since the public area of the store comprised more than 10,000 square feet and the sound system, which included amplifiers, microphones and speakers, resembled a commercial set-up more than a "single receiving apparatus of a kind commonly used in private homes." Pursuant to a hearing on the question of damages, the court determined that defendant deliberately and willfully infringed plaintiffs' copyright in continuing to perform compositions after warnings to stop, in denying that such performances were ongoing, in neglecting to respond to notices and in failing to negotiate in good faith for an ASCAP license. Accordingly, the court awarded plaintiffs statutory damages for willful infringement under §504(c)(2) of the Act in an amount of \$2500 per violation, which figure represented significantly more than plaintiffs' lost license revenues and as such was an effective deterrent to future unlawful activity.

VII. REMEDIES

A. Damages

Design Resources, Inc. v. John Wolf Decorative Fabrics, 229 U.S.P.Q. 418 (S.D.N.Y. 1985).

Where the price of both the infringed and infringing goods were substantially the same, the court calculated plaintiff's actual damages based upon the assumption that plaintiff would have sold the same amount of fabric as had defendant. Defendant was not entitled to deduct overhead from the gross profit on sales of infringing goods where it failed to show that it had incurred increased general

administrative expenses attributable to the production of the infringing goods. The court awarded plaintiff attorney's fees based on its finding of willful infringement.

Alt v. Morello; 227 U.S.P.Q. 49 (S.D.N.Y. 1985).

Finding that defendant willfully infringed plaintiff's copyrighted photograph, the court awarded \$20,000 in statutory damages as well as attorney's fees and costs. The court denied plaintiff's request for damages attributable to defendant's use of the infringing photograph to obtain assignments and build defendant's professional reputation at the expense of plaintiff's reputation and to the detriment of plaintiff's career. The court reasoned that, even if such contentions were true, plaintiff failed to quantify either his losses or defendant's gains.

Sygma Photo News, Inc. v. High Society Magazine, Inc., 778 F.2d 89 (2d Cir. 1985).

The Second Circuit reduced the District Court's calculation of the profits from the sales of magazines which were attributable to the infringing cover photograph. Finding the District Court's allocation clearly erroneous, radically inconsistent with expert testimony and giving no weight to other factors that logically might have accounted for sales, the court reduced the District Court's allocation of the amount of profits attributable to the cover from 75% to 50%. The court also held that 100% of magazine printing costs could be deducted from defendant's profits even though 48% of the magazines remained unsold. The court reasoned that, unlike books and prints, unsold magazines are ultimately destroyed and in the "skin" magazine business, it is necessary to print twice as many copies as will be sold. Thus, the entire printing cost is the cost of doing business. Also, the entire expense of "separations" is deductible expense even though the amount included the cost of preparing "separations" for the infringing cover photograph. The court held such expense is not a cost associated with the infringement since a similar amount would have been spent to prepare any cover photograph. However, the cost of retouching the photograph was not deductible, since retouching was designed to make the infringement more difficult to discover.

Delman Fabrics, Inc. v. Holland Fabrics, Inc., 228 U.S.P.Q. 596 (S.D.N.Y. 1985).

The court awarded attorney's fees and maximum statutory damages of \$50,000 under 17 U.S.C. §504(c)(2) where defendants willfully infringed plaintiff's fabric design and the individual defendant was deemed a "notorious recidivist in the infringement of fabrics designs." Additionally, the court referred the file to the United States Attorney for the Southern District of New York for consideration of criminal prosecution for perjury.

Blackman v. Hustler Magazine, Inc., 620 F. Supp. 792 (D. D.C. 1985).

Finding defendant's infringement to be "deliberate, intentional, malicious and wanton," the court refused to limit plaintiff's recovery to statutory damages of \$5,000 under the 1909 Copyright Act. However, the court also declined to equate defendant's profits with its revenues even though defendant failed to produce credible evidence of its actual costs. The court nevertheless awarded a substantial amount which it considered reasonably compensated plaintiff, and also awarded costs and attorney's fees.

Broadcast Music, Inc. v. Lynden Lanes, Inc., 227 U.S.P.Q. 731 (W.D. Ky. 1985).

Although finding that defendants did not willfully infringe plaintiff's copyrights in nine musical compositions, the court declined to reduce the minimum statutory damages to \$100 per infringement pursuant to 17 U.S.C. §504(c)(2). Because defendants did not meet their burden of proving they did not have any reason to believe their acts constituted infringement, the court assessed the damages at \$250 per infringement. Additionally, the court granted costs and attorney's fees noting such awards are "routinely granted in copyright infringement actions."

Rare Blue Music, Inc. v. Guttadauro, 616 F. Supp. 1528 (D. Mass. 1985).

The court awarded statutory damages of \$1,000 per infringement where, for a period of seven years, defendant consistently refused to enter into a license agreement with ASCAP. In addition, finding defendant's conduct sufficiently "blameworthy," the court awarded costs and attorney's fees.

Frank Music Corp. v. MGM, Inc., 772 F.2d 505 (9th Cir. 1985).

The Court of Appeals for the Ninth Circuit awarded indirect as well as direct profits attributable to defendants' infringing use of five songs from plaintiffs' copyrighted musical play "Kismet". Thus, where defendant used plaintiffs' songs in a musical revue staged at the MGM Grand Hotel, the court concluded that plaintiffs were entitled to a percentage of defendants' profits from the musical revue in addition to a percentage of the profits which defendants derived from its hotel and casino. The court reasoned that the revue was of promotional value because it attracted people to the hotel and gaming tables. On remand, the court instructed the District Court to devise a reasonable, nonspeculative formula by which to apportion profits between plaintiffs and defendants or, alternatively, to award statutory damages should it be unable to devise an appropriate formula.

In addition, the court held that (1) defendants' failure to prove that overhead contributed to sales of the infringing work precluded deducting overhead from profits and (2) defendants were each severally liable for each one's own illegal profit, but were jointly and severally liable for plaintiff's actual damages.

Sanford v. CBS, Inc., 108 F.R.D. 42 (N.D. Ill. 1985).

Given the disparity of the parties' financial conditions and the close outcome of the case, the court refused to award costs to prevailing plaintiff. The court rejected plaintiff's argument that Fed.R.Civ.P. 54(d), which creates a presumption in favor of awarding costs, should apply at least with respect to the non-copyright claims asserted by plaintiff. The court held that 17 U.S.C. §505 overrides Rule 54(d) with regard to copyright claims, and all non-copyright claims were dismissed before trial "because their proofs were subsumed by the copyright claim."

Deltak, Inc. v. Advanced Systems, Inc., 767 F.2d 357 (7th Cir. 1985).

Where defendant infringed plaintiff's copyrighted marketing and promotional materials, the Seventh Circuit remanded for calculation of damages based upon the value of use of the infringing materials to defendant. The court concluded that the value of use to defendant is equal to the acquisition cost defendant saved by infringement instead of purchase. Thus, the District Court was required to determine the fair market value of the infringing materials. Here, statutory damages were not available because plaintiff had not registered its copyright.

Reader's Digest Association, Inc. v. Conservative Digest, Inc., No. 85-3600 (D. D.C. May 29, 1986).

The court awarded minimum statutory damages and a limited injunction against defendant for infringing plaintiff's copyright on its magazine cover, which was separately registered. Because defendant copied plaintiff's cover in only two issues of its magazine, ceased using the infringing cover immediately upon notification by plaintiff, sent offending issues only to existing subscribers and did not sell them on newsstands, and because plaintiff did not suffer any actual injury, the court limited the award to \$250 per issue and refused to award attorney's fees and costs. The court also enjoined defendant from further use of the infringing covers.

B. Attorney's Fees

Lieb v. Topstone Industries, Inc., 788 F.2d 151 (3d Cir. 1986).

The court remanded for reconsideration of defendant's request for attorney's fees where the record was insufficient to review the District Court's denial thereof. Noting a conflict among the circuits, the court rejected both the Ninth Circuit's requirement of bad faith as a prerequisite for awarding fees and the Second Circuit's decision in *Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142 (2d Cir. 1984). The court concluded that "we do not require bad faith, nor do we mandate an allowance of fees as a concomitant of prevailing in every case, but we

do favor an evenhanded approach." Factors that should be considered are "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence."

Motta v. Samuel Weiser, Inc., 768 F.2d 481 (1st Cir.), cert. denied, 106 S. Ct. 596 (1985).

The court followed the standard set forth by the Second Circuit in *Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142, 148 (2d Cir. 1984), with respect to awarding attorney's fees to prevailing defendants. Thus, finding that plaintiff's infringement claim was "colorable" but not "objectively without arguable merit," the court denied prevailing defendant's motion for attorney's fees and costs.

Roth v. Pritikin, 787 F.2d 54 (2d Cir. 1986).

The court reiterated its decision in *Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142 (2d Cir. 1984), which set forth a double standard for the grant of attorney's fees. The court reasoned that because the Copyright Act is designed to encourage plaintiffs to press infringement claims, attorney's fees generally should be awarded to prevailing plaintiffs. However, awards to defendants should be granted circumspectly and only when plaintiff's claims are "baseless, frivolous, unreasonable or brought in bad faith" so as not to have a chilling effect on colorable claims. The decision of whether to award attorney's fees for an appeal rests with the appellate court and, by the same token, the award of fees for a petition for certiorari is the province of the Supreme Court.

Cohen v. Virginia Electric & Power Co., 617 F. Supp. 619 (ED. Va. 1985), aff'd, 229 U.S.P.Q. 729 (4th Cir. 1986).

Rejecting the decision of the Court of Appeals for the Second Circuit in *Diamond v. Am-Law Publishing Corp.*, 745 F.2d 142 (2d Cir. 1984), the District Court for the Eastern District of Virginia held that the same standard applies to both prevailing plaintiffs and prevailing defendants who seek recovery of attorney's fees. The court found that neither the language nor the legislative history of §505 of the Copyright Act indicates that a more stringent standard should apply to prevailing defendants. Thus, unlike in *Diamond*, an award of counsel fees to prevailing defendants should not be limited to cases where "plaintiff's claims are objectively without arguable merit." Accordingly, because "plaintiff lost and deserved to lose," the court awarded attorney's fees to defendant.

Micromanipulator Co. v. Bough, 779 F.2d 255 (5th Cir. 1985).

Noting that an award of attorney's fees under 17 U.S.C. §505 is "the rule rather than the exception and should be awarded routinely," the Fifth Circuit

remanded where the trial court did not articulate a sufficient basis for awarding only a fraction of actual costs and attorney's fees incurred by prevailing plaintiff. The court enumerated twelve factors which must be considered in calculating the amount of an award, four of which are to be given special weight. They are (1) time and labor required; (2) customary fee for similar work in the community; (3) amount involved and the results obtained; and (4) experience, reputation and ability of the attorneys. The court found that the trial judge improperly reduced the award of attorney's fees based only upon its consideration of the amount involved and the results obtained. The court concluded that "recovery of only nominal damages does not militate strongly in favor of a reduced award."

Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc., 609 F. Supp. 1325 (E.D. Pa. 1985).

Upon reconsideration, the District Court vacated its order awarding costs and attorney's fees to prevailing plaintiff. The court based its decision on two grounds. First, the court reasoned that the subjective bad faith of defendant is a prerequisite to an award of attorney's fees. Here, although infringement was "willful and deliberate," the court concluded that defendants sincerely believed in the legality of their course of conduct. Accordingly, they were not acting in bad faith. Secondly, the court found that the "commencement" of infringement predated plaintiff's copyright registration, thus precluding an award of fees under §412 of the Copyright Act. If the work is treated as unpublished, infringement commenced prior to registration. If the work is considered published, the copyright was not registered until more than three months after publication of the computer program.

C. Injunctive Relief

Pacific and Southern Company, Inc. v. Duncan, 618 F. Supp. 469 (N.D. Ga. 1985).

On remand from the Court of Appeals, defendant was permanently restrained and enjoined from copying or selling, in whole or part, copies of plaintiff's broadcast news programs in violation of plaintiff's copyright. The court found it ineffective to fashion a broad injunctive order enjoining "any infringement" of plaintiff's copyright or exempting reproduction of any uncopyrightable matter since such would not provide defendant with clear guidelines for its behavior. Defendant's plans to videotape newscasts for use only in preparation of a written summary sold to customers did not constitute non-commercial videotaping for personal home use sanctioned by the Supreme Court in *Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984), but rather reproduction of copies for a commercial or profit making purpose, and as such was properly enjoined activity.

Huckafit Sportswear, Inc. v. Banff Ltd., Inc., 228 U.S.P.Q. 244 (S.D.N.Y. 1985).

Huckafit Sportswear, Inc. v. Kellwood Company, 228 U.S.P.Q. 255 (S.D.N.Y. 1985) (companion case).

Defendants were preliminarily enjoined from the manufacture, importation and sale of sweaters infringing plaintiffs' copyrighted sweater ribbon design, and ordered to recall from direct customers all garments bearing copies of the design and to use their best efforts to effect the removal of infringing goods from the marketplace. Irreparable harm to plaintiffs was demonstrated insofar as the American plaintiff claimed exclusivity in the copyrighted design pursuant to a license from the English plaintiff, and the infringing goods damaged his merchandising program and reputation for exclusivity. The court recognized the burdensome nature of the recall order, but found defendants maintained a stable financial position and the embarrassment and hardship to them was not greater than the damage to plaintiff's reputation. The seasonal nature of the garments further dictated the need for a recall order to protect plaintiffs' copyright in its currently popular design.

Granse v. Brown Photo Co., 228 U.S.P.Q. 635 (D. Minn. 1985).

A Memorandum Order which, among other things, permanently enjoined defendant from unauthorized reproduction of plaintiff's photographs bearing proper copyright notices was amended to eliminate that aspect of injunctive relief. The scope of relief was too broad, suggesting potential problems in application and enforcement. The Order is superfluous to the copyright laws which already govern defendant's activities insofar as both prohibit defendant from unauthorized duplication of plaintiff's copyrighted works. Also, relief of this breadth might induce others to mount an obsessive legal campaign like plaintiff's which spanned ten years, involved numerous attorneys and invoked the jurisdiction of federal and state courts. However, the court left intact that portion of the injunction requiring defendant to circulate among employees and maintain in its operating materials, manuals outlining its policy of compliance with the copyright laws.

PGP Music v. Davric Maine Corporation, 623 F. Supp. 472 (D. Me. 1985).

A copyright infringement action seeking injunctive relief and statutory damages pursuant to § 504(c) of the Copyright Act is considered equitable in nature and as such, no right to a jury trial exists. While recognizing a split in the cases, the court adhered to the position enunciated in the First Circuit in 1957.

VII. PREEMPTION

Ehat v. Tanner, 780 F.2d 876 (10th Cir. 1985).

A state law misappropriation claim was held preempted under §301. Plaintiff's notes for his thesis including quotations from journals of a church founder's secretary were taken, copied and replaced from a colleague's office. An unauthorized copy came into possession of defendants who printed and distributed the journal excerpts. The material was held to be within the subject matter of copyright and the rights protected equivalent to the reproduction and distribution rights. The damages awarded below, i.e. defendants' profits from the printing and sales of excerpts, and damages for the reduction in the value of the thesis and loss of reputation as a scholar, flowed from reproduction and distribution of the excerpts, not from the physical taking. Accordingly, the state law claims were held preempted.

Associated Film Distribution Corp. v. Thornburgh, 227 U.S.P.Q. 184 (E.D.Pa. 1985).

A state statute which regulated motion picture distribution practices is not preempted by §301 or barred by the Supremacy Clause. The statute *inter alia* limited exclusive first runs to 42 days, prohibited guarantees or advances in licensing agreements and required trade screening, i.e., an opportunity for potential exhibitors to view a film before bidding on it. The court found that the provisions do not create rights equivalent to reproduction, performance, distribution or display rights and thus are not preempted under §301. The court also rejected the argument that the provisions conflict with the purposes of the Copyright Act and should be barred under the Supremacy Clause. The manner of marketing the goods protected by copyright can be legitimately regulated. In fact, the state statute here promotes copyright policies by quickening dissemination of films to the public, increasing public choice of theatres by helping small exhibitors and by helping independent distributors in competing.

Ronald Litoff, Ltd. v. American Express Co., 621 F. Supp. 981 (S.D.N.Y. 1985).

Jewelry manufacturers and designers brought an action for copyright infringement with various state law claims in connection with two styles of copyrighted pendants which defendants had purchased for a mail-order sales campaign and when allegedly reproduced without authorization in a cheaper form, using the same promotional materials as those which originally advertised plaintiffs' pendants. The court held plaintiffs' pendent state claims alleging unfair competition/passing off, breach of contract, tortious conversion of personal property, misappropriation including breach of fiduciary duty, and false advertising were

not pre-empted under §301 of the Copyright Act since they embodied qualitatively different rights from copyright. However, plaintiffs' pendent claims for unjust enrichment, tortious conversion of intellectual property and violation of Article 14 of the N.Y. Arts and Cultural Affairs Law (right of reproduction of a work sold is retained by the grantor unless the work falls into the public domain or the right is expressly transferred in writing), was pre-empted since they are equivalent to rights under copyright.

California Satellite Systems, Inc. v. Nichols, Copyr. L. Rep. (CCH) ¶ 25, 831 (Ct. App. Cal. 1985).

§ 301 of the Copyright Act does not preempt a claim brought in a state court under § 605 of the Federal Communications Act (47 U.S.C. § 151 *et seq.*) to enjoin the unauthorized interception and use of microwave-transmitted television signals intended by their distributor for the sole use of paying subscribers. While plaintiff's suit may have resembled one for copyright infringement, copyright law only preempts actions brought under a common-law or state statute where the rights therein are equivalent to copyright, but not claims brought under another federal statute.

IX. MISCELLANEOUS

A. Cable/Satellite Transmissions

National Football League v. McBee & Bruno's, 621 F. Supp. 880 (E.D. Mo. 1985).

Bar/restaurant owners' unauthorized interception of satellite-transmitted signals containing football games via satellite dish antennae for their customers' viewing violated plaintiffs' public performance rights in copyrighted telecasts of the games. A permanent injunction was granted notwithstanding that defendants only intercepted a "clean" transmission which lacked commercials later inserted by the networks. Defendants were not entitled to an exemption from liability under § 110(5) of the Copyright Act since satellite dishes were not considered a "single receiving apparatus commonly used in private homes." Plaintiffs were irreparably harmed insofar as the availability of defendants' unauthorized broadcasts of games otherwise "blacked out" in the home team's viewing area had a negative impact on ticket sales at the stadium.

Hubbard Broadcasting, Inc. v. Southern Satellite Systems, Inc. 777 F.2d 393 (8th Cir. 1985).

Dismissal of plaintiff's copyright infringement action was affirmed where the defendant common carrier qualified for a passive carrier exemption to liability under the Copyright Act, co-defendant Turner Broadcasting System's

microwave-transmitted signal was the proper subject for the statutory compulsory license system, and the prohibition against secondary transmission of a primary transmission made for a select audience was not invoked to dictate the mode of transmission, but to safeguard the intent of the primary transmitter to reach a restricted group of viewers.

Defendant Southern Satellite fit the definition of a passive carrier within the meaning of the § 111(a) exemption insofar as its retransmission of Turner Broadcasting System's microwave signal constituted a secondary transmission, it exercised no control over the content of the primary transmission nor over recipients of the secondary transmission, and its activities were comprised solely of providing wires, cables, etc, for others' use. Transmission of the signal via microwave instead of over-the-air did not amount to a prohibited "control over content or selection" of the primary transmission, since the direct microwave connection merely improved the quality and dependability of the television signal. Co-defendant Turner Broadcasting System's microwave signal secondarily transmitted by cable systems was subject to the compulsory license provisions of §111(c) and (d), since Turner's super-station WTBS is an FCC-licensed broadcast station and its microwave signal constitutes a "primary transmission" made to the public.

Entertainment and Sports Programming Network, Inc. v. Edinburg Community Hotel, Inc., 623 F. Supp. 647 (S.D. Tex. 1985).

The owner/operator of a motel was permanently enjoined from the unauthorized interception, conversion for its own use, and retransmission via satellite dish antenna of plaintiffs' copyrighted satellite-delivered programming. Defendant was not exempt from liability under §111(b) of the Copyright Act since plaintiffs were not broadcast stations, the defendant's secondary transmissions of signals were not required by the FCC, and defendant altered plaintiff's signals through its receiving system. Rather, defendant violated §111(b) insofar as it secondarily transmitted without authorization primary transmissions of plaintiffs' copyrighted programs intended for reception by a select audience. Nor did defendant qualify for the public performance exemption per §110(5), since its satellite receiving equipment did not constitute a single receiving apparatus commonly used in private homes. The court held defendant liable for willful infringement and ordered that increased statutory damages be paid, given the intent to profit from the unauthorized interception and exhibition of copyrighted programs by denying plaintiffs compensation therefor, and defendant's continuous unlawful activities after a request to cease and desist.

B. Antitrust

Metromedia Broadcasting Corp. v. MGM/UA Entertainment Co. Inc., 226 U.S.P.Q. 730 (C.D. Cal. 1985).

The package licensing of copyrighted first run episodes of the television series

"Fame" in conjunction with reruns of episodes of the show did not amount to an illegal tying arrangement or misuse of the copyright monopoly warranting preliminary relief. Licensing of defendants' program package was distinguished from the motion picture block booking practices held *per se* illegal in *United States v. Loews, Inc.*, 371 U.S. 38 (1962), insofar as defendants did not condition the license of one copyrighted work (the tying product) on acceptance of another unrelated and undesirable work (the tied product), thereby gaining a competitive edge in the market for an unrelated product. Rather, defendants licensed a single intellectual property -- the "Fame" program -- both in its first run and rerun formats so that the allegedly tying and tied products embodied the same copyright. The court held the scope of defendants' copyright monopoly was not extended to compete unlawfully, since defendants were entitled to exploit the component rights within the unitary "Fame" copyright.

C. Copyright Royalty Tribunal

National Association of Broadcasters v. Copyright Royalty Tribunal, 772 F.2d 922 (D.C. Cir. 1985).

On consolidated petitions for the review of royalties distribution for the cable retransmission of copyrighted programs, the court upheld the Copyright Royalty Tribunal's award to devotional broadcasters as neither arbitrary nor capricious based on a finding that religious programming was of some value to cable operators, and its non-award to commercial radio broadcasters pursuant to a determination that no real commercial value attached to the cable retransmission of distant commercial radio stations. The court noted that its scope of review of Tribunal's awards is limited and that the "zone of reasonableness" standard applied, i.e., awards were upheld unless unreasonably high or low, since the Tribunal's allocation of the Royalty Fund to various claimants is necessarily based on approximate percentages. The court further recommended that the Tribunal's policy of requiring claimant to demonstrate copyright ownership in programs retransmitted via cable by merely listing one of the transmitted programs in which it holds copyright be improved to afford an opposing claimant an opportunity for good faith review of the copyright status of all programs for which other claimants seek royalties.

D. Manufacturing Clause

Authors League of America, Inc. v. Oman, 229 U.S.P.Q. 724 (2d Cir. 1986).

The Manufacturing Clause of the Copyright Act (§ 601) is constitutional. The Clause which requires, with certain exceptions, that American-authored copyrighted works consisting predominantly of non-dramatic, English-language literary material be manufactured in the U.S. or Canada, does not impinge the

First Amendment right to the distribution and circulation of ideas, since the clause will not prevent importation and distribution of foreign manufactured books if the author is willing to forfeit U.S. copyright protection. Nor does the clause violate the Fifth Amendment's equal protection provision by creating unlawful distinctions. The Clause represents an economic measure designed to foster the American printing industry by providing an incentive of copyright protection to domestically printed works and as such is "rationally related to legitimate legislative objectives." The Clause also constitutes a valid exercise of congressional power to regulate international commerce when necessary to promote domestic interests. Extensive congressional debate over retention of the clause resulted in recognition of its benefits and in an extension of the expiration date from 1982 to July 1, 1986.

E. *Private Copyright Bills*

United Christian Scientists v. Christian Science Board of the First Church of Christ, Scientist, 616 F. Supp. 476 (D.D.C. 1985).

A private copyright law enacted in 1971, which protects all editions of the Christian Science Church founder's theological treatise, violates the Establishment Clause of the First Amendment and is unconstitutional as a matter of law. The private law afforded defendants-trustees under the will of Mary Baker Eddy, the church founder, the copyright in all versions of her key theological writing "Science and Health", whenever published, for a term of 75 years from enactment or from first publication of the edition, whichever is longer. In repealing the law and voiding the copyright it afforded, the court applied a three-prong test enunciated by the Supreme Court in *Lemon v. Kurtzman*, 403 U.S. 602 (1971), determining that first, the secular purpose of law was minimal as it did not promote the general welfare but addressed a narrow segment of public; second, the primary effect of the law advanced a particular religion; and finally, the law would likely produce excessive government entanglement in ascertaining which version of the book was the definitive edition for purposes of copyright protection. The court rejected defendant church's argument that the law shared a secular purpose with the copyright statute to foster artistic creativity for the public benefit, saying the law will not provide an incentive to the late author of the sole work at issue to continue her literary activity.

B. DECISIONS OF FOREIGN COURTS

1. Brazil

By HENRY SHERRILL*

29. Decision of the Sixth Civil Chamber of Law of the Tribunal of Justice of the State of Rio de Janeiro, published in the *Diário Oficial do Estado do Rio de Janeiro* on June 2, 1986

At the first instance, the 28th Civil Court of the State of Rio de Janeiro had decided, in a declaratory judgment, that the unauthorized rental of an original copy of a video cassette constitutes infringement of Articles 29, 38 and 123 of Brazilian Copyright Law. [See 33 J. COPR. SOC'Y 68 (Oct. 1985).]

In that decision, the need for authorization to rent or reproduce and sell even an original video cassette, purchased and imported with due observance of the legal formalities, was held indispensable, in light of article 38 of the Brazilian Copyright Law which states that "the acquisition of the original of a work in the material instrument or vehicle in which it is reproduced does not confer to the party acquiring said work any of the patrimonial rights of the author". The authorization, the judge concluded, could not be held implicit because what was involved was clearly a form of commercialization which the defendant had engaged in "animus lucrandi."

In its defense, and in the subsequent appeal to the Tribunal of Justice, the defendant argued *inter alia* that in the United States the rental or sale of an original video cassette was acceptable under the first sale doctrine embodied in article 109 of U.S. Copyright Law. This, it argued would be the applicable statute because a foreign copyright owner could not expect to have a right to more protection in Brazil than he would have in his country of origin.

In deciding the appeal, the Tribunal of Justice of the State of Rio de Janeiro unanimously concluded that rental of a video cassette without the express authorization of the producers of the cassette constitutes a violation of copyright. It stated explicitly that the first sale doctrine of American law was inapplicable, as copyright protection is essentially territorial by virtue of international conventions, and that the matter had been correctly decided upon within the scope of Brazilian Copyright Law (Law No. 5988 of December 14, 1973).

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In stating the reasons for his vote upholding the first instance decision, Judge Basileu Ribeiro Filho noted that article 109 of the American copyright law could not be applied to the present case, as the video cassette itself contained a warning which in effect constituted an agreement restricting the future disposition of the video cassette by its purchaser.

2. New Zealand

30. **BARSON COMPUTERS (NZ) LTD. & OTHERS v. JOHN GILBERT & COMPANY LTD.** High Court, Auckland A. 444/84, 28 June 1984, Prichard J. (as yet unreported). *EIPR*, vol. 7, no. 3 (Mar. 1985), p. D-58.

The High Court of New Zealand ruled that the "owner of copyright in both the country of origin and in New Zealand succeeded in an action for infringement against the importation of genuine goods in New Zealand." The court stated that the identity of the maker of imported copies was irrelevant to copyright infringement by importation.

PART V

BIBLIOGRAPHY

A. BOOKS, TREATISES AND CASSETTES

1. United States Publications

31. BENDER, DAVID and DAVID GERBER. Gray markets and parallel importation. Protectionism vs. free trade. PLI, N.Y. (1986), 344 p.
32. DAVIDSON, GORDON K. Acquisition and mergers of high-technology companies. PLI, N.Y. (1986), 624 p.
33. KOENIGSBERG, I. FRED. Current developments in copyright law 1986. PLI, N.Y. (1986), 944 p.

These publications are from the Practising Law Institute Course Handbook Series. Issued as part of the course materials, they are intended as an educational supplement to the programs and may be used as a reference source for attorneys and other interested professionals unable to attend the sessions.

34. BRANSCOMB, ANNE W. Toward a law of global communications networks. Longman (1986), 370 p.

This publication gives an overview of the current system of transnational information transport, a history of the concern about transborder data flow, and a brief analysis of the major legal issues of current concern.

35. CRAWFORD, TAD. Legal guide for the visual artist. N.Y.: Madison Square Press, Inc. (1986), 213 p.

This publication introduces the artist to the legal problems of both art in commerce and artists' rights. It deals with each of the sequence of issues which begins as soon as the artist contemplates creating a work of art.

36. DANNAY, RICHARD and GABRIEL E. PERLE. Legal and business aspects of book publishing 1986. PLI (1986), 848 p.
37. KENT, FELIX H. and ELHANAN C. STONE. Legal and business aspects of the advertising industry 1986. PLI (1986), 312 p.

These publications are from the Practising Law Institute Course Handbook Series. Issued as part of the course materials, they are intended as an educational supplement to the programs and may be used as a reference source for attorneys and other interested professionals unable to attend the sessions.

38. **GOLDBERG, MORTON D.** Computer software and chips 1986: protection and marketing. 2 vols. PLI (1986).

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.

39. **MARTIN, EDWIN M. JR.** Corporate partnering. Advantages for emerging and established companies. PLI, N.Y. (1986), 416 p.

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.

40. **MICHIGAN YEARBOOK OF INTERNATIONAL LEGAL STUDIES.** Regulation of Transnational Communications. Clark Boardman Co., Ltd. (1984) 411 p.

This volume begins with a discussion of how to allocate justly what is becoming a limited resource: orbital slots for communications satellites in the geostationary orbit. It next considers European efforts to exploit the new communications satellites on a regional scale. This discussion is followed by a group of articles exploring the possibly deleterious effects on both international trade and communications of national attempts to regulate the international transfer of information. It concludes with a group of articles discussing past and present efforts of the member states of international organizations to effect an international regulatory scheme that will succeed in balancing widely differing national communications needs.

41. **SILFEN, MARTIN E.** Counseling clients in the entertainment industry 1986. PLI, N.Y. (1986), 800 p.

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 sessions.

A. Book Review

By BARBARA A. BURNETT*

42. WEIL, BEN H. and BARBARA FRIEDMAN POLANSKY, eds. *Modern Copyright Fundamentals, Key Writings on Technological and Other Issues*. Van Nostrand Reinhold Company, New York (1985) 452 p.

Authoritative compendia of copyright law are infrequently attempted.¹ The need for a collection of articles covering the spectrum of commercial, legislative and scholarly concerns about the future of copyright is one felt by teachers and practitioners as well as publishers, artists, librarians and business owners. The work of Lawrence and Timberg in assembling and editing *FAIR USE AND FREE INQUIRY*² was heretofore the only current work to encompass a broad range of topics in a single volume. The problems rather than potential solutions receive the greater part of the space in the collection. In contrast, a new collection of works on the future of copyright law emphasizes the role of law as facilitator of commercial as well as scholarly development.

The hope and expectation that time-honored institutions and principles can respond effectively to new problems shines through the organization and selections in *MODERN COPYRIGHT FUNDAMENTALS*. The editors properly describe the copyright law as a right that is part of a bargain between creators and consumers. In their introduction the editors remind the reader that the framers of the Constitution viewed the right to own and control the use of one's creations in a "broad social context,"³ a context that continues to race ahead of the legal formulations developed to address the rapidly changing universe of creators' products. The focal point of this collection is most appropriately the role of copyright law as arbiter of that bargain between creators and consumers. The needs and abilities of users of copyrighted works receive recognition and treatment in the opening chapters. Thus, the editors' approach reflects an appreciation of both the theoretical and the practical problems addressed by the copyright laws.

The nine divisions of the book can be divided into two functional categories. The first four parts introduce the players in the drama and set the stage for the

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¹ See e.g., the work of the Los Angeles Copyright Society and the UCLA School of Law titled *COPYRIGHT AND RELATED TOPICS, A CHOICE OF ARTICLES* (1964), a durable collection of the writings of Zechariah Chafee, Jr., Harry Henn, Melville Nimmer and other distinguished scholars.

² T.S. LAWRENCE and B. TIMBURG, ed., *FAIR USE AND FREE INQUIRY, COPYRIGHT LAW AND THE NEW MEDIA* (1980).

³ P. 1.

action. Part I is an introduction to the basics, Part II contains a discussion of the rights of creators and owners, Part III explains the needs and rights of users, principally educators, libraries and in-house copying services; and Part IV explores the needs of intermediaries and information services.

The remaining five divisions concern the fundamental building blocks of the copyright structure, the equipment necessary for meeting future challenges. Part V covers basic issues, fair use, abstracts and works made for hire. Part VI contains works explaining the recent efforts to accommodate technological change and includes an article on the work of CONTU, articles on computer programs, an article on compulsory licensing royalty rates for cable TV as well as a discussion of the optical disk pilot program and an article on biotechnology. Part VII, titled Legislative and Judicial Issues, covers the broad range of recent law-making efforts in this field, including the Semiconductor Chip Act, public lending rights, the first sale doctrine for videocassette rentals and moral rights. In each of these parts the choices have been made on the basis of the knowledge of the author and the clarity of the writing. These are the works of the best and the most well-spoken of the writers in this field.

Clarity was likewise the criterion for choosing the papers in Part VII, International Aspects. The combination of Jon A. Baumgarten and Charles H. Lieb's work on international copyright with the U.S. Copyright Office circular on the subject provides a brief but clear and useful exposition. The other two papers in this section by Barbara Friedman Polansky and David Ladd contain detailed and specific recommendations for the future of international cooperation.

The final section is appropriately devoted to works on the future developments in copyright law that may be generated by such philosophical tensions as the private interests of authors and publishers and the higher public good. The works entitled "Will Copyright Survive the New Technologies? Should It?" by Jon A. Baumgarten and "Copyright *Can* Survive the New Technologies" by Dennis D. McDonald provide a provocative counterpoint to one another. Questions about monitoring usage and balancing societal interests are approached in a thoughtful and logical manner. The final word is given to David Ladd. His predominant theme, that the revitalization of copyright is a humanist endeavor, is an important argument as well as an appropriate final note in the symphony of voices Weil and Polansky have assembled.

2. Foreign Publications

1. In English

43. BRIDGE, SUSAN. Teachers and copyright. Australian Copyright Council Bulletin 54 (1985), 24 p.

This booklet contains information on copyright and the problems encountered by teachers. Topics discussed include single and multiple copying for teaching purposes, compiling collections for educational use, handicapped reader copies, fair dealing for search and study, and legal rights of copyright owners. Section 53B of Australia's Copyright Amendment Act involving educational photocopying is discussed in detail along with problems of copying by individual students and the use of audiovisual materials.

44. CAVENDISH, J.M. A handbook of copyright in British publishing practice. 2d ed. London: Cassell (1984), 210 p.

This is a publication on copyright and British publishing practices. It defines copyright, its ownership, duration, extent and limitations, and gives information and advice about the extent to which copyright works may be copied, with particular reference to schools and libraries.

45. LEVITSKY, SERGE L. and WILLIAM B. SIMONS. Copyright in Russia and the USSR. A selected bibliography of works published in English, German, French and Russian: 1827-1983. Vienna: Internationale Gesellschaft Fur Urheberrecht, E.V. (Intergu), Schriftenreihe (1985), 283 p.

A selected bibliography of legislative enactments and court decisions, in addition to an outline of Soviet copyright law.

46. O'DONNELL, G.C. A short note on anti-copyright. Leksand Press, Wollstonecraft, Australia (1985), 82 p.

A booklet by the Chairman of the Australian Copyright Council responding to speeches, papers, and judicial opinions in which the necessity for or scope of copyright protection has been questioned.

B. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

1. United States

47. AHO, ELLEN S. Fair use and the First Amendment protect commercial advertising: *Consumers Union of United States, Inc. v. General Signal Corp.* *Connecticut Law Review*, vol. 17, no. 4 (Summer 1985), pp. 835-860.

The author gives the background of the *Consumer Union* case, stating that the Court of Appeals held that "the fair use defense to copyright infringement permitted a manufacturer to quote from a copyrighted Consumer Reports article in television advertisements for its product." The purpose of this article is to "examine the doctrine of commercial free speech as it was developed by the Supreme Court." Section B deals with copyright law and its internal checking mechanisms while Section C discusses commercial use as "fair use." Cases such as *Warner Brothers, Inc. v. American Broadcasting Co.* and *Triangle Publications v. Knight-Ridder Newspapers, Inc.* are included in the discussion.

48. BENDER, DAVID. Software protection: the 1985 perspective. *Western New England Law Review*, vol. 7, no. 3 (1985), pp. 405-459.

Mr. Bender examines the nature and sources of computer programs along with the legal methods for protecting software. Section A deals with the patent protection of programs and Section B addresses the copyright protection of software. The work made for hire doctrine and the advantages and disadvantages of copyright protection are discussed. Section VII analyzes international software by convention and looks at the foreign domestic laws of eighteen countries from Japan to The Netherlands.

49. CHRISTIE, ANDREW. Copyright protection for ideas: an appraisal of the traditional view. *Monash University Law Review*, vol. 10, no. 3 (Sept. 1984), pp. 175-195.

The author is concerned about both the protection of ideas from infringement and the expression of those ideas. The article goes on to analyze the basis of this traditional thinking, decisions from the courts and "the practical application of copyright law to actual cases." The author's alternative view is that copyright exists in the work itself and a work is a combination of ideas and expression—both to be protected.

50. CIRACE, JOHN. When does complete copying of copyrighted works for purposes other than for profit or sale constitute fair use? An economic analysis

of the Sony Betamax and Williams & Wilkins cases. *Saint Louis University Law Journal*, vol. 28, no. 3 (1984), pp. 647-683.

The author supplies an economic analysis of *Williams & Wilkins Co. v. U.S.* plus a discussion on the photocopying of a copyrighted work in the context of fair use. Section III is devoted to an economic analysis of *Universal City Studios v. Sony Corp. of America*.

51. CLARK, STEPHEN. Of mice, men and Superman: the copyrightability of graphics and literary characters. *Saint Louis University Law Journal*, vol. 28, no. 4 (August 1984), pp. 959-975.

The author provides a discussion of the case of *Walt Disney Productions v. Air Pirates* and the issue of protection of graphic characters possessing literary qualities exemplified in the case, *United Artists Corp. v. Ford Motor Company*. "Purely literary characters," such as those appearing in the cases of *Midwood v. Paramount Picture Corp.* and *Musto v. Meyer*, are also discussed.

52. CROWLEY, MICHAEL L. A First Amendment exception to copyright for exigent circumstances. *California Western Law Review*, vol. 21, no. 3 (1985), pp. 437-462.

The author states there is a conflict between the First Amendment and copyright law. He provides scenarios to illustrate the problem by using the sample of a daily newspaper or news broadcast when there is "no time to arrange for a license or purchase of a copyrighted work before its use is necessitated." Section II examines the problem of the idea/expression dichotomy. Fair use and the *Zapruder* case are analyzed. Section IV deals with First Amendment protection under the copyright scheme with an analysis of the case of *Harper & Row Publishers, Inc. v. Nation Enterprises*.

53. DAVIDOW, LAWRENCE L. Copyright protection for fictional characters. A trademark-based approach to replace *Nichols*. *Art & the Law*, vol. 8, no. 4 (1984), pp. 513-573.

This article provides an introduction to the *Nichols* doctrine through a discussion of the case of *Nichols v. Universal Pictures Corp.* and several other cases, including *Sheldon v. Metro-Goldwyn Pictures Corp.* and *Detective Comics, Inc. v. Bruns Publications, Inc.* Chapter III is devoted to "character protection" and "fair use."

54. DAVIS, SOPHIA. State moral rights law and the federal copyright system. *Cardozo Arts & Entertainment Law Journal*, vol. 4, no. 2 (1985), pp. 233-261.

An overview of the California and Massachusetts moral rights laws and the New York artist's authorship rights act. The author reviews the type of works protected and the limitations on the protection afforded. Section III is devoted to a discussion of state moral rights within a federal copyright system.

55. DUBOFF, LEONARD D., HARVEY J. WINTER, LEWIS FLACKS and MICHAEL KEPLINGER. Out of UNESCO and into Berne: Has United States participation in the Berne Convention for International Copyright Protection become essential? *Cardozo Arts & Entertainment Law Journal*, vol. 4, no. 2 (1985), pp. 203-233.

This symposium highlights the Berne Convention and the Universal Copyright Convention and analyzes the possibility of United States participation in the Berne Convention. The difference between the types of regulations in each convention are discussed along with the revisions made to meet the needs of developing countries. The structure of Berne in the areas of exclusive rights of reproduction and moral rights is also analyzed.

56. FEITEL, ROBERT A. Copyright misuse and cable television: *Orth-O-Vision, Inc. v. Home Box Office*. *Federal Communications Law Journal*, vol. 35, no. 3 (Fall 1983), pp. 347-375.

Orth-O-Vision was an affiliate of Home Box Office, a pay television network. HBO stated that Orth-O-Vision performed "unauthorized retransmission of its programming." A copyright infringement claim was brought by HBO. Orth-O-Vision stated that HBO should not receive relief because HBO had "participated in an unlawful conspiracy in violation of federal antitrust law, for the purpose of monopolizing the pay television market." The District Court ruled in favor of HBO stating that "it is no defense to a copyright infringement claim that the copyright owner is violating antitrust laws." The author devotes this study to the questions that arise when federal antitrust and intellectual property law interact.

57. FINE, FRANK L. Record piracy and modern problems of innocent copyright infringement. *Art & the Law*, vol. 8, no. 1 (1983), pp. 69-95.

The problem of direct and indirect infringement in record piracy in the U.S. is investigated in the first half of this study. The last section is devoted to treatment of innocent infringers under federal law and an exploration of whether insurance against infringement is available to record retailers.

58. FRANCON, ANDRE and JANE C. GINSBURG. Moral rights in France. *Art & the Law*, vol. 9, no. 4 (1985), pp. 381-407.

The two types of authors' rights in France are discussed—the "pecuniary" rights, and the "moral" rights. Section II investigates the problem of moral rights, particularly in the case of the sculpture known as *Salon d' Ete*. The authors conclude with a look at the right of a commissioned party to complete a commissioned work.

59. GALLAY, PAUL. Authorship and copyright of "works made for hire" bugs in the statutory system. *Art & the Law*, vol. 8, no. 4 (1984), pp. 573-593.

The author discusses the 1976 Copyright Act and practical effects of the Act along with prospects for further reform. Works made for hire, fair use and derivative works are areas investigated in this study.

60. HARRIS, JOHN R. A market-oriented approach to the use of trade secret or copyright protection (or both?) for software. *Jurimetrics Journal*, vol. 25, no. 2 (Winter 1985), pp. 147-168.

The author attempts to show the connection between copyright and trade secret laws and the problems in providing protection for software. The risks in choosing one form of protection over another are also analyzed. Section II deals with mass-marketed software, databases and license agreements. Section IV addresses the problems arising when just trade secret protection is used for protection of software.

61. HARRIS, JOHN R. Legal protection for microcode and beyond. *Computer Law Journal*, vol. VI, no. 2 (Fall 1985), pp. 187-222.

This article addresses the technical subject matter of "microcode" and "microprogramming" for intellectual property protection purposes, and examines the various modes of protection via the patent and copyright laws. The article suggests that a new *sui generis* law for microcode may be needed if Congress deems it important for those who create the computer and invested in making it a commercial success to retain exclusive domain over the instructions sets. Or, the Semiconductor Chip Protection Act should be amended to clearly state that microcode, however created, is considered a protected work.

62. KANE-RITSCH, JULIE. The videotape rental controversy: copyright infringement or market necessity? *The John Marshall Law Review*, vol. 18, no. 2 (Winter 1985), pp. 285-320.

The economics of the video industry and the problem of whether renting pre-recorded tapes for VCR's constitute copyright infringement is reviewed

in this study. The reluctance of the courts to rule on rentals and the *Sony-Betamax* case are discussed along with a discussion of a bill in Congress addressing the videotape rental issue. The problem of collecting royalties and license fees is also discussed as well as requests to amend the first sale doctrine. Some cases included in this discussion are *Platt & Munk Co. v. Republic Graphs, Inc.*, *U.S. v. Wise* and *Bobbs-Merrill Co. v. Straus*. The concluding sections are devoted to case law involving public performance, licensing, performing rights societies, and antitrust laws. The author suggests offering low yet competitive pricing to interest owners to buy tapes for their libraries. She believes this will offer a partial solution to the tape rental problem.

63. KARNELL, GUNNAR. Extended collective license clauses and agreements in Nordic copyright law. *Copyright-VLA Journal of Law & the Arts*, vol. 10, no. 1 (Autumn 1985), pp. 73-83.

The aim of the author in this article is to discuss blanket licensing in reprography in Nordic countries. Two provisions of the Copyright Act in Sweden are used by Dr. Karnell as examples of what he calls "extended collective license clauses." These clauses convey the "right to broadcast published works," to "make copies for educational uses," and "to make broadcasts of sound recordings or video recordings." The author then discusses ways in which these collective licensing clauses may be considered to conflict with the Berne Convention.

64. LEVY, BRIAN M. Legal protections in improvisational theater. *Art & the Law*, vol. 9, no. 4 (1985), pp. 421-455.

The author explains the art of theatrical improvisations and discusses the history of the art and special issues peculiar to improvisation. The common-law copyright cases *Ettore v. Phileo* and *Estate of Hemingway v. Random House, Inc.* are also discussed.

65. McCAMBRIDGE, MICHAEL J. Contributory infringement by providing the means: the staple article of commerce doctrine and an alternative analysis for copyright law. *The John Marshall Law Review*, vol. 18, no. 3 (Spring 1985), pp. 703-733.

The author states that the concept of contributory infringement constitutes "recognition that the courts will act to maintain the proper balance of interests even where the copyright statute is silent." The author believes courts should use "traditional contributory infringement analysis to make a prima facie determination of contributory infringement or non-contributory infringement."

66. MCCULLY, ROBERT J. Computers and copyright - copyright protection for computer operating systems programs - *Apple Computer, Inc. v. Franklin Computer Corp. The University of Kansas Law Review*, vol. 33, no. 1 (Fall 1984), pp. 167-189.

Mr. McCully provides us with a history of the growth of computers and also basic computer technology. Section II is devoted to possible modes of protection for computer software including trade secrets, patents and copyrights. Section III contains a lengthy analysis of the case *Apple Computer v. Franklin Computer Corp.*, including the holdings of the district court and the circuit court of appeals. The author states that the next issue (in the computer field) that courts will face involves "the determination of the substantiality of an infringement when there is no verbatim copying."

67. MONTGOMERY, WILLIAM. The presumption of economic power for patented copyrighted product in tying arrangements. *Columbia Law Review*, vol. 85, no. 5 (June 1985), pp. 1140-1157.

This article follows the development of the presumption of economic power for patented and copyrighted products in tying arrangements and examines recent cases and developments in the "tie-in doctrine" made by the Supreme Court. The author states that "presumption does not serve as an adequate proxy for evidence of economic power." Cases discussed include *International Salt Co. v. United States* and *United States v. Paramount Pictures, Inc.*

68. NODIFF, MARVIN J. Copyrightability of works of the federal and state governments under the 1976 Act. *St. Louis University Law Journal*, vol. 29, no. 1 (1984), pp. 91-115.

This article discusses copyright law affecting federal and state works and "analyzes the relationship between the two levels of government." Section Two is devoted to "policy considerations" of the Constitution and a discussion of federal statutes and legislative history. The author also discusses problems regarding the definition of "a work of the federal government" and states that state agency publication practices should be reevaluated.

69. SEABOLT, D. GRANT. United States technology exports to the People's Republic of China: current developments in law and policy. *Texas International Law Journal*, vol. 19, no. 3 (Summer 1984), pp. 577-633.

Part One discusses the import policy of the People's Republic of China (PRC) and the history of import policies prior to the fall of the "Gang of Four." Constraints on the PRC technology import policy are discussed, including the problem of shortage of foreign exchange funds. Part Two is

devoted to the U.S. technology export policy, including a brief history since the Korean War, the problem of licensing procedures and the Chinese view of the changes in the U.S. export policy.

70. SINCLAIR, M.B.W. Fair use old and new: the *Betamax* case and its forebears. *Buffalo Law Review*, vol. 33, no. 2 (Spring 1984), pp. 269-333.

A background of the copyright law and the doctrine of fair use is provided by the author in this study. Section A is devoted to the doctrine of fair use and some "partial justifications of fair use" including implied consent, the "de minimis" concept and piratical intent. Section B provides an economic model of the concept of fair use while final sections provide the constitutional justification of fair use as a defense.

71. STOVER, JUNE M. Copyright protection for computer programs in the United Kingdom, West Germany, and Italy: a comparative overview. *Loyola of Los Angeles International and Comparative Law Journal*, vol. 7, no. 2 (1984), pp. 279-307.

Ms. Stover points out the "dual function" of national and international copyright legislation—to protect the author financially and to protect his/her "moral rights." The three major international conventions including Berne, and the copyright laws of the United Kingdom, Italy, and Germany are analyzed. The author states that in the U.K. the copyright laws are more concerned with prohibiting copying while in Germany and Italy the concept of authors' rights is emphasized. Software, "moral rights" as it applies to computer programs, works entitled to copyright protection, and court decisions concerning the protection of computer programs and the concept of a "personal intellectual creation" are also discussed.

72. YARVIS, LORI A. Signal piracy: the theft of United States satellite signals. *Fordham International Law Journal*, vol. 8, no. 1 (1984-85), pp. 62-95.

This discussion is primarily centered on the problem of "unauthorized interception and transmission of United States programming ... which is being intercepted by the Caribbean Basin and Canada." The author critiques international copyright treaties and reports on the International Telecommunications Convention, the Berne Convention, the U.C.C., the Rome Convention, and the Brussels Satellite Convention. Section II comments on piracy in the Caribbean and Canada and reviews the International Copyright Fairness Bill.

2. Foreign

73. Authors' and publishers' rights - Supreme Court, 19 November 1982 II CR 460/82. *EIPR*, vol. 7, no. 7 (July 1985), p. D-132.

In this Polish case, an author made a contract with a publisher to produce his book. One year after the contract was concluded the publisher withdrew from publishing the book stating that the author had a contract with another publisher for the same work. The Supreme Court of Poland held in favor of the defendant, commenting on the fact that "using identical data and literature to prepare different works on a similar subject does not mean the works are identical."

74. BANKI, PETER. Rental - a new copyright? *Australian Copyright Council, Ltd.*, No. 51 (1985), 24 pp.

The new issues arising for the Australian film and record industries concern the question of renting and whether copyright owners are receiving a fair share of the rental revenue. This bulletin discusses the rental business in Australia, how quickly it is progressing and the relationship between rental and home taping. The scope of copyright in the case of a film or in the case of a record or sound recording is investigated as well as practical problems concerning the use of rental films for educational uses and film rentals in motels and hotels. The latter section of this bulletin reviews Great Britain's Green Paper and the 1984 U.S. Record Rental Amendment Act.

75. BATE, STEPHEN de B. SMATV and the Copyright Act of 1956 section 48(3B) 187. *EIPR*, vol. 7, no. 7 (July 1985), pp. 187-189.

SMATV provides a new market for entertainment and other shows through communication satellites and closed circuit cable systems. It is a competitor to cable and direct broadcasting satellites. The author questions whether SMATV is a cable program service and if it is exempt from copyright liability under section 48(3B) of the Copyright Act of 1956. If it does prove to be exempt, it will present the problem of leaving "rights owners" uncompensated.

76. *Book Review*. CORNISH, W.R. The future of legal protection for industrial designs. ESC Publishing Ltd., Oxford, 1985, 210 pp. *EIPR*, vol. 7, no. 7 (July 1985), p. 210.

This report describes the problem of protection for industrial design in the U.K. and other EEC (European Economic Community) jurisdictions and analyzes protection under "registered designs, copyright law and unfair competition." It also investigates the two types of designs listed by

the Whitford Committee—the aesthetic design and the functional design. The author suggests removing British copyright from all functional designs and substituting a “statutory unfair copying right” which would confer “similar powers of multiple assessment on judges.”

77. CHESSEY, J.P. Copyright protection for integrated circuits: reevaluating old ideas about new competitive processes. *The University of Western Ontario Law Review*, vol. 22, no. 2 (1984), pp. 201-235.

Mr. Chessy provides us with a background to the semiconductor industry and looks at the changing nature of competition. In Section II, federal copyright is analyzed and questions raised concerning whether chip protection would make the economy more competitive.

78. HAYHURST, WILLIAM Q.C. Creeping copyright: the Canadian *Bayliner* case. *EIPR*, vol. 7, no. 12 (Dec. 1985), pp. 354-357.

This case deals with the copying of industrial articles “irrespective of whether they have been able to avail themselves of protection under the patent and industrial design statutes.” The case involves Bayliner, a boat design company which claimed it owned copyright in Canada in the drawings of boats. The defendant, Doral Boats, Ltd., purchased Bayliner’s boats and made moulds from these boats. Plaintiff sued for copyright infringement. The High Court of Canada ruled that the drawings were protected by copyright under the literary works category. The defendant was enjoined from making any further boats from the copied design.

79. KEREVER, ANDRE. One aspect of the law of 3 July 1985, modernization of the law of 11 March 1957. *Revue Internationale du Droit D’Auteur*, no. 127 (Jan. 1985), pp. 16-70.

The author gives a list of the protected works contained in France’s Law of March 1957, amended in July of 1985. This amendment deals directly with the status of audiovisual works and the private copying of audiovisual recordings. Sections B, C, and D discuss the status of photographic works, exclusive rights, and authorship from the cinematographic work to the audiovisual work.

80. LAHORE, JIM. University teaching in intellectual property. *EIPR*, vol. 8, no. 3 (Mar. 1986), pp. 67-70.

A discussion of the evolution of the first Chair of Intellectual Property at Queen Mary College in London. The problems of copyright in Great Britain, including private copying of audio and audio-visual material, functioning design and reprographic reproduction are mentioned, along with new teaching methods and research in intellectual property.

81. LeSTANC, CHRISTIAN. Databank and copyright: the case of *Microfor v. LeMonde*. *EIPR*, vol. 7, no. 12 (Dec. 1985), pp. 345-350.

A definition of a "databank" is provided. Mr. LeStanc discusses the status of the processed information in databanks and whether it is free or whether consent of the author is necessary. The facts of the *Microfor* case are given. The *Microfor* company played two roles in the computer industry -- one, it ran a databank and two, it published this information in a monthly index entitled *France Actualities*. *LeMonde*, a periodical, had articles printed in *France Actualities* without *LeMonde's* consent. In February 1980, the Paris High Court upheld *LeMonde's* claims against *Microfor* stating "that the index constituted a partial reproduction of original works." The author then discusses the pecuniary rights aspect of the case, the moral rights aspect, and the status of databanks and "collections of information."

82. MEZGHANI, NABILA. Copyright and cinematographic works in Tunisia. *Revue Internationale du Droit D'Auteur*, no. 126 (October 1985), pp. 3-44.

The purpose of this study is to investigate the artistic aspects of film making and protection provided by copyright in this field. Sections I and II deal with "persons vested with copyright in a cinematic work and relations between creators of the work and the producer." The problem of moral rights and monetary rights on the part of the authors of the film is also analyzed.

83. MONTES, FRANCISCO-JOSE. New outlook for radio and television in Spain. *EBU Review*, vol. XXXVII, no. 2 (Mar. 1986), pp. 26-33.

Mr. Montes reports on the status of broadcasting in Spain. The article includes a discussion of the country's broadcasting, freedom of expression, right of privacy and related laws. It also talks about the government's regulation of the radio and television industries and its legislative efforts to gain control of the piratically dominated video market by regulating the purchase, distribution and public screening of videos.

84. MORGAN, DEREK. Copyright - computer programs. *The Canadian Bar Review*, vol. 63, no. 2 (June 1985), pp. 412-424.

The author reports on two recent Canadian cases dealing with the issue of copyright protection and computer programs. The two cases are *La Societe d'informatique R.D.G. Inc. v. Dynabec Lee* and *International Business Machines Corporation v. Spirales Computers, Inc.* The RDG case involved a group of software packages developed by RDG which claimed copyright ownership of the programs and brought a suit against the defendant for infringing that right. The IBM case involved the copyrightability

of a computer chip. The author states that he is against a general copyright for computer programs.

85. OBERTHUR, JEAN-PAUL. Revision of the assignment price of the copyrights in advertising. *Revue Internationale du Droit D'Auteur*, no. 126 (October 1985), pp. 45-84.

Mr. Oberthur discusses copyright as it applies to advertising and relates the numerous difficulties in protecting an idea and "determining the owner of the rights in the work figure." This article discusses the legal relationship between the author and his contractual partner. Section II discusses Article 37 of France's law of 11th of March 1957 and the revision of the price conditions of the contract.

86. PHILLIPS, JEREMY. St. Columba the copyright infringer. *EIPR*, vol. 7, no. 12 (Dec. 1985), pp. 350-354.

The author recounts a well-known story of an Irish priest, Columba, who is said to be the "first infringer of copyright" when he made a manuscript copy of Abbot Finian's psalter around the year A.D. 560. This article attempts to place this story in a wider historical and legal context, separate fact from fiction, and give the background of this ancient "copyright case."

87. RADCLIFFE, MARK. Recent U.S. developments in copyright law related to computer software. *EIPR*, vol. 8, no. 2 (Feb. 1986), pp. 40-48.

A discussion of royalties and their payments including royalties for patents, registered designs, trademarks, know-how, "technical assistance," and copyright. The author states that in the U.K., royalties must be distinguished from payments for services and payments of capital in respect to intellectual property. There is also a discussion of annual payments and Britain's tax treatment of the payer of royalties.

88. VANDENBERGHE, GUY. Protection of software and chips in the United States: an example for Europe? *Revue Internationale du Droit D'Auteur*, no. 126 (Oct. 1985), pp. 85-132.

A look at "computer law" in Europe and the protection of software and computer chips in the United States. Section II investigates the difference between copyright protection in the United States and Europe and Section III deals with other forms of protection afforded for computer chips.

89. VAN DYCK, CHRISTIAN D. Fast forward: a Canadian perspective on the Betamax controversy. *Ottawa Law Review*, vol. 16, no. 3 (1984), pp. 506-526.

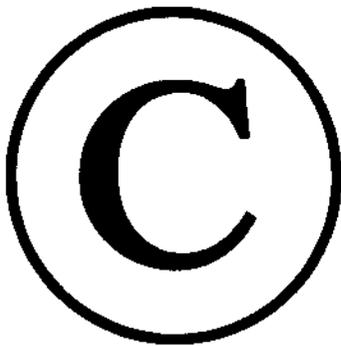
The author follows the history of the *Betamax* case to the Supreme Court. The court's rulings on the nature of the copyright material and the issue of substantiality are investigated, and an analysis of the potential market value of a copyrighted work is given. Section III is devoted to a comparative analysis of Canadian and American law.

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KATE MCKAY, 1925-1986

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KATE MCKAY

*By Richard Dannay,
a Member of the New York City law firm of
Schwab Goldberg Price & Dannay and
Immediate Past President of
The Copyright Society of the U.S.A.*

What shock and grief to learn that Kate McKay, the beloved Assistant Executive Director of The Copyright Society of the U.S.A., had died suddenly of a heart attack on October 11, 1986, at the age of 61, while visiting Cambridge, England with her husband, Bob McKay.

Her death diminishes all of us and deprives The Copyright Society of a gentle, kind, generous, cherished friend, one of its crown jewels.

Kate became assistant to the Executive Director of The Copyright Society, Alan Latman, on May 1, 1978, while also serving as Copyright Librarian of the Walter J. Derenberg Center for Copyright and Trademark at New York University School of Law. In both roles, and as friend and colleague, she inspired our admiration, appreciation and affection.

After Alan Latman's death a little more than two years ago, we in The Copyright Society began the difficult job of regrouping and of reorganizing The Society, a process in which Kate played a vital, indispensable part. It was in that connection, to help me as the then new president, that Kate prepared a list of the extensive activities she performed for The Copyright Society. And a remarkable list it was, evidence of the effortless efficiency with which she handled the myriad details, large and small, that enabled our organization to function and thrive.

But it was the last item on her list which particularly caught my attention: "Physical presence at events."

What characteristic modesty and understatement that was!

Physical presence, yes -- and so much more. Her dedication, loyalty, energy, enthusiasm and skill would have been ample contribution to The Copyright Society. But I've known few people who, like Kate McKay, combined those virtues with such grace and warmth and wisdom, and such patience and humor. Actually, those wonderful qualities were so natural to Kate that I doubt she even suspected how much in evidence they were to others.

I marveled at the way Kate accomplished so much while always remaining calm, cheerful, charming, always Kate. Consider this abbreviated summary of her activities as Assistant Executive Director: fielding daily requests from members and others, by telephone and mail, or in person, for information, address changes, favors, special treatment and the like; making the seemingly endless arrangements with speakers, members and guests, and with a variety of establishments, for Annual Meetings, Mid-Winter Meetings, Executive Committee meetings, Board

of Trustees meetings, dinner seminars, Copyright Luncheon Circle gatherings, Brace and Geiringer lectures, and special occasions; confirming, cancelling, changing reservations for all these events; processing continual mailings to and from members; maintaining mountainous files; discharging important duties for the JOURNAL, involving the printer, the publisher, the Editorial Board, contributors, readers; accounting for expenses, revenues and assorted other financial matters; handling membership matters, including dues, lists, and all manner of queries and querulousness; and still more.

Throughout this hurly-burly, Kate did not just listen; she cared about what our members thought and said and she acted accordingly.

Kate was quite a special person, full of life, and we all will miss her friendship dearly.

It's easy to understand why The Copyright Society had a love affair with Kate McKay. That goes on.

IN MEMORIAM TO KATE MCKAY

*By Bella Linden, a member of the
New York City law firm of Linden and Deutsch
and a member of the Board of Trustees of the
New York University Law Center Foundation*

Although I too was beneficiary of Kate McKay's wonderful (one might even say altruistic) work for The Copyright Society, I also enjoyed three decades of personal friendship with her.

Bob McKay introduced me to Kate about 30 years ago (just prior to their marriage). We became friends, and she was one of the first to encourage me in a matter of fact way that a good career in the practice of law for a woman was indeed possible. We also shared joy, concern and stories about our respective children as well as good times in the theatre with Bob and Leonard.

Through the years, I saw a pretty, gracious young lady develop into a perceptive and wise woman and a caring wife and mother, and in later years a most effective and dedicated librarian. Each of us who knew Kate can undoubtedly conjure her ready laugh, her soft reassuring responses and anecdotes of her effective help in resolving problems.

What can you say when someone dies so unexpectedly? A word of thanks to Bob for having introduced me to her. A few words to Kate and Bob's daughters, Kathy and Sara -- Kate has not departed, she has given us so much that she remains part of our lives.

KATE MCKAY

*By Hon. Ralph Oman,
United States Register of Copyrights*

Kate McKay had a great gift -- she could rivet her attention on you so completely, so eagerly, that the rest of the world just faded away. During a conversation with her you were the most learned, witty, and charming person around.

Not only that. She could also look you straight in the eye and tell you something you didn't want to hear, and do it without giving the slightest offense. She radiated integrity and kindness and strength, and they were so much a part of everything she said that you accepted her judgments as revealed truth.

She followed a winding path to New York, and she packed a lot of fun into her life. We enjoyed telling each other war stories about Capitol Hill, where she had worked for Russell Long, and we spent hours talking about books and the theatre. She was the most well-read person I know, with an unlimited range of interests. Recently, her instinct, always on target, told her to spend more time with Bob, and their travels together brought great joy to her last years.

As Dean Redlich said at the memorial service, we have all lost a member of the family. But she was very special, and she will always be with us.

The Copyright Society has its share of free spirits and strong personalities, and Kate could cajole them, jolly them, shame them into behaving like civilized human beings at least once a year at the annual meeting. Kate, and only Kate, could get the boys and girls to wash their faces, pull up their socks, and sing like angels in the choir.

As the focus of our small universe, she helped overcome the forces of nature that tend to make things fly apart from the center. The Copyright Society has lost some of the glue that holds it together as a family. If we stick together, it will be the memory of Kate McKay that helps us do so.

KATE MCKAY

*By Norman Redlich, Dean and Judge Edward Weinfeld
Professor of Law at New York University School of Law*

For those of us with long histories at the New York University Law School, Kate McKay's role was so intertwined with Bob's, particularly during his years as Dean, that we failed fully to appreciate her own professional contributions. As I worked with Alan Latman to help develop the intellectual property program at the Law School, I became more aware of Kate's crucial role, and after Alan's death it was apparent that Kate was the essential link between the Law School, the Copyright Society, and the intellectual property bar. It was only after Kate died, however, and I met with the leaders of the Society and our own Library Director to allocate the tasks Kate had performed, that I finally appreciated the full range of her activities. With good cheer and calm efficiency Kate was a first-rate professional librarian, the key-staff support for the Copyright Society, wife, mother, good friend, and a recognized public person in the world of legal education and intellectual property. She left her imprint on this School and touched the lives of thousands of students, alumni, friends and casual acquaintances throughout the world. The links she helped to forge between the Law School and many aspects of the profession will remain strong because of the kind of person she was. She could not prepare any of us, however, for the difficult task of replacing her. We have lost a member of the family.

KATE McKAY

*By Theodora Zavin, President of
The Copyright Society of the U.S.A.*

At the reception following the memorial service for Kate McKay, her husband, Bob, told me that Kate had felt that she was not doing enough for The Copyright Society. During these weeks in which I have been trying, with only moderate success, to fill the void left by Kate's death, this comment has come back to haunt me. If Kate did not fully appreciate the magnitude of the job that she was doing for The Copyright Society, I wonder whether she ever realized how much she, as a person, meant to those of us who had the privilege of knowing and working with her.

There were certain things of which you could be sure where Kate was concerned. You could count on the fact that she had the expertise to pinpoint and find solutions for problems and that her approach was always going to be the one that was the most thoughtful and considerate of the people involved.

Kate was a woman of warmth and kindness and grace. We are all deprived by her untimely death.

I hope she knew how truly valued she was by her friends and colleagues.

PART I

ARTICLES**COPYRIGHT ROYALTY TRIBUNALS:
EXPERIENCES IN VARIOUS COUNTRIES**

EDITOR'S NOTE: This issue of the *JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A.* is devoted to the subject of copyright tribunals. The *JOURNAL* is privileged to publish an American perspective by Thomas C. Brennan, the first Chairman of the U.S. Copyright Royalty Tribunal. It is also pleased to present articles by some of the world's leading experts on copyright tribunals: Denis de Freitas writing on the United Kingdom; Walter Dillenz writing on the Tribunals in Austria, West Germany and Switzerland; Jim Keon and Andrea Friedman Rush discussing the Canadian Copyright Appeal Board; Patrick Liechti writing on the Federal Arbitral Commission in Switzerland; and Colin B. Marks discussing the Copyright Tribunal in Australia.

90. THE COPYRIGHT ROYALTY TRIBUNAL - AN AMERICAN PERSPECTIVE

By THOMAS C. BRENNAN*

...The Copyright Royalty Tribunal is in many ways a sensible and ingenious device for making the various compulsory licensing schemes work effectively and without congressional action. At the same time, the existence of a government body that is paying out royalties, settling disputes among copyright owners, reviewing royalty rates, and deciding the terms and rates of licenses, seems an open invitation to further government control. All this bears close watching in the months and years to come.¹

Register of Copyrights, Barbara Ringer

These observations by one of those most identified with the general revision of our copyright law provide an apt introduction to a commentary on the role and performance of the Copyright Royalty Tribunal. Seldom has an entirely new agency of the federal government been created with so little study, and such limited input and analysis by the private interests most directly involved. This was particularly extraordinary in light of the many years the copyright revision project was delayed because of the cable television controversy. Other than for Leonard Feist, longtime copyright stalwart and music publisher spokesman, little attention was paid during its formative phase to the proposal of Senator John L. McClellan² to establish the Tribunal as a response to the obvious disposition of the Congress to utilize compulsory licensing as a means of balancing the interests of copyright owners and the users of certain copyrighted materials. During these years I would make the rounds of copyright and bar associations meetings to encourage study of the concept and structure of the Tribunal. The usual response I

*Mr. Brennan was nominated as Senior Commissioner of the Tribunal in 1977, and served as its first Chairman. He retired as Chairman on September 26, 1984. Mr. Brennan had a long association with the Senate Committee on the Judiciary, and as Chief Counsel of its Subcommittee on Patents, Trademarks and Copyrights had a major role in the general revision of the copyright law.

¹ Ringer, *First Thoughts On the Copyright Act of 1976*, XXII N.Y. L. SCH. L. REV. 477, 495 (1977).

² Senator McClellan was the Chairman of the Senate Subcommittee on Patents, Trademarks and Copyrights throughout the revision process, and was the sponsor of the bill finally enacted in 1976.

received was that compulsory licensing was undesirable (a view I generally shared), that it was hoped that the Congress could still be persuaded (a confidence I did not share) -- and, by the way, what are the prospects for another extension of expiring copyrights?

After the new agency had twice been approved by the Senate, the House of Representatives Subcommittee having jurisdiction in copyright matters, influenced in part by the Supreme Court decision in *Buckley v. Valeo*³, adopted the current structure of the Tribunal -- members nominated by the President for fixed terms.⁴ With these structural changes went a subtle shift from arbitration or court of last resort to a government agency eager, if perhaps not ready, for business. As E. Fulton Brylawski wrote in the first law review article on the Tribunal:

...In a sense, the Tribunal may have been used as a legislative wastebasket for those problems of compulsory licensing which the copyright owners and licensees could not be expected to handle themselves. If so, the Tribunal may be an administrative experiment that is put to sea with an inexperienced crew and without adequate navigation aids in the profound hope that success will eventually follow survival.⁵

I. THE TRIBUNAL AND ITS PROCEEDINGS

...The Tribunal at the time of conception was as neglected as the poorest orphan, but having survived, it is to be hoped that it will not have an unhappy childhood.⁶

Thomas C. Brennan

³ See generally *Buckley v. Valeo*, 424 U.S. 1 (1976), in which the Supreme Court struck down as unconstitutional the Federal Election Commission on the grounds that appointment of some members by the Congress violated the separation of powers doctrine. The Senate bill provided for appointment of ad hoc panels by the Register of Copyrights. The Register is an employee of the Library of Congress, whose head is nominated by the President. Cases subsequent to *Buckley* suggest that the constitutional concerns of the House Subcommittee may not have been justified.

⁴ This commentary is not directed at any particular administrative structure of the agency. Proposed changes in the structure have been exhaustively discussed in the Congress, by a report of the General Accounting Office; even the Commissioner of Patents and Trademarks has contributed to the debate. Commissioners are not required to have copyright experience, or be attorneys.

⁵ Brylawski, *The Copyright Royalty Tribunal*, 24 UCLA L. REV. 1265, 1286, (June-Aug. 1977).

⁶ Address to the Copyright Luncheon Circle, New York City. November 19, 1976 as published in 24 BULL. COPR. SOC'Y 151, 153 (1977).

A. *Public Broadcasting Rates*

The Copyright Act established a limited compulsory license for the use of published nondramatic musical works and published pictorial, graphic, and sculptural works by noncommercial broadcasting. In the absence of voluntary agreements, the Tribunal was given the task of establishing the initial royalty schedule, and authority to adjust the rates at five-year intervals. The public broadcasting case in 1978 was the agency's first proceeding.⁷ Although the Tribunal had to establish rates for a variety of situations, the principal focus was the determination of a reasonable fee for the use of ASCAP music by the Public Broadcasting Service and National Public Radio.

In this initial case, the Tribunal manifested certain dispositions which were to become constants in other proceedings. For the first time the Tribunal revealed its enthusiasm for marketplace solutions by seriously considering the ASCAP approach of a revenue-based fee schedule as in commercial broadcasting. In finally deciding by a 3-2 vote not to adopt this plan, the Tribunal said "all formulas examined by it suffered from inherent limitations."⁸ This conclusion was to be frequently echoed in subsequent determinations.

From its inception the Tribunal has, both in terms of its statutory mandate, and in its view of sound public policy (not to mention the pragmatic factors inherent in the conditions under which the commissioners had to function for extended periods), fostered voluntary agreements. This commitment has extended well beyond rhetoric, and has seen parties in various proceedings presenting voluntary agreements. When the public broadcasting schedule came up for statutory review in 1982, all major issues were resolved by voluntary agreement.

The Tribunal has advised the Congress that based on its experience there is no justification or necessity for the public broadcasting license. It declared that the license "thus constitutes an inappropriate interference with the traditional functioning of the copyright system and the artistic and economic freedom of those creators whose works are subject to its provisions." The Tribunal recommended that "the Congress reconsider the public broadcasting compulsory license at an appropriate time."⁹

⁷ For a detailed account see Korman and Koenigsberg, *The First Proceeding Before the Copyright Royalty Tribunal: ASCAP and the Public Broadcasters*, 1 COM. AND THE L. 15-47 (Winter 1979).

⁸ 43 Fed. Reg. 25068, 25069 (June 8, 1978).

⁹ Report of the Copyright Royalty Tribunal on 'Use of Certain Copyrighted Works In Connection With Noncommercial Broadcasting' As Required by 37 CFR 304.14, p. 10 (1980).

B. Adjustment of Jukebox Royalty

The 1980 proceeding for the adjustment of the jukebox royalty was the first case in which the Tribunal was required to review a rate which had been established in the Copyright Act.¹⁰ Of the greatest importance for subsequent proceedings of more economic consequence was the agency's decision that the statutory rate was not to be viewed as a legislative determination of a "reasonable" fee, and that no party bore a particular burden of proof. The statute establishes criteria¹¹ which the Tribunal must consider in its determination, but these factors are so balanced as between the rights of creators and users that the Congress might well have spared itself the effort of drafting them.

As in the public broadcasting proceeding, the Tribunal found favor with ASCAP's approach for determining the royalty by looking to marketplace analogies. ASCAP argued that if the Tribunal establishes a jukebox rate below that which it was receiving from somewhat similar users, its private fee structure would be undermined. While acknowledging that the rate could not be directly linked to marketplace parallels, the Tribunal found "that they serve as an appropriate benchmark to be weighed together with the entire record and the statutory criteria."

After the Amusement and Music Operators Association and other opponents of the Tribunal's decision had exhausted their judicial remedies, they turned their attention to the Congress, a forum in which they had been successful for many years. Even before the Tribunal's rate increase, a significant number of jukeboxes were not licensed. During the Tribunal's proceedings, all parties were in agreement that it had no function in enforcing the registration and fee obligations of jukebox operators. Encouraged by some members of Congress, the jukebox industry and the performing rights societies reached an agreement which involved trade-offs between the fee schedule and jukebox operator compliance. It remains to be seen where this arrangement leaves ASCAP's argument before the Tribunal concerning the relationship between the jukebox fee and the compensation it receives from certain similar users of copyrighted music.

C. Statutory Mechanical Royalty

The Copyright Act authorizes in 1980 and thereafter at specified intervals a review, and possible adjustment by the Tribunal, of the statutory mechanical royalty paid by record companies to the copyright owners of the musical works they record. The mechanical royalty is, in

¹⁰ For a detailed account of the proceeding see the Tribunal's final determination, 46 F.R. 884-91, Jan. 5, 1981.

¹¹ 17 U.S.C. 801(b).

terms of money at issue, the most important of the Tribunal's rate proceedings. The 1980 case included 46 days of hearings, 35 witnesses, over 6,000 pages of transcript, and hundreds of additional pages of documents, financial tables and economic charts.¹² It also unleashed acrimonious encounters among the commissioners, from which wounds the Tribunal has never fully recovered.

For the purposes of this article, the specific interest of the mechanical proceeding was the treatment of the relevant statutory language. As with the jukebox case, the enumerated criteria in the statute are so balanced among the competing interests as to sustain any result reached on the basis of the record evidence. An important legal issue was whether the Tribunal had jurisdiction to convert the "flat" rate in the Copyright Act into some percentage of the price of the record. The Tribunal unanimously rejected a motion of the Recording Industry Association of America that such an adjustment was precluded by the Copyright Act. Although the adoption of a percentage formula had significant support, a determined bloc of commissioners argued that the reasonable claims of all parties could best be accommodated by the adoption of a flexible "flat" rate and that the Tribunal should show deference to long-standing industry practices. Of course, as the procedure for calculating royalties is altered in private licenses, this argument for the retention of a flat rate weakens.

The Tribunal was caught between the language of the Copyright Act authorizing adjustment only at specified intervals, and the reality that there would be no consensus for a "flat" rate unless there was built into the structure a scheme for periodic adjustment based on intervening events, notably increases in record prices. Starting with a proposal presented by the record industry, and modified to reflect significant concerns of the music publishers and songwriters, the plan for interim adjustment kept expanding to provide for all contingencies short of a nuclear attack. Not surprisingly, the United States Court of Appeals for the District of Columbia Circuit remanded this portion of the Tribunal's rule, holding that the Tribunal's adjustment mechanism must be "well-determined and beyond the Tribunal's discretion, and judicial review of the reasonableness of the chosen mechanism must be available as part of the review of the Tribunal's statutory rates proceeding."¹³

¹² For an interesting account of the proceeding see Greenman and Deutsch, *The Copyright Royalty Tribunal and the Statutory Mechanical Royalty: History and Prospect*, 1 CARDOZO ARTS AND ENTERTAINMENT L. J. 1-90 (Spring 1983).

¹³ *Recording Industry Association of America v. Copyright Royalty Tribunal*, 662 F.2d 1, 17 (D.C. Cir. 1981).

Following the remand, the parties jointly submitted to the Tribunal a proposed rule providing that the rate be increased to specific levels at specific dates on the basis of recent trends in record prices. With this imprimatur, the Tribunal unanimously adopted an interim adjustment rule that earlier would not have been able to muster a majority vote. This experience suggests the strong desirability of parties, especially those that generally find themselves working together on copyright issues, exerting every effort to produce a joint proposal rather than venturing everything on the role of the dice before the Tribunal. This is particularly important in proceedings where the Tribunal's judgment, not to mention good sense, may be restricted by the rigidity of its jurisdictional authority.

The judicial review of the Tribunal's mechanical royalty determination presented an issue that has been a constant in its litigation -- how is a particular rate, or in royalty distribution cases, a particular award reached? In the mechanical proceeding the Tribunal fixed the basic rate at four cents. In its opinion, the Tribunal at length discussed the evidence presented, the factors considered in its determination, and the statutory criteria, but did not even come close to explaining how the rate was obtained. The Court of Appeals found that the Tribunal more than met the requirements of the copyright law, but said, in a sentence often quoted by the critics of the Tribunal, that "the character of the Tribunal's explanation leaves room for improvement." The court, speaking through Judge Abner J. Mikva, observed that the "opinion is structured more as a demonstration that the four cent royalty rate is calculated to achieve the statutory objectives, than as a derivation of a \$4.00 [sic] numerical figure."¹⁴

The Tribunal's mechanical opinion is a good illustration of the problems the Tribunal encountered in explaining its decisions. The Copyright Act provides that the Tribunal "shall render its final decision in any such proceeding within one year." The Tribunal was hard-pressed to produce any final determination in the mechanical proceeding as the one year expired, and was diverted by other proceedings that also required a final decision. It resolved to adopt its final rule, and prepare an opinion later. Diligent observers of the mechanical case will not be surprised by my observation that there was no way by which the

¹⁴ *Id.* at 10-11. The Tribunal's important 1982 cable television adjustment case came for review before a panel of the U.S. Court of Appeals for the District of Columbia Circuit headed by Judge Mikva. The first question by the Judge to government counsel was for an explanation of how a key rate had been determined. The reaction of this spectator was that the Judge really did not expect to be enlightened.

majority in that case could agree as to how the rate was determined. The Tribunal had to balance, wearing its legislative hat, what was necessary to obtain a majority against what explanation it could "get away with" on appeal in court. It engaged in a similar balancing act in other rate proceedings, and in each instance prevailed on judicial review.

D. Cable Television Royalties Adjustments

The jurisdiction of the Tribunal to consider an adjustment of cable television compulsory license royalties was carefully circumscribed in an agreement reached by certain parties, and incorporated in the Copyright Act. In contrast to its broad jurisdiction in the other rate proceedings, the Tribunal could adjust the statutory schedule at five-year intervals only to compensate for inflation or deflation. It was also authorized to establish a royalty schedule for additional distant signals carried by cable systems in the event of a change in the distant signal carriage rules of the Federal Communications Commission, or for changes in the Commission's rules providing for syndicated exclusivity protection. When the Commission repealed both of these rules, the Tribunal was plunged into the center of an intense controversy in which it was often the side-show in a three-ring circus. In a by now familiar pattern, the Tribunal sustained unremitting attacks from all quarters, yet emerged with its decision fully intact. More recently, the parties to that proceeding have foregone the opportunity provided in the Copyright Act to seek review of that decision as part of the Tribunal's periodic cable adjustment authority.

For our purposes, the principal interest of the proceeding was the Tribunal's understanding of its mission and its interpretation of the statute, and the judicial and legislative response. The Tribunal held that neither it nor the copyright owners were to underwrite the further development of the cable industry, and that in any event the testimony presented by the industry precluded a conclusion that there was any public interest necessity to foster the carriage of distant broadcast signals. The agency determined that the new fees should be based on the record, and that the Congress did not intend that the modest statutory fees should be viewed as the standard of what constitutes "reasonable" compensation to copyright owners. The Tribunal again looked to the marketplace expectations of the program creators as a guide in establishing the fee schedule. The reviewing court found that the legislative history provided "[C]ompelling support for the Tribunal's position on the interpretation of the copyright act."¹⁵

¹⁵ National Cable Television Association Inc. v. Copyright Royalty Tribunal, 724 F.2d 176 (1983).

The Tribunal's decision unleashed a violent reaction in the Congress, but when the smoke had cleared the only change was a brief delay in the effective date.¹⁶ The loudest voice raised on Capitol Hill¹⁷ was that of Ted Turner who claimed that his superstation paid fees for national distribution when it purchased product and that the imposition of the Tribunal schedule amounted to a double payment. Mr. Turner may well be correct, but the difficulty was that the Turner Broadcasting Systems did not see fit to participate in any way in the Tribunal proceeding. The Tribunal refused to go outside the record, and the reviewing court held that the agency was clearly justified.

The Copyright Act divides between the Copyright Office and the Tribunal certain functions concerning the operation of the cable copyright license, which allocation caused early commentators to express concern about conflicts between the two agencies.¹⁸ No problems developed as to the inclusion in the Copyright Office forms of the information required for the Tribunal's functions in the distribution of cable royalties. Most awkward, however, was the situation resulting from the Tribunal's cable rate decision whereby the statute gave authority to the Copyright Office to issue the regulations implementing the Tribunal's determination, in part on matter involving the intent of the Tribunal, as well as on consideration of the relevant statutory language. The situation was aggravated by cable industry lawyers advancing in the Copyright Office imaginative legal theories which, if accepted, would have gutted the rate adjustment. In accordance with the requirements of the Copyright Act, the Office consulted the Tribunal, and transmitted a draft of the proposed rule. When, as Chairman, I circulated the draft to commissioners, I received a strong response that the text was inadequate. The Tribunal chose to forcefully assert its views to the Office.¹⁹

¹⁶ The effective date of the Tribunal's decision was injected into the consideration by the Congress of the joint resolution whose passage was necessary to assure the continued operation of much of the federal government.

¹⁷ A New York Times article of March 21, 1983, "A Small Tribunal and its Big Decision", gives this account of Mr. Turner's appearance before the Senate Commerce Committee:

"Hold it a minute, Mr. Turner," broke in Senator Russell B. Long of Louisiana. "What is this tribunal you're talking about? I've never heard of it."

"You know Mr. Senator" said Mr. Turner, "that's a very good question. I've been asking myself the same thing. I never heard about it until I woke up one day -- it was my 44th birthday -- and heard about this decision. It ruined my whole day."

¹⁸ See Brylawski, *supra* note 5, at 1281-82.

¹⁹ See 49 Fed. Reg. 14944-54 (April 16, 1984).

This exercise in applying statutory language and agency rules to situations never contemplated provides an object lesson in how not to establish public policy.

E. Distribution of Royalties

The Tribunal resolves disputes among claimants as to the distribution of royalty fees paid under the cable television and jukebox compulsory licenses.

1. Cable Television

A very significant percentage of the Tribunal's time has been occupied with the disposition of the claims to the cable television royalty fund which grew from \$15 million in the first proceeding to \$100 million in the current proceeding. As discussed elsewhere, there were predictions of disaster as the Tribunal approached the initial distribution case. I believe the original team of commissioners can view with satisfaction their contribution to organizing the proceeding, creating a simple claim form, encouraging the formation of categories of claimants, establishing the primary and secondary criteria that were to be applied to the claims, and generally skirting the various pitfalls that arose. The Tribunal held formalities to the bare minimum essential to the statutory requirements and the demands of due process, and in its hearings, to the annoyance of some attorneys, stressed substance over form. Refuting the jeremiads of those who early contended that the Tribunal would dissipate to royalties in a modern version of *Jarndyce v. Jarndyce*, the Tribunal's costs have been modest. In the most recent proceeding in which approximately \$79 million was distributed, they amounted to \$214,000.

In the actual application of the Tribunal's criteria to the claims, the agency merged the criteria into a search for the marketplace value to cable operators of particular categories of programs. Thus sports programming has fared better than it would have under rigid fee- or time-based formulas, and public broadcasting's contribution as a form of alternative quality programming has received due recognition.

There have been three major cases in the United States Court of Appeals for the District of Columbia Circuit reviewing the Tribunal's cable distribution determinations.²⁰ As in the rate cases, the court resolved that the Tribunal had broad discretion within a "zone of

²⁰ *National Association of Broadcasters v. Copyright Royalty Tribunal*, 675 F.2d 367 (1982); *Christian Broadcasting Network v. Copyright Royalty Tribunal*, 720 F.2d 1295 (1983); and *National Association of Broadcasters v. Copyright Royalty Tribunal*, 722 F.2d 922 (1985).

reasonableness" and that the courts will grant "considerable deference" to its determinations.

While judicial review affirmed virtually all the royalty awards made in five Tribunal proceedings, one might have assumed otherwise from the attention paid to the remand of three issues in one proceeding, involving less than 5% of the royalties in that proceeding. Although I did not support the Tribunal's position on two of those issues, I had slight tolerance for attacks on the Tribunal which manifested little understanding of the circumstances in which the agency was struggling to operate between 1980 and 1982. Lack of time and staff assistance were major burdens, but even in the absence of these factors the agency would still have had difficulty in relating some awards to the record evidence because of strongly differing views among commissioners. Thus, justifications at times became a matter of the lowest common denominator, or, a commissioner was prevailed upon to produce a majority on an award to keep the process moving. For example, in the case for the distribution of the 1980 royalties the Tribunal (with one vacancy) was tied 2-2 on the adoption of the final determination. Despite strong negative feelings about the rationale that dominated the Tribunal's determination, I changed my vote to avoid a deadlock because the "numbers" in the main were ones I could accept.

Although the Tribunal's proceeding for the distribution of the 1983 royalties²¹ required the consideration of new matters resulting from the adjustment of the fee schedule to reflect the FCC developments, there has been steady progress toward restricting the scope of the controversy and producing voluntary agreements. Essential to the viability of the process has been the almost total success in producing agreements among claimants in various categories as to how the award to the category shall be divided among the individual claimants.

2. Jukebox

Jukebox royalties available for distribution amounted to approximately \$7 million for 1984. While the sums at issue have not been substantial, the Tribunal has encountered difficulties in the distribution of the royalties when there have been significant contests.

The Tribunal resolved that the proper basis for the division of the royalties would be a random survey of performance of musical compositions on jukeboxes. In the proceeding for the distribution of the 1979 royalties, Broadcast Music Inc. presented a survey of performances which the agency found fatally defective, while the other large claimants

²¹ See 51 Fed. Reg. 12792-12818 (April 15, 1986).

presented general evidence relating to license revenues of the performing rights societies, which the Tribunal refused to accept as a valid basis for distribution of jukebox royalties.²² The Tribunal therefore, at the end of the one-year period in which it was required to render a final determination, resolved that the agency could not make a distribution on the basis of the evidence presented. It directed the claimants to submit proposals for a joint survey of jukebox performances. As hoped by the Tribunal, this disposition encouraged the major claimants to reach a voluntary agreement covering several years.

The Tribunal next encountered trouble in the 1982 distribution, when Latin American Music emerged for the first time as an active claimant²³ and submitted limited written evidence in support of its entitlement. The performing rights societies that had been receiving the entire royalty fund again requested such disposition on the basis of a voluntary agreement, but (despite the direct request of the Tribunal) presented no specific evidence in support of its entitlement. Furthermore, the Tribunal's earlier rejection of the performing rights societies' evidence in the only major jukebox distribution precluded a "piggy-back" use of that evidence.

The Tribunal found the Latin American evidence inadequate, and approved the distribution of the entire royalty fund on the basis of the voluntary agreement. Latin American appealed, and the U.S. Court of Appeals for the Second Circuit set aside the Tribunal's award.²⁴

Although this litigation was conducted after I left office, it presented an issue that caused me considerable difficulty with the Tribunal's position in royalty distributions, namely its treatment of claimants who are not parties to voluntary agreements. I was never more of a burden to my colleagues than when I ventilated (frequently but unsuccessfully) my perception that the Tribunal applied one standard to claimants who joined in voluntary agreements, and a much more exacting standard to individual claimants.²⁵ The Tribunal should be careful that it does not leave the impression that its encouragement of voluntary agree-

²² 46 Fed. Reg. 58139-42 (Nov. 30, 1981).

²³ 49 Fed. Reg. 34555-56 (Aug. 31, 1984).

²⁴ *ACEMLA, Latin American Music and Latin American Music, Inc. v. Copyright Royalty Tribunal*, 763 F.2d 101 (1985).

²⁵ At a Tribunal session on July 21, 1982 I said:

I have heard much rhetoric concerning the importance of our honoring agreements and encouraging voluntary settlements. I have heard much rhetoric about our commitment to permitting individual small claimants to pursue effectively their claims before this body. Yet, the majority today has said... "Go and seek relief in some other forum."

ments spares such claimants from presenting any usable evidence in support of their award.

F. Random Thoughts on Proceedings

We may briefly dispose of some concerns that were raised when the Tribunal came into existence. The agency has not been confronted with problems relating to the ownership or validity of copyrights. While it appears that there were a few disputes as to the sharing of an award to a claimant with others, these matters were not brought to the Tribunal, and it was the Tribunal's understanding that they were resolved by procedures created pursuant to voluntary agreements reached by claimants who formed coalitions to represent them.

With the notable exception of issues raised by broadcaster claimants, the agency has been spared having to apply general provisions of the copyright law. The National Association of Broadcasters and broadcaster claimants assert that the work done by them in assembling their "broadcast day" constitutes a "compilation" within the meaning of 17 USC 101, and if they meet the essential elements of copyright, namely originality of authorship and fixation in some tangible form, the stations have a copyright separate and apart from the individual materials used, and a distinct claim to cable royalties. The Tribunal records indicate that these arguments were forcefully challenged by some of the commissioners who argued that the "broadcast day" was not a "work". I was not convinced by these objections and thought that at worst some elements of the legislative history of the revision bill were damaging to the broadcaster claim. I therefore proposed during the first distribution proceeding that the agency "not put all its eggs in one basket" by leaning solely on the legal arguments, but that the broadcaster evidence should be heard, and assessed for its value to cable operators. The Tribunal did so, and without too much difficulty shifted from interpreting the copyright law to considering the evidence, where it was on firmer ground.

The Tribunal lacks authority to issue subpoenas, and routinely in its congressional appearances recommended that it be granted such power. Considering the paucity of Tribunal proceedings, it was almost laughable the amount of attention that this issue received. While I would have found the power useful in a few specific matters (such as the determination of the jukebox royalty), it is doubtful if the case can be made that the absence of subpoena power has been a significant burden to the operation of the Tribunal.

II. *THE TRIBUNAL AND ITS CRITICS*

After considerable thought and reasoning, I am convinced that the Copyright Royalty Tribunal should be eliminated.²⁶

Commissioner Clarence James, Jr.

In Henry Adams' famous novel of life in Washington "Democracy" the most powerful member of the Senate comments:

I never heard that amiable critics were the best...justice is the soul of good criticism, and it is only justice that I ask and expect from you.²⁷

The most dramatic attacks on the Tribunal have come from two commissioners who departed in the dead of night and advised the Congress that the agency should be promptly abolished. Having no experience as a theater critic, I shall not review those performances. But the fate of the Tribunal to be used as a "whipping boy" (or must one now write "whipping person") was fixed early in its history.

The introduction of the proposed Communications Act of 1979 (H.R. 3333, 96th Congress), providing for an omnibus revision of the communications law, was utilized by program suppliers and broadcasters to reopen the copyright resolution of the cable television issue. It came to the attention of the commissioners that it was being represented to the House Subcommittee on Communications that the Tribunal was in a state of panic, that the commissioners didn't have any idea as to how the distribution of royalties should be managed, and that the statutory royalty scheme was unworkable. At the request of Congressman Timothy E. Wirth of Colorado, I was invited to testify and it appeared to come as a surprise to other congressmen to learn that the reason no royalties had yet been distributed was that the major claimants had requested the Tribunal not to proceed while they were awaiting developments at the Copyright Office, and the filing of forms by cable operators, which provide a basis for claimants to justify their entitlements.

An entire article could be devoted to the treatment of the Tribunal by the House of Representatives Subcommittee on Courts, Civil Liberties and the Administration of Justice (which has jurisdiction in copyright matters) of the Committee on the Judiciary. The Subcommittee engaged in periodic orgies of Tribunal bashing, but not even the puffs of oratory could conceal its chronic inability to secure the enactment

²⁶ Letter of resignation of Commissioner James to the President, May 1, 1981.

²⁷ H. ADAMS, *DEMOCRACY* 45 (Meridian Classic edition, New American Library).

of substantive legislation relating to the jurisdiction and structure of the agency. Members of the Subcommittee became regular circuit-riders visiting cable, broadcaster and program supplier meetings to do -- for a fee -- their number on the agency.²⁸

It will suffice to provide the reader with a few examples of the intellectual dishonesty of some members of the Subcommittee. Congressman Mike Synar charged in 1985 that the Tribunal had failed to distribute the 1979 cable royalties. At the time of the Congressman's remarks, 96% of the fund had been distributed (the balance being retained pending the outcome of litigation).²⁹

A group of Subcommittee members in the report to accompany H.R. 5949 of the 97th Congress, a cable copyright bill, said that the Tribunal's "bureaucratically fixed royalties were unrealistically lower than their true market value." When we responded at a hearing that the fee schedule being attacked was enacted by the Congress, we listened in amazement as a member of the Subcommittee claimed the report was correct because the "bureaucratically fixed" language was meant to refer to members of the Congress.

The Chairman of the Subcommittee, Congressman Robert Kastenmeier, blasted the Tribunal's 1982 cable rate decision as being contrary to the intent of Congress, and took particular exception to the agency's search for fair marketplace value as the basis of the fee schedule. The Court of Appeals decision makes clear who was in error as to the Copyright Act and its legislative history. As to Kastenmeier's attack on the Tribunal's use of marketplace rates, I was amused recently to find an account of a press interview one year before the proceeding with Kastenmeier's Subcommittee and litigation counsel in which it was stated that the Subcommittee was concerned with the need to produce more cable royalty revenue, and that a "fair market value" system was being considered.³⁰

The press seems to have a fascination with the human interest aspects of the agency's existence, calling attention to its role as perhaps the smallest independent agency, and its lack of any professional staff

²⁸ Some of the commissioners expressed to me their anger at the malice and factual errors of certain remarks. My reaction was that the members should occasionally buy us a lunch for our contribution to their income.

²⁹ For a fuller response to Congressman Synar see the Tribunal's testimony before the House Subcommittee on Courts, Civil Liberties, and Administration of Justice, July 11, 1985.

³⁰ Broadcasting 198 (March 16, 1981).

during its period of greatest activity. Of course, a series of such articles created a negative image.³¹

Perhaps the best defense witness for the Tribunal is Jack Valenti, President of the Motion Picture Association of America, and a frequent Tribunal witness. I will give Mr. Valenti the last word on this subject (actually Mr. Valenti will, as usual, require two last words). In a personal letter to me of November 22, 1977 he set forth his hopes for the operation of the agency -- "an efficient, prudent and lean administration." Recently in discussing the administration of a proposed new compulsory license relating to carriers of superstations, he commented on whether the task should be assigned to the Copyright Office or the Tribunal. In expressing a preference for the Tribunal, Mr. Valenti observed "I think they could do it with more dispatch and less cost."³²

III. THE TRIBUNAL AND THE FUTURE

As the original sponsor of the legislation establishing the Copyright Royalty Tribunal, I have a special interest in the operations of this agency. My original objective was to provide a mechanism that would assure the continued viability of certain important sections of the Copyright Act. Under the expanded structure of the final version of the legislation, the Tribunal may also perform a useful function in the study of appropriate copyright problems that will arise in the future.³³

Senator John L. McClellan

The sole example of any involvement by the Tribunal in the study of a copyright issue related to the private taping of copyrighted works. Although there were no efforts by any party to inject the taping issue into the revision bill, I discussed late in the process with Senator McClellan the situation in which the issue was left by the bill. He firmly indicated that he did not want the issue raised, correctly noting that the revision bill would not be the last copyright bill to be enacted.

When the commissioners-designate met in Senator McClellan's office in the Capitol, there was a discussion of what might be the Tribunal's

³¹ Representatives of these articles were "Defying bureaucratic gravity at the Copyright Royalty Tribunal", *Broadcasting* 62-66 (June 1, 1981) "The Littlest Tribunal, *Congressional Quarterly* 2642 (Nov. 24, 1979); "The Copyright Panel That Gets No Respect", *National Journal*, 816 (May 8, 1982); and "Where MGM, the NCAA, and Jerry Falwell Fight for Cash", *Fortune* 169-71 (June 23, 1984).

³² *Broadcasting* 40 (Aug. 11, 1986).

³³ Message of Senator John L. McClellan to Inaugural Ceremony of the Copyright Royalty Tribunal, Nov. 10, 1977.

role in the study of royalty issues. The outgrowth of this meeting was a request by the Chairman of the Senate Subcommittee that the agency "conduct a full study and examination of all aspects of the taping issue."³⁴

The Tribunal constituted a three-member Committee on Home Taping which discovered that there were no reliable data as to the extent and nature of private taping, and resolved that such data were the essential starting point for any examination of the issue. The Committee determined that any research should begin with the taping of audio works, where there was adequate experience in contrast to the reproduction of video works. The Tribunal commissioned what became the first published study of consumer practices, and interested parties followed with much more detailed studies. The Tribunal's home taping activities were overtaken by the institution of litigation, and subsequently the introduction of legislative measures in the Congress.

The use of the agency in the role of an objective fact-finding commission on copyright royalty issues could be constructive, but the death of Chairman McClellan effectively ended the prospect of further activity.

As commissioner I testified before several committees of the Congress concerning the justification for the statutory compulsory licenses. My Tribunal experience has not modified my position that compulsory licensing is an inappropriate solution to copyright problems in the absence of significant clearance difficulties, or such disparity in the bargaining position of the interests as to cause harm to a significant public interest. I also believe that individual and collective business judgments are more likely to stumble onto satisfactory solutions than the Congress, whose approach of necessity is to come up with one solution, and impose it on everyone.

The question is often asked if the Tribunal is necessary. My usual response was that the question was not properly presented, the correct inquiry being whether the statutory licenses are necessary. If the answer is "yes" (or even if the answer is "no" but the licenses are politically un-touchable) then some mechanism, such as the Tribunal, continues to be required.

The alarm has been sounded, including by some who know better, that the Tribunal is the cause of inappropriate government involvement in private copyright matters. The Tribunal more properly should be viewed as a "half-way house" on the road to marketplace solutions. In a 1976 address I said:

³⁴ For a more detailed account see Report of the Home Taping Committee, Copyright Royalty Tribunal, Nov. 1979.

...Private enterprise frequently deploras government intervention or regulation, but my experience with the copyright bill, as well as other legislation, suggests that there is often a gap between word and deed. If the Tribunal assumes too large a role in the affairs of the copyright industries, much of the responsibility will rest with those industries -- and perhaps more accurately with their attorneys.³⁵

There is no evidence that the Congress is disposed to repeal any of the licenses, and indeed is more likely to establish one or more new ones. Despite perfunctory objections by creators and copyright owners, these interests appear to have grown comfortable with the existence of the licenses. Positions on the cable license have become, in the language of diplomacy, "bargaining chips" and have acquired "linkage" to other copyright and communications issues.

Perversely, the only license whose future has even been debated in Congress is the one with the strongest justification -- cable television. I never thought that there was any prospect of its demise, yet calculations as to its fate have impacted on the Tribunal. After the Federal Communications Commission repealed its cable rules, the National Cable Television Association triggered the Tribunal's cable rate proceeding to assist its position on Capitol Hill in preserving both its FCC victory and the compulsory license. The issues involved in the fixing of the rates and terms for carriage of signals and programs by cable operators now far transcend the Tribunal's constricted jurisdiction, and it therefore is not surprising that the parties should conclude that a Tribunal proceeding is not the most effective forum for the resolution of these matters. I do not foresee any further significant role for the Tribunal in the determination of cable rates.

The authorized review in 1987 of the mechanical royalty rate will provide a litmus test of the rhetoric of those who profess to believe that private resolution of issues is preferable to a government-imposed solution. The copyright law and the Tribunal provide the opportunity to songwriters, music publishers, and record companies to obtain an equitable partnership without the expenditure of the time and expense inherent in seeking action by the Congress. As one who had the misfortune to be actively involved in both the prior congressional and Tribunal adversarial determinations, I would find it difficult to accept a conclusion that the best interests of the parties would be served by a rerun of those experiences.

³⁵ See note 6, *supra*.

The Tribunal's record in developing from nothing, workable and simplified procedures for the distribution of royalties, bodes well for the viability of such procedures in other areas, such as compensation for private taping of audio works. It is not relevant here to debate the merits of such schemes (although the protracted study since the Tribunal's trail-blazing effort makes a persuasive case that payment is appropriate); but it is relevant to observe that the opponents of compensation are no longer justified in exploiting distribution problems in an effort to defeat private taping legislation. This is particularly true as important distribution issues have been considered in the Congress in contrast to the cable experience where the entire problem was simply dumped in the hands of the Tribunal.

It is a sensitive subject today to claim understanding of the original intent of the founding fathers, but I do not believe that I am venturing into troubled waters when I profess some knowledge of the objectives sought by the creators of the Tribunal. I do concede that I am at a disadvantage in assessing the performance of the Tribunal during its first decade, since I cannot claim to be an instant expert, which appears to be an essential qualification to having one's views considered.

Institutions can only do what they are given the capability to do. The Tribunal has labored under jurisdictional restrictions and lack of resources. It has inflicted some damage on itself, but suffered more from attacks on it motivated by various public and personal agendas. Despite these handicaps, the ship kept afloat and the trains ran on time, even with a few bumps in the road.

91. THE PERFORMING RIGHT TRIBUNAL IN THE UNITED KINGDOM

By DENIS DE FREITAS*

Prior to the enactment of the Copyright Act 1956, a copyright owner in the United Kingdom enjoyed the unrestricted right to grant or withhold his permission to or from any person wishing to exercise any of the restricted acts under the control of the copyright owner; and if he chose to grant permission, to attach whatever conditions he thought appropriate to that grant; provided, of course, the restricted act required his permission, i.e. it was not within one of the exempt categories of use such as fair dealing. However, the Copyright Act 1956 established a Tribunal with jurisdiction to override, in a limited number of cases, the former unrestricted right of a copyright owner to grant or withhold his permission. The initial section of this article contains an account of the background to the enactment of the provisions establishing that Tribunal. The following sections describe the jurisdiction of the Tribunal, give an account of its work in practice, and summarise proposals of the United Kingdom Government to increase the Tribunal's jurisdiction substantially in a new comprehensive copyright law which is expected to be enacted in the near future.

I. BACKGROUND

The collective administration of rights of copyright, already long established in France and other European countries, first became a reality in the United Kingdom in 1914 when the Performing Right Society was incorporated to administer the "public performance" rights in copyright music. From the inception of its work, not only was the Society opposed by music users, but within the music industry itself many music publishers were at first reluctant to support the Society, and in the early years of its existence its survival was by no means assured. However, by the 1920s it had managed to win support from most music publishers, and its efforts on behalf of composers, lyric writers and music publishers were beginning to show results. The hostility of the music users, however, remained unabated and, in 1929, a Private Members Bill, promoted by music users and entitled "The Musical Copyright Bill", was introduced in the House of Commons. The principal feature of this Bill was a provision that for a maximum fee of 2 pence per music copy the public performance right in any musical composition would be covered

*Mr. de Freitas is the Chairman of the British Copyright Council.

in perpetuity, irrespective of the extent or nature of the music, or the size or nature or place where the public performance was to take place.

The Bill was referred to a Select Committee which reported that it should not be proceeded with. But the Committee did make the following remark:

“Such an association is undoubtedly a convenience and almost a necessity, both to the composer, music publisher and the user of music, who would be considerably embarrassed if he had to deal separately with each piece of music performed. In fact it may be said to be the only practicable way in which the composer can collect his fees for performing rights in any adequate manner. If such an association is to function effectively, it must obtain as nearly as possible a supermonopoly of the monopolies conferred upon composers by the Copyright Acts.

Your Committee consider that such a supermonopoly can abuse its powers by refusing to grant licences upon reasonable terms so as to prejudice the trade or industry of persons carrying on business in this country and to be contrary to the public interest and that it should be open to those persons to obtain relief in respect of such abuse by appeal to arbitration or to some other tribunal. This should apply only in those cases where the ownership or control of the copyright has been transferred to an association.”

The Committee's recommendation that associations administering copyright in a position of monopoly should be subject to some form of statutory arbitration was not, in fact, actively pursued until 1948 when the Convention of the Berne Union was being revised in Brussels. At the Brussels conference the United Kingdom delegation made the following declaration:

“The United Kingdom delegation accepts the provisions of Article 11 of the Convention on the understanding that His Majesty's Government remains free to enact such legislation as they may consider necessary in the public interest to prevent or deal with any abuse of the monopoly rights conferred upon owners of copyright by the law of the United Kingdom.”

Article 11 of the Berne Convention, as revised in Brussels, contains the provision that authors shall have the exclusive right to authorise

the public presentation and public performance of their works, and the public distribution by any means of the presentation and performance of the works. It is to be noted that Article 11, which was the only one mentioned in the United Kingdom declaration, does not deal with the right of an author to authorise the broadcasting of his work whether by wireless or wired means; this is covered by Article 11 bis. Nor did the declaration refer to Article 13, which gives authors the exclusive right of authorising the recording of their works by instruments capable of reproducing them mechanically and the public performance of their works by means of such instruments.

The Brussels reservation of the United Kingdom Government was subsequently implemented when the Copyright Act 1956 was enacted. When the Bill for that Act was introduced into Parliament, the President of the Board of Trade described the functions of the proposed Tribunal in the following terms:

“The second factor is that there is an entirely new proposal for the introduction of a Performing Right Tribunal, the object of which is to protect the general public against abuse of the performing right.”

And later in the debates on the Bill, the chief Government spokesman on the Bill said:

“In this Bill we have been careful to confine the jurisdiction of the Tribunal to what we are entitled to do under the reservation we have made to the basic provisions of Article 11.”

This brief historical survey shows that the United Kingdom Government, in establishing the Performing Right Tribunal, was specifically concerned with possible abuses of the monopoly position which arise when a substantial proportion of the rights in a particular category of protected works is under the control of a single copyright owner. The next section of this article describes the provisions in Part IV of the Copyright Act 1956.

II. *THE JURISDICTION OF THE PERFORMING RIGHT TRIBUNAL.*

Section 23 of the Copyright Act 1956 provides that the Tribunal shall consist of a Chairman and not less than two nor more than four other members. The Chairman must be a barrister, an advocate or a solicitor of not less than seven years' standing, or a person who has held judicial office, and is appointed by the Lord Chancellor. There are no eligibility

requirements for the other members, who are appointed by the Board of Trade (now the Department of Trade and Industry).

Since the establishment of the Tribunal in 1957 (when the Copyright Act 1956 came into force) there have been four Chairmen, the last one having been appointed in 1986. All have been senior barristers of the rank of Queen's Counsel, and by definition, busy practitioners. One consequence of this has been that it has added to the difficulties of arranging speedy hearings before the Tribunal, because it has been necessary to accommodate not only the availability of the lawyers acting for the parties, but also the availability of the Chairman. There have been many changes among the other members of the Tribunal, who have come from a wide variety of occupations; the only common factor being that none, as far as the writer can recall, had any prior acquaintanceship with the music industry or the field of copyright.

Section 24(1) defines the jurisdiction of the Tribunal, which is described in the following terms:

"The function of the Tribunal shall be to determine disputes arising between licensing bodies and persons requiring licences, or organisations claiming to be representative of such persons, either -

- (a) on the reference of a licence scheme to the Tribunal, or
- (b) on the application of a person requiring a licence either in accordance with a licence scheme or in a case not covered by a licence scheme."

The term "licence" is defined as meaning

- "(a) in the case of a literary, dramatic or musical work, a licence to perform in public, or to broadcast, the work or an adaptation thereof, or to include the work or an adaptation thereof in a cable programme;
- (b) in the case of a sound recording, a licence to cause it to be heard in public, to broadcast it or to include it in a cable programme;
- (c) in the case of a television broadcast, a licence to cause it, in so far as it consists of visual images, to be seen in public and, in so far as it consists of sounds, to be heard in public."¹

¹§24(2).

The term "licensing body" is defined as meaning, in relation to a literary, dramatic or musical work

"A society or other organisation which has as its main object, or one of its main objects, the negotiation or granting of such licences, either as owner or prospective owner of copyright or as agent for the owners or prospective owners thereof."²

In relation to sound recordings, the term "licensing body" means any owner or prospective owner of copyright in sound recordings, or any person acting as agent for such an owner.³

In relation to television broadcasts, the term "licensing body" means the British Broadcasting Corporation or the Independent Broadcasting Authority, or any organisation appointed by them.⁴

It is important to note that there is a special proviso with respect to organisations which licence literary, dramatic or musical works under which such an organisation which simply negotiates or grants individual licences, each relating to a single work or the work of a single author, are not treated as licensing bodies, and hence are not subject to the Tribunal's jurisdiction, unless they negotiate or grant general licences, each extending to the works of several authors.⁵ In other words, the average book or music publisher would not, simply by reason of the fact that it controlled the licensing of rights in a number of individual works, be a licensing body for the purposes of the Act. This special exemption does not apply to sound recordings, or to television broadcasts.

Finally, the term "licence scheme" is defined as meaning a scheme made by a licensing body setting out the classes of case in which it, or the persons on whose behalf it acts, is willing to grant licences, and the charges and other terms and conditions subject to which the licence would be granted in such a class of case.⁶

Disputes within the jurisdiction of the Tribunal fall into two categories -

- (i) disputes regarding the terms of a licence scheme;

² §24(3)(a).

³ §24(3)(b).

⁴ §24(3)(c).

⁵ §24(3) proviso.

⁶ §24(4).

- (ii) disputes concerning an application by an individual user seeking a licence, either in a case alleged to be covered by a licence scheme or in a case where no licence scheme exists.

In category (i), where a licence scheme is in operation, the scheme may be referred to the Tribunal either by an organisation claiming to represent persons who require licences within the class of case to which the scheme applies, or by any individual who claims that he requires such a licence. In such a reference the parties entitled to be heard are

- (a) the organization or individual who instituted the reference;
- (b) the licensing body operating the scheme;
- (c) any organization or person who applies to be made a party to the reference if the Tribunal is satisfied that the applicant has a substantial interest in the matter in dispute.⁷

Section 25(5) requires the Tribunal to give the parties to such a reference an opportunity of presenting their cases, and empowers the Tribunal to make an order either confirming or varying the licence scheme "as the Tribunal may determine to be reasonable in the circumstances." Subject to a special provision relating to licences covering the inclusion of works or sound recordings in cable programmes, mentioned below, the law does not prescribe any factors which the Tribunal must take into account in determining what is reasonable in the circumstances; nor does it exclude any factors from the Tribunal's consideration.

An order made by the Tribunal in a dispute with respect to a licence scheme may be expressed to remain in force indefinitely, or for a period stipulated by the Tribunal.⁸

Where the Tribunal has made an order with respect to a licence scheme, or an application for a licence, either the licensing body, the representative organization or the applicant may refer the order back to the Tribunal subject, in certain special cases, to the consent of the Tribunal.⁹

Disputes in category (ii), i.e., applications by individuals seeking a licence, are of two kinds:

⁷ §25.

⁸ §25(6).

⁹ §§25(7) and 27A.

- (a) the case where the applicant claims that there is a licence scheme covering his case but the licensing body has refused or failed to grant him a licence in accordance with the scheme; and
- (b) the case where there is no licence scheme and the applicant contends that the licensing body has either refused or failed to grant a licence, and that in the circumstances it is unreasonable that the licence should not be granted; or, although the licensing body is prepared to grant a licence, the charges, terms or conditions of the licence it proposes to grant are unreasonable.

No application has ever been made to the Tribunal under (a) alleging that a licensing body had unreasonably refused or failed to grant a licence.¹⁰ All applications so far considered by the Tribunal have been under (b).

In the case of applications, Section 27(5) requires the Tribunal to give all parties an opportunity of presenting their cases and then stipulates

“If the Tribunal is satisfied that the claim of the applicant is well-founded, the Tribunal shall make an order declaring that, in respect of the matter specified in the order, the applicant is entitled to a licence on such terms and conditions, and subject to the payment of such charges (if any) as -

...

- (b) the Tribunal may determine to be reasonable in the circumstances.”

It is interesting to note that the provisions in Section 27 regulating the exercise of the Tribunal's jurisdiction with respect to applications are not identical to those in Section 25(5) relating to references of licence schemes. In the case of an application, the Tribunal must first decide whether the applicant's claim is “well-founded.” An applicant's claim

¹⁰ *But see* text at note 11, *infra*.

may be either that the refusal or failure of the licensing body to grant a licence is unreasonable, or that the charges, terms and conditions proposed by the licensing body for such a licence are unreasonable. The Tribunal in this case must therefore first decide whether the licensing body's position is unreasonable; only if it does decide that it is unreasonable is the Tribunal empowered to either grant a licence or determine what terms and conditions and charges should apply to that licence. This apparent difference between the Tribunal's power in relation to licence schemes on the one hand, and applications for a licence on the other, is discussed further below.

Sections 27(B) and 28 contain special provisions which stipulate certain considerations which the Tribunal must take into account when dealing with a reference or application relating to a licence to include literary, dramatic or musical works or sound recordings in a cable programme service.

Section 29 deals with the effect of orders of the Tribunal. Where the act of a copyright user in relation to a work, a sound recording or a television broadcast would amount to an infringement if the user had not obtained a licence from the owner of the copyright, the user is treated, in any proceedings for infringement, as if he had been the holder of a licence, provided

- (a) his case is covered by a licence scheme as confirmed or varied by a Tribunal order, or by an order declaring that the user is entitled to a licence; and
- (b) in each case he has complied with the terms and conditions of the order, including the terms relating to payments.

Section 30 provides that any question of law which arises in the course of proceedings before the Tribunal may at the request of any party to the proceedings be referred to the High Court. The decision of the High Court on such questions is final, and there is no other right of appeal from any decision of the Tribunal. The next Section looks at the way the Tribunal has worked in practice.

III. *THE TRIBUNAL IN PRACTICE*

Since its establishment, the only licensing bodies which have been parties to proceedings before the Tribunal have been the Performing Right Society Limited (PRS) and the Phonographic Performance Limited (PPL). The PRS administers the public performance, broadcasting and cable programme rights in musical works, corresponding to ASCAP, BMI and SESAC in the United States. PPL administers the same rights

in sound recordings; it has no counterpart in the United States because under U.S. copyright law the copyright in sound recordings does not include the right to control the public performance, broadcast or inclusion in cable programmes of such recordings. There have been no proceedings involving the BBC or the IBA as licensing bodies in respect of their rights in television broadcasts, presumably because neither body has ever sought to assert its right to licence the public performance of its broadcasts.

Save in two cases, none of the disputes which have come before the Tribunal have concerned simply the refusal or neglect of a licensing body to agree to grant a licence to a person claiming to require one. The first case involved the background music company, Reditune Limited, with which the PRS had for many years an agreement under which the PRS authorised Reditune to issue licences to its customers covering the public performances of musical works in the PRS repertoire which took place when Reditune's customers made use of the equipment and tapes supplied by Reditune. PRS had reviewed this arrangement and decided that, in future, it was not prepared to continue with such an arrangement but would licence each of Reditune's customers individually. Reditune applied to the Tribunal under Section 27(3)(a) contending that it was a person who required a licence in a case not covered by a licence scheme and that the licensing body had refused or failed to grant the licence, and in the circumstances it was unreasonable that the licence should not be granted.

Reditune contended that although it did not itself publicly perform the musical works in the Society's repertoire, nevertheless, for the purposes of its background music business, it required as a matter of business expediency to be able to authorise its customers to publicly perform the society's repertoire; and therefore it was a person who required a licence within the meaning of Section 27(3). The Society's contention that a person only "required a licence" in the sense in which that expression was used in the Act if that person, without such a licence, would commit an infringement; and as this was not the case with Reditune it could not invoke the section. The Tribunal upheld the Reditune contention; but on a Case Stated to the High Court, the Court reversed the Tribunal's decision on this point of law and upheld the PRS contention.¹¹

A similar issue arose in proceedings before the Tribunal between the PRS and the commercial television companies. The arguments were somewhat complex but the essence of the legal argument was this: In

¹¹ PRT 30/77, 31/77, 32/77.

the United Kingdom the only two bodies which are authorised under wireless telegraphy and broadcasting regulatory legislation to own and operate television equipment for transmitting direct to the general public are the British Broadcasting Corporation (BBC) and the Independent Broadcasting Authority (IBA). The IBA itself does not produce programmes but grants regional franchises to 15 different programme contractors to provide programmes which are then transmitted by the IBA's transmitting equipment. None of the programme contractors hold a licence under the broadcasting and wireless telegraphy regulatory legislation authorising them to broadcast. As in the *Reditune* case, there had been a long history of agreements between the PRS and each of the independent television programme contractors under which the latter were authorised by the PRS to broadcast or cause to broadcast the musical works in the PRS repertoire. The PRS reviewed this arrangement and wished to negotiate licensing terms directly with the IBA. It contended that the Tribunal had no authority to make an order granting a licence to any of the independent television programme contracting companies because they had no lawful authority under the regulatory legislation to broadcast, and hence could not be regarded as persons requiring a licence within the meaning of the Copyright Act. The Tribunal rejected the PRS contention; there was an appeal by way of Case Stated to the High Court which, in this case, upheld the Tribunal. The High Court (Whitford J.) took the view that for the purposes of the Copyright Act "broadcasting" should be given a broad interpretation including not only the transmitting of wireless telegraphy signals, but also the activities of any enterprise or individual involved in disseminating copyright material through the transmission of wireless telegraphy signals; and that this broad interpretation would cover not only the independent television programme contractors but even possibly individual performers who participated in the wireless telegraphy dissemination of protected works or other material.¹²

Apart from one or two cases where the issues before the Tribunal were technical legal ones, such as the two just mentioned, all the disputes with which the Tribunal has dealt have been about the terms and conditions proposed by the licensing body, either under licence schemes or for single licences - such as, for example, the licence between the PRS and the BBC. These references or applications covered the following categories of use -

¹² PRT 38/81.

- (i) public performance of music in dance halls;¹³
- (ii) public performance of music by means of juke boxes;¹⁴
- (iii) public performance of music in cinemas;¹⁵
- (iv) public performance of music as an accompaniment to bingo;¹⁶
- (v) public performance of music at popular concerts;¹⁷
- (vi) public performance of music on premises owned, controlled or operated by municipalities;¹⁸
- (vii) public performance of music in theatres, variety shows and pantomimes;¹⁹
- (viii) the broadcasting of music by the BBC;²⁰
- (ix) the broadcasting of music by the independent (i.e. commercial) TV companies;²¹
- (x) the broadcasting of music by the independent (i.e. commercial) radio companies;²²
- (xi) the broadcasting of sound recordings by commercial radio on the Isle of Man;²³
- (xii) the broadcasting of sound recordings by commercial radio stations in the United Kingdom;²⁴

During the first ten years of its work the Tribunal adjudicated some eleven disputes of substance, in all of which save one the licensing body

¹³ PRT 1/58.

¹⁴ PRT 6/60, 6/60.

¹⁵ PRT 9/60.

¹⁶ PRT 11/62.

¹⁷ PRT 13/63, 21/66.

¹⁸ PRT 14/63.

¹⁹ PRT 20/66.

²⁰ PRT 22/67, 24/71.

²¹ PRT 2/58, 38/81.

²² PRT 36/78 - not yet heard.

²³ PRT 18/64.

²⁴ PRT 35/78.

was the PRS; and it would probably be true to say that the PRS was dissatisfied with all the decisions given during this period. This dissatisfaction with, and lack of confidence in, the Tribunal was so serious that the PRS made formal representations to the Government, and subsequently published its criticisms of the decisions of the Tribunal. It may be of interest to mention briefly some of the criticisms made by the PRS of those early decisions.

1. *Willing Seller/Willing Buyer*

In the very first reference to the Tribunal,²⁵ the Tribunal enunciated a principle which it followed in a number of subsequent proceedings:

“In arriving at a fair price to pay for the enjoyment of a performing right, the Tribunal regards as a closer analogy the sale of a commodity on the open market.

In the present case, the PRS is the seller; the dance hall proprietor is the buyer. As in the case of any commodity into which the cost of production does not enter, the value is fixed by discovering how much the buyer is willing to pay and how little the seller is ready to take. That is to say, it depends on negotiation on equal terms Here then was the typical coming together of the willing buyer and the willing seller, out of which, as a matter of plain economics, the value of the commodity emerges.”

In its criticism of this proposition the PRS pointed out that the terms settled by a bargain between a willing buyer and a willing seller only constitute evidence of fair price for the commodity sold if, not as the Tribunal had stated, there has been negotiation on equal terms, but on the existence of a market for the commodity in which there are a number of willing buyers and willing sellers making similar bargains on a variety of terms. In such a situation no one particular set of terms necessarily represents a fair price, as in individual cases either buyer or seller, though willing, may make a bad bargain, but out of all the bargains an average set of terms can be ascertained in which the bad bargains on the one side cancel out those on the other, and it can be reasonably accepted that the average set represents a fair market price. For the commodity being evaluated by the Tribunal there is no such market;

²⁵ Between ballrooms and the PRS. PRT 1/58.

the only seller is the PRS and, for practical purposes, the buyer is normally a single monolithic, if not monopolistic, music user such as the BBC, or a single organisation or small group of organisations representing a particular class of music users—for example, a national association representing all cinema proprietors. The PRS contended, therefore, that the essential feature of the situation which justified the willing buyer/willing seller concept did not exist in the case of the sale by the society of its performing right or broadcasting licenses.

2. *Relevance of Previous Licensing Agreements*

The application during the first decade of its work by the Tribunal of the willing buyer/willing seller principle meant that in a number of cases the Tribunal gave great weight to the terms of the licensing agreements which the Society had made in the past. In a number of these cases the earlier licensing agreements of the Society had been made at a time when the Society considered that its bargaining position was weak, for various reasons—because it had not yet acquired a comprehensive repertoire of rights; or because its resources were limited and it was unable to mount the most effective negotiating campaign; and also because of the general climate of hostility to its activities (as mentioned in the first section of this article), which led the Society as a matter of policy to decide that its first objective was to establish the liability of a music user to obtain a licence and pay royalties even if initially the level of royalties was manifestly concessionary. The PRS therefore considered that these early licensing agreements should not be taken as evidence of what was the true value of the Society's licence.

3. *Public Policy as a Relevant Factor*

Under the PRS licence scheme for the public performance of music on premises owned or controlled by municipalities, one of the formulae used for calculating the royalty payable was a percentage applied to the expenditure by the municipality on providing musical entertainments; or on the sums received by the municipality when it let its premises to third parties for the purpose of giving musical entertainments. When this licence scheme came before the Tribunal, the municipalities sought a reducing scale of percentage so that the authorities with either large expenditures or large receipts would receive discounts; the PRS opposed this. In its decision the Tribunal imposed a reducing scale of percentage on the grounds that

“They regarded as bad public policy, from the point of view of encouraging the increasing use of copyright music, to give no advantage at all to those who are ready to promote its use the most extensively.”

The PRS criticised this on the grounds that increasing the use of copyright music has nothing to do with public policy; that public policy had nothing to do with the matter at all, the only connection with public interest being the fact that the municipalities are public bodies; and the effect of the decision was to discriminate between music users of the same class, with the result that large municipalities paid at a lower rate for the right to perform copyright music than small ones.²⁶

4. *Misconception of the Nature of the Rights Licensed by the PRS*

In 1964 the terms and conditions under which the Isle of Man Broadcasting Company was entitled to a licence from the PPL to broadcast the sound recordings controlled by the PPL came before the Tribunal. In the proceedings, the licensing terms between Manx Radio and the PRS were referred to by way of comparison, and in its decision the Tribunal dealt with this in the following terms:

“The rights which are respectively in question are not strictly comparable rights. It may be that for certain types of performance, the right to use a recording is of little value as compared with the right of ‘live’ performance. In the case of Manx Radio, although the securing of the right of ‘live’ performance was a necessary preliminary to obtaining the performing right in the recordings, it is the latter right without which the former alone is of little or no value to it.”

The implication in this statement that the rights licensed by PRS comprised simply the right of “live” performance was, and is, incorrect; the PRS controls the right to perform music in public by any means whatever. Further, the statement by the Tribunal that although the securing of the PRS right was a necessary preliminary before obtaining the PPL right, it was the latter right without which the former was of little or no value, was also quite wrong. The position in fact was, and is, exactly the reverse: without a PRS licence, Manx Radio could not broadcast copyright music at all even if it had acquired a PPL licence; the latter is therefore of no value whatever without the PRS licence. On the other hand, with a PRS licence, Manx Radio was able to, and did in fact, broadcast for several months without a PPL licence.

In the next decade the decisions of the Tribunal do not appear to have given rise to the kind of criticisms levelled at the earlier ones. During this second phase of the Tribunal’s existence, its decisions

²⁶ PRT 14/63.

avoided the rather sweeping propositions which had characterised the earlier ones; and the terms of, and reasoning in, these later decisions appear to provide more reliable guidance than the earlier ones as to what terms and conditions in a licence or licence scheme would be likely to be approved by the Tribunal. It must, however, be immediately stressed that the only generally applicable proposition about the Tribunal is that it deals with each case on its merits—as the Tribunal sees them—and does not regard itself as in any way bound by previous decisions. Space would not permit an analysis of all the recent cases, but there are three decisions which should, perhaps, be mentioned.

5. *The BBC v. PRS*²⁷

In this reference the Tribunal had to consider, for the second time, what licensing terms were reasonable for the grant by the PRS to the BBC of permission to broadcast music in all its services—i.e., its two national television channels, four national radio channels, twenty local radio channels, and various external services directed at audiences around the world. In the first reference in 1967 the Tribunal, influenced largely by the importance it attributed to the terms of previous licensing arrangements between the parties, refused to approve licensing terms proposed by the PRS under which the royalty to be paid by the BBC would be calculated as a percentage of the income of the Corporation; instead, it simply adjusted—inadequately, in the view of the PRS—the former formula whereby the BBC paid a royalty calculated by multiplying a fixed sum by the number of receiving licences issued by the Government to householders with radios and television sets. In the 1971 reference the BBC contended that it should be granted a licence on the same terms as fixed by the Tribunal by its order in the 1967 reference, save only for an upward adjustment to the fixed sum. The PRS contended that that formula had ceased to be appropriate and that a more satisfactory formula was a percentage of either the income or the expenditure of the BBC, and the PRS offered three alternative formulae based on that principle; in addition, presumably because of the possibility that the Tribunal might continue to refuse to approve a percentage formula, the PRS offered a fourth alternative based on the former formula with the fixed sum set at a level which would produce approximately the same annual payments as the other three.

As the application by the BBC was under Section 27 (see the discussion of this section above) the Tribunal addressed first the question whether the claims of the BBC were “well founded”—i.e., that the four

²⁷ PRT 24/71.

alternative licensing formulae by the PRS were "unreasonable." The Tribunal looked at the annual payment to the PRS which each of those formulae would produce and concluded that the annual royalties which would become payable were too high to be regarded as reasonable (notwithstanding that the Society had offered phasing-in discounts for an initial period of years); and that therefore the Tribunal had jurisdiction to proceed to consider what alternative licensing terms would be reasonable in the circumstances.

The salient features of the Tribunal's decision may, perhaps, be summarised in the following way.

- (i) The Tribunal, in effect, rejected the simple application of the "willing seller/willing buyer" concept, in terms which echoed the earlier criticisms from the PRS:

"There is no market price for the right to broadcast PRS music, simply because there is no market in the ordinary sense of the term in which that right is freely bought and sold. There is only one seller—the PRS—but by reason of the jurisdiction conferred by the Copyright Act 1956 on this Tribunal, the seller is not free to demand any price it may choose to fix. Conversely, at present, there are only two potential buyers for the right, viz. (i) the BBC, and (ii) the independent television contracting companies which invariably negotiate with the PRS as one body."

- (ii) The Tribunal held that the PRS was not bound by the terms in past agreements and that it was open to a licensing body to show, if it could, that previous licensing terms ought not to be taken as evidence of the true value of the rights licensed. In the words of the Tribunal,

"During the currency of a licence agreement a party is, of course, bound by its terms; but, after its expiry, there is nothing which is necessarily unreasonable in a party saying that he made a bad bargain on a previous occasion and seeking to rectify the error when negotiating the terms of the new licence."

- (iii) The Tribunal appeared to accept that, in determining the level of royalty payments which would be regarded as reasonable under a licensing agreement, it was relevant to take into account the following factors:

- (a) the amount of inflation since the level of payments had last been fixed (either by agreement or by Tribunal decision) measured both by changes in the cost of living and in the standard of living (as reflected in official statistics);
- (b) changes in the volume of use made by the user of the licensed works - e.g. in the case of the PRS, changes in the amount of music broadcast measured by changes in the number of hours of music broadcast per year, and the ratio of those hours to the total broadcasting hours;
- (c) changes in the value of the repertoire covered by the licensing bodies licensed - e.g. in the case of the PRS, reflected by an increase in the membership of the Society and of the foreign societies with which it was affiliated, which in turn reflected an increase in the number of musical works controlled by the Society;
- (d) the terms of licensing agreements between the licensing body and other users in the same class as, or comparable to, the user in the reference - e.g. in the PRS/BBC reference, the Tribunal accepted the relevance of the terms negotiated between the PRS and the independent television companies.

Though apparently accepting the relevance of these factors, the Tribunal gave no indication of the weight to be given to any of them.

The Tribunal decision referred also to a number of other factors, advanced by the PRS as relevant, and which the Tribunal appears to have accepted as being factors which should be taken into account, but to which, in this particular reference, they did not attach much weight.

In the result, the Tribunal concluded that in all the circumstances a percentage of the gross income of the BBC was a reasonable formula by which to calculate the royalties payable to the PRS for the right to broadcast in all the BBC services all or any of the works in the PRS repertoire; and fixed that percentage at 2%, subject to certain ceilings in the first two years of the new licence. Although the licence prescribed by the order of the Tribunal in this reference expired in 1976, the terms fixed by the Tribunal have, with certain negotiated modifications, been adopted by the PRS and the BBC for subsequent licensing arrangements. It seems a fair inference that that decision has broadly been accepted by both licensing body and user as fair and reasonable.

6. *Independent Television Companies and Independent Television News v. PRS*²⁸

The issues in this dispute were two -

- (i) the question whether the royalty payable by a commercial TV broadcaster should be calculated as a percentage of the broadcasters' gross advertising revenue, or on some other basis; and
- (ii) what was the reasonable level of royalties, whether calculated as a percentage of revenue, or on some other basis, which a commercial TV broadcaster should pay for the right to broadcast music.

Manifestly, this was a reference of considerable importance as the amounts at stake were very substantial; under the licensing agreements immediately preceding the reference to the Tribunal, the annual royalty payments made by the independent television companies to the PRS in 1980 amounted to more than £2.5 million. The decision of the Tribunal, occupying 75 foolscap pages, does not, however, appear to proound any guidance rules of lasting validity; much of the decision is devoted to a rehearsal of the history of negotiations between the television companies and the PRS, and the terms of the licensing agreements which resulted from those negotiations. Apart from the very early years, when the shape and potential of commercial television in the United Kingdom was still highly speculative, the licensing agreements settled by negotiation between the companies and the PRS provided for the royalty payments to take the form of global lump sums, renegotiated at periodic intervals having regard to changes in cost of living and other factors, such as changes in volume of use. Throughout this period the PRS had consistently sought the adoption of a percentage of gross advertising revenue formula and the companies had equally consistently resisted this. There are, perhaps, two features of the decision which are worthwhile mentioning.

First, the Tribunal again dismissed the suggestion that the "willing seller/willing buyer" concept had much importance.

" While expressions such as 'willing seller' and 'willing buyer' and references to the 'market place' may perhaps illumine the question which the Tribunal has to decide, they are not a part of the statutory formulation of the jurisdiction and

²⁸ PRT 38/81.

ought not to be allowed to put a gloss upon the statutory words; Parliament has chosen its mode of expression and it is that which binds the Tribunal."

The second feature of the decision is that, contrary to the conclusion reached by the Tribunal in the 1971 BBC/PRS reference, the Tribunal decided that a percentage of revenue formula was not reasonable in the case of commercial television:

"The Tribunal is unable to accept that there is any adequate correlation between the use of music from the PRS repertoire by the companies and the net advertising revenue of those companies. The question is, however, in our view, whether the fact that music is—or may be to a greater or lesser extent—part of the package which attracts television audiences and accordingly generates net advertising revenue, establishes or helps to establish a sufficient connection between music and advertising revenue to make it reasonable to relate the royalty for the music use directly to net advertising revenue. We are satisfied it does not."

The Tribunal naturally was aware of the earlier Tribunal decision in the 1971 BBC/PRS reference, that a percentage of revenue formula was reasonable; the Tribunal also had evidence that the percentage of revenue formula had been approved by the IBA as a reasonable formula for calculating the royalties to be paid by commercial radio stations in the United Kingdom; and the Tribunal had evidence that the percentage of revenue formula was in use in other countries. Notwithstanding all this, the Tribunal found, by implication, that the percentage of revenue formula (quite irrespective of what level the percentage should be set at) was unreasonable in the case of the broadcasting of music by commercial television in the United Kingdom. This lack of consistency in the Tribunal's decisions was described by the Copyright Tribunal of Australia in proceedings between the Australian Broadcasting Corporation and the Australasian Performing Right Association in 1985 in the following terms -

"There appears to be unevenness in the decisions of the Performing Right Tribunal in the United Kingdom as to whether a percentage of revenue provides any guide at all to the value of music which is played over television and radio stations. The 1972 decision seems to have been based on the fact that it did provide some guide, imperfect though it was. The opposite view

was taken by the Tribunal which decided the independent television companies' application in 1983. We feel bound to say that the decision of the Tribunal in that case appears to us to run counter to worldwide trends."²⁹

7. *Association of Independent Radio Contractors v. PPL*³⁰

This is the last dispute determined by the Tribunal which deserves mention in this article. It was initiated on 6 October 1978; the final decision of the Tribunal was given on 23 October 1986, just over eight years later.

The record of the proceedings in this dispute vividly demonstrates one of the unsatisfactory features about the United Kingdom Tribunal—i.e., the legalistic nature of its proceedings; the high cost of invoking its jurisdiction; and, in particular, the inordinate delays in obtaining final decisions. The main hearing before the Tribunal lasted 77 days between December 1979 and May 1980; the Tribunal delivered its decision on 15th July 1980. The radio companies were dissatisfied with the decision and requested the Tribunal to state a case to the High Court on a number of alleged points of law. The Tribunal did so and the High Court, after considering the Case Stated, made an order on 10th March 1981 directing the Tribunal to restate the case in relation to a limited number of specific questions of law identified by the High Court. By this stage the Chairman of the Tribunal who presided over the original hearing between 1979 and 1980 had retired. The new Chairman, who had not been a member of the Tribunal when the original hearing took place, produced a new Case Stated on 29th September 1983. This revised Case Stated went back to the High Court, and the Judge finally gave judgment on it on 16th January 1986 in an order remitting the matter back to the Tribunal for further consideration in conformity with his judgment. On 23rd October 1986 the Tribunal, presided over by yet another Chairman (not the Chairman who presided over the original hearing, nor his successor who restated the case), delivered the final decision.

Pursuant to the original decision given in July 1980, the Tribunal had made an order that the commercial radio stations were entitled to licences under which the royalties payable would be calculated as a percentage of each company's net advertising revenue (NAR) in accordance with the following scale -

²⁹ Australia, Copyright Tribunal No. 2/81.

³⁰ PRT 35/78.

4% of the first £750,000 NAR

6% of the next £750,000 NAR

8% of the next £1,500,00 NAR

10% of the remainder

provided that the figure for each band should be adjusted annually to take account of changes in the official index of retail prices.

The order made special provision for new companies which might be licensed in the future, under which they would pay 2% of NAR for the first year and 3% for the next year; and thereafter the full rate according to the preceding scale. As a result of the reconsideration by the Tribunal, as directed by the High Court in its 1986 order, the revised decision replaced the scale set out above by the following -

4% of the first £650,000 NAR

7% of the remainder.

In all other respects the original order was unchanged. The result of the consideration by the High Court, on two occasions, of various points of law and the consequential review of the original decision by the Tribunal under a new Chairman (involving a delay of six years between the original decision and the final decision) was to simplify the scale of percentage rates, reduce the top rate from 10% to 7%, and provide that the 7% rate applied at an earlier point so that, in effect, the smaller stations with less aggregate net advertising revenue would under the revised decision pay at an overall higher rate than they would have done under the original decision. It is also worth noting, of course, that in this decision the Tribunal found, as it had in the 1971 BBC/PRS reference, that the percentage of revenue formula is a reasonable one—in this case, for licensing the broadcasting of sound recordings by commercial radio stations; providing further justification for the observation by the Australian Tribunal quoted above.

Perhaps the most valuable contribution to the “jurisprudence” of the Tribunal made by this case is to be found in the judgment of the High Court (Harman J.) remitting the matter back to the Tribunal for reconsideration. In the course of dealing with the points of law raised in the case as restated, the High Court made certain rulings which appear to have general applicability, viz.,

- (i) The Tribunal’s adopted guideline that the proprietary rights assigned to the PPL entitled it to a substantial, as distinct from a nominal, royalty was, in law, a wrong approach. The ques-

tion for the Tribunal was what was a reasonable royalty, and that could not properly be decided by asserting as a precondition that the royalty must be substantial.

- (ii) The Tribunal's guideline that the radio companies, "being commercial enterprises," should pay for the right to broadcast copyright recorded music at a rate commensurate with the value to them of that right, is an error of law as it appears to assert the principle that the radio companies are to be treated differently because they are commercial companies.
- (iii) An annual payment made by the PPL to the Musicians' Union, expressed as a percentage (10%) of the royalties received by the PPL from licensed sound recording users, is not a relevant factor to be taken into account in determining what amount of royalty it was reasonable for the PPL to be paid. In the judge's words, "It cannot be proper to take into account in deciding what is reasonable, even taking in the phrase 'in all the circumstances', the ways in which one party voluntarily or under the compulsion of a trades union, chooses to spend its money." In taking this factor into account, therefore, the Tribunal committed an error of law.
- (iv) The judge also ruled that the Tribunal's view that because of the differences between the BBC and the independent (i.e. commercial) radio system, it was inappropriate to take account of the royalties paid by the BBC to the PPL in determining the royalties which the independent radio station should pay, was wrong; the payments made by the BBC were relevant and should have been taken into account.

Apart from the High Court's rulings on points where the Tribunal was found to have erred, the court upheld the Tribunal's findings on other points, notably the Tribunal's assertion that rights of copyright are not capable of classification as "higher" or "lower" rights, and that as between the rights controlled by the PPL and those controlled by the PRS "there is no reason to assert, a priori, that one has a higher or lower value than the other."

On the basis of the foregoing account of the work of the Tribunal in practice, the following observations may be made:

- (i) The Tribunal has been concerned, almost exclusively, with the question as to what it is reasonable for a user to pay for per-

mission from the copyright owner to publicly perform musical works or to broadcast musical works or sound recordings. Although the 1948 Brussels declaration by the United Kingdom, and the various Government statements in Parliament when the 1956 Act was being enacted (see pages 167-168, above) all related the need for a Tribunal to those cases where there was an "abuse" of rights of copyright when administered by a monopoly (such as the PRS or the PPL), in practice, certainly in disputes with respect to licence schemes referred under Section 25, the Tribunal has exercised its jurisdiction on a wider basis than the Brussels declaration and the statements in Parliament would have indicated. There is a clear distinction between a finding by the Tribunal that a set of licensing terms proposed by a licensing body are so unreasonable as to amount to an abuse of its position, and the case where the Tribunal's opinion as to what would be reasonable licensing terms differs from those proposed by the licensing body, but the difference is not so great as to justify a finding that the licensing body's proposals represents an abuse of its powers. This distinction is clearly recognised by the Australian Tribunal in the case already mentioned -

"Notwithstanding his assent to the course proposed by counsel for the ABC, counsel for APRA pressed upon us a further submission consequential upon our having accepted the construction of sub-sec.154(4) which he advocated. It was that, if we took the narrower view of sub-sec.154(4), as we have done, then it was not for us to substitute our own view of what was reasonable in all circumstances. If we thought that the licence scheme was, objectively speaking, reasonable, or would be reasonable if some variation of it were made, it was our duty to give effect to it notwithstanding that we ourselves might take the view that a somewhat different licence scheme would be more reasonable. We have reached the conclusion that we should give effect to that submission."

Section 154(4) of the Copyright Act 1968 of Australia corresponds, without any significant difference, to Section 25(5) of the Copyright Act 1956 of the United Kingdom. The United Kingdom Tribunal, in proceedings under Section 25, appears to have taken the broader view, and to have substituted for the licensing body's proposed terms whatever terms the Tri-

bunal considered to be reasonable in any case where its views differed from those of the licensing body, without making any express finding that the difference amounted to an abuse. As already mentioned in paragraph 24 of this article, the powers of the Tribunal with respect to applications under Section 27 appear more closely to accord with the limited intent expressed in Brussels and in Parliament by the United Kingdom Government that the Tribunal should only vary the terms proposed by a licensing body when abuse has been established.

- (ii) The procedure before the Tribunal closely follows the procedure in civil proceedings in the High Court. This has meant that the dispute is presented to the Tribunal first through pleadings similar to those in civil proceedings, accompanied by formal procedural steps regarding further and better particulars, discovery and so on. Further, when the oral hearing commences, it has been the practice of Counsel for each side to make an oral presentation to the Tribunal of his party's case, usually reading in full the pleadings and the agreed documents. Very little use has been made of the possibility of exchanging proofs of evidence in advance; and generally the procedure has been time-consuming and, consequently, expensive. The PRS, the licensing body whose licence schemes and licences have been the principal subject matter of the disputes considered by the Tribunal, has made representations to the Government that when the copyright law is revised, the provisions relating to the composition of the Tribunal, its jurisdiction and its procedure, should be reviewed. In particular, the PRS has urged
 - (a) having regard, in particular, to a considerably increased range of functions which it is contemplated will be assigned to the Tribunal under a new copyright law, the size and the calibre of the Tribunal should be improved, and it should be possible for it to sit in divisions;
 - (b) its jurisdiction should be redefined so as to ensure that it is limited only to cases where abuse is established, thereby eliminating a considerable amount of argument;
 - (c) much greater use be made of written "briefs" as in use in certain United States courts (notably the Supreme Court).
- (iv) The jurisdiction of the Tribunal under the present law does not

extend in any way to disputes arising out of the distribution to the ultimate individual right-owing beneficiary of royalties collected by licensing bodies.

IV. *THE TRIBUNAL IN THE FUTURE*

Twelve years after the Government appointed in 1974 a Committee under the chairmanship of a High Court Judge (Whitford J.) to consider the law on copyright and design (which Committee reported in 1977), and after considerable public discussion and the publication by the Government of various consultative documents, the United Kingdom Government in April 1986 published a White Paper—Intellectual Property and Innovation—which set out the Government's intentions for a new comprehensive copyright law. If all the intentions of the Government are implemented by new legislation, the Tribunal in the future will have a considerably extended jurisdiction.

In summary, the changes contemplated by the Government would be the following:

- (i) The extended Tribunal would have jurisdiction over disputes in relation to all licensing schemes operated or proposed by collecting societies in all areas of copyright, and not simply restricted to public performance, broadcasting and cable distribution rights as at present.
- (ii) In relation to the Government's proposal to introduce a statutory scheme to provide remuneration for copyright owners in respect of home audio-recording by the collection of a statutory royalty payable by the manufacturers and importers of blank tape, the Tribunal will be given jurisdiction over
 - (a) disputes between the collecting society administering the scheme and those traders liable to pay the statutory royalty;
 - (b) complaints by individual copyright owners and performers with respect to their share in the royalties collected under the scheme;
 - (c) disputes between the collecting society and certain purchasers of blank tape entitled to a rebate from the statutory royalty (e.g., certain categories of handicapped persons such as the blind).

- (iii) In relation to the Government's proposals for a statutory blanket licence scheme for educational recording from television broadcasts and cable programmes, the Tribunal will be given jurisdiction over disputes regarding the licensing terms under such a scheme.
- (iv) In relation to the Government's proposal to give satellite television programme providers (other than the BBC or the IBA) a copyright in their transmissions, the Tribunal will be given jurisdiction over licences required from such copyright owners authorising their transmissions to be seen or heard in public.
- (v) In view of these major extensions to the functions of the Tribunal, it will be renamed "The Copyright Tribunal".
- (vi) Save in one case the Government does not propose to incorporate in new copyright legislation any general requirement that, in exercising its powers, the Tribunal should have regard to certain prescribed considerations. The special case concerns disputes over photocopying licences where the Government does propose to require the Tribunal to take account of three specified factors, in addition to all matters which appear to the Tribunal to be relevant -
 - (a) whether, and if so, to what extent and on what terms, published editions of works in the class governed by the licence are available otherwise than by photocopying;
 - (b) the nature of the use to which the photocopying will be put;
 - (c) the proportion of the work which it is proposed to copy under the licence.
- (vii) The Tribunal will have a larger panel, with a Chairman and one or two deputies, any one of whom could sit as Chairman so that the Tribunal will be able to sit in more than one division.
- (viii) The Government proposes that the procedure followed by the Tribunal should be reviewed and that much greater use be made of written procedures.

At the end of this article perhaps the final comment should be the following. Throughout this century and at an increasing pace in the second half of the century, technology and its manifold applications have had an enormous impact on the copyright system, bringing great benefits to society as a whole. However, if those who create and distribute copyright works are to enjoy fair remuneration for the new dimensions of use of their works which contemporary technology makes possible, more and more use must be made of collective administration; and more monopoly-type organisations like the PRS and the PPL in the United Kingdom will need to be established - a trend which is already appearing in the United Kingdom; and this will in turn lead to more statutory arbitration before Tribunals like the United Kingdom Tribunal; so that in the future, as a consequence of technology, the copyright system will be modified so as to incorporate, as a standard feature, provisions for such statutory arbitration; and over an increasing area of copyright authors' rights, described in the Berne Convention as "exclusive rights" will cease to be so.

**92. THE COPYRIGHT ROYALTY TRIBUNALS IN AUSTRIA,
THE FEDERAL REPUBLIC OF GERMANY AND
SWITZERLAND**

By WALTER DILLENZ*

We will examine the provisions concerning royalty tribunals in Austria, West Germany and Switzerland. In doing so, we should note that the juridical tradition of these countries is not as uniform as it might seem seen from afar.

Prior to 1932 Germany and Austria tried to enact a common draft of a copyright law. This draft, established by the Ministries of Justice of both countries, was published in 1932. The further development of this project was interrupted by political events in Germany in 1933. Austria then went ahead with its own project and enacted an independent copyright law in 1936. This was by far the most modern copyright law in Europe for the next 30 years or so. In 1965 the Federal Republic of Germany passed a new copyright law that came into effect on January 1st, 1966 replacing the two related copyright laws that had been in force since the beginning of this century. In many respects the copyright law itself and the copyright organization law were similar in Austria and Germany, the German laws being modelled after the Austrian ones.

Switzerland passed its copyright law in 1922. This had become necessary to enable Swiss citizens to have the same rights as the Berne Convention had granted to the nationals of—at this time seventeen—other member-countries of the Berne Union. The Swiss Copyright Act was revised in 1955 in order to adapt Swiss copyright law to the subsequent revisions of the Berne Convention (Rome 1928 and Brussels 1948). Attempts to update this law since then have been unsuccessful. A government draft for a complete copyright revision was rejected by Parliament in 1984.

The passing of a separate act in order to control the organization and activities of copyright organizations (copyright organization law) was based on the specific conditions that prevailed in Switzerland in 1940. At this time a Swiss copyright society (GEFA) was in fact competing with the Swiss subsidiary of the French copyright society SACEM with the effect that licensing in Switzerland and international copyright

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relations had become a very risky business. In 1948 SUIISA was established as the new monopolistic copyright organization.

These different conditions in the three countries might have led to diverse national legislations in the field of the control and supervision of copyright licensing organizations. As will be shown in our examination of the laws of the three countries and in the summary, this did not happen. On the contrary, these provisions are surprisingly similar.

Why are the copyright organization laws of Austria, West Germany and Switzerland so similar? To me it appears that the theory of collective bargaining as we know it from the field of labour law was the element that gave the legislations of these three countries their uniform look. The parallels are obvious. Individuals (workers/authors) get organized (copyright societies/unions) and try to sell their services (labour/works) to equally organized partners (employers/users' organizations). The high degree of organization on both sides makes it difficult to establish a market price for these services. The groups that offer their services are in cases of disputes tempted to withhold them (strike/refusal to grant licenses); and, equally, the other side will use similar measures (lockouts/boycott of copyright works).

I do not want to draw the parallel between these two economic phenomena any further. It must, however, be noted that legal and economic instruments of labour law were adapted to use in the field of collective licensing of copyrights.

If we consider the field of activities for copyright royalty tribunals we can see that in most cases they decide where collective administration of copyright is involved. Furthermore we can see that a special area seems to be of particular attraction for copyright royalty tribunals: This is the area where non-voluntary licenses (legal licenses) apply.

Intellectual property is characterized by the fact that licenses are granted almost everywhere on a contractual basis. Attempts by national legislation to force the owners of intellectual property rights to permit the use of their works has, interestingly enough, been restricted exclusively to the field of copyright.

Why do national laws establish non-voluntary licenses in the field of copyright? The reason seems to be that legislators do not trust normal market mechanisms to provide the consumer with the desired goods or services. To take up the parallel to the employer/worker-relation once more: The law prohibits the author and his organization from using his most effective weapon - the denial of the right to use his work. Therefore, the legislators have to grant the author adequate compensation for the use of his work. If they did not, they would come into conflict with the established international conventions in the field of copyright, especially the Berne Convention which considers non-voluntary licenses as

absolute exceptions to the normal right of the author to permit or prohibit the use of his work.

Having taken the first step (permitting use of the work and giving the author adequate remuneration for it), the legislators as a rule then add a second step: They provide for a copyright royalty tribunal to set the rates.

The reason for this is that regular courts are not considered to be the appropriate fora for deciding on the rates. Why not? Because courts would try to find the "just price" for the use of works. This price would be based on the normal market situation. A judge would have to establish how such a price would develop if no nonvoluntary license would exist in this specific area. The mechanism of the market in establishing a market price, however, depends—among other things—upon the scarcity of the commodity. However, if a legal provision exists that puts such a commodity at the disposal of everybody (non-voluntary license) a logical contradiction is obvious. The beauty of a closed system appears before our eyes: because general availability is granted by law, no market price is allowed to form. This being so, either the rates for the use must be set by the law itself or by a specially created body. With such bodies (royalty tribunals) already in existence, the abolition of non-voluntary licenses would seem illogical, therefore...

The legislators solve this contradiction by establishing copyright royalty tribunals. Again we see the close relation to the area of labour law where similar arbitration boards frequently exist. Characteristically, these copyright royalty tribunals are composed of judges appointed by authorities and members nominated by each of the two parties concerned. We will see, however, that the temptation is great for the legislator to bring other elements into these tribunals such as consumers' interests or cultural purposes.

The following examination of the situation in Austria, the Federal Republic of Germany and Switzerland will demonstrate the operation of such tribunals in these three countries.

Austria

Before 1936, disputes concerning adequate remunerations for the use of copyrighted works were settled in court. In areas where collective administration of copyrights occurred (public performance/small musical rights) AKM, the performing rights organization which was founded in 1897, two years after the first Austrian Copyright Act, established rates with important users' organizations.

In 1936 the Copyright Act, which is still substantially valid, was passed in Austria. Enacted together with it was a copyright organization law covering the activities of collecting societies ("Verwertungs-

gesellschaftengesetz"). The essential purpose of this law was to regulate the activities of performing right societies on the one hand and organizations of users on the other hand. Both performing right societies and users' organizations required a government licence for their operation. The law required both parties to set the rates for the use of copyright works in collective agreements. These collective agreements were modeled after those concluded between trade unions and associations of employers. Each individual contract between a performing right society and a user can only be concluded on the basis of the rates set down in the collective agreement. A legal presumption was established making the collective agreement part of each individual agreement between collecting society and user.

By this it was intended to subject all the users of copyright works to uniform conditions and prevent any one of them from gaining an unlawful advantage vis-a-vis his competitor.

The official explanatory notes to the copyright organization law show the intentions of the legislators quite clearly: to safeguard the smooth transfer of copyright from the producer to the user, to remove all possible obstacles impeding such a smooth transfer of rights and finally to prevent situations where no collective agreements or the equivalent to them existed.

The first step of this attempt to create ideal conditions for the transfer of copyright was to grant licences on the basis of collective agreements only. In fact, close to 99 percent of all the permanent users of music (restaurants, discotheques, bars, department stores etc.) are covered by such collective agreements. If the primary goal (collective agreement) is not achieved because the parties (performing rights societies on the one hand and users' organizations on the other) either do not want to conclude a collective agreement at all or cannot agree to the exact terms (rates), a substitute for such agreements has to be found. For this purpose the copyright organization law establishes a copyright tribunal. The sole purpose of this tribunal is to substitute such collective agreements by specific judgments. In the absence of a collective agreement each of the parties is entitled to ask for such a judgment if the other party is not willing to conclude a collective agreement on the terms suggested or does not want to change an existing collective agreement upon the request of his opponent. The purpose of such a judgment therefore is to substitute a nonexistent collective agreement or to modify an existing one.

The law leaves it to the parties concerned to establish the number of members of the copyright tribunal and how to appoint them. In the absence of such an agreement each party nominates a member of the tribunal. These two members then elect another three members so that

the tribunal consists of five members.

If a party fails to nominate its member or if the appointed members fail to agree on the other three members, the Ministry of Justice nominates the tribunal upon the request of one of the parties.

The decisions of this tribunal have the same effect as regular court decisions. They can not be appealed.

It must be noted that this tribunal operates only within the scope of the copyright organization law of 1936. This law is restricted to the public performance and broadcast of small musical and literary rights. All other rates for the use of copyright material either between individual contractors (e.g. agreements between individual publishers and individual theatres) or between collecting societies not covered by this law (e.g. contracts between mechanical rights societies and the record-industry) do not fall within the jurisdiction of this tribunal.

This was the legal situation until 1980. In 1980 a copyright revision established a blank tape licence for authors and holders of neighbouring rights and a legal licence in favour of cable television systems. The law required the producer or importer of blank tapes (both audio and video) and the cable operator to pay adequate remuneration to the rightholders. This remuneration was to be agreed upon by contract between the parties concerned. In the absence of such a contract, a newly created copyright board would set the rates.

The decision to create another body for the setting of rates rather than using the old copyright tribunal came as a surprise. The establishment of such a new body was officially based on some doubts whether the old copyright tribunal was based on safe constitutional grounds. The separation of the judicial from the executive power was not as clear as the constitution would require it to be, especially in the case of the appointment of the tribunal (=court) by the Ministry of Justice (=administration) if the parties failed to nominate their representatives for the copyright tribunal.

The true reasons behind the decision to create a new copyright board seem to be rather different. There was profound distrust of the judicial or quasi-judicial setting of rates on the part of the representatives of users and consumers. It was feared that the decisions of the old copyright tribunal would not adequately take into consideration the industry's and the consumers' interests by setting rates in excess of what the industry and consumers would be able or willing to pay.

Accordingly, this new copyright board is made up of nine members who are appointed by the President of the Republic of Austria, upon the recommendation of the federal government, for a period of five years.

The government is entitled to nominate a member who is an official of the Ministry of Justice and another member who is a judge. Two

members are nominated by the official users' organization, two members by the consumers' organization and one member each by the copyright organizations, the private association of users and representative organizations in the field of the arts. From this composition it is obvious that there is a solid majority for the representatives of users' and consumers' organizations (five members in the nine-member body).

The principal legal difference between the copyright tribunal and the copyright board is that the tribunal is a judicial and the board an administrative body.

To sum up the situation in Austria: There is a wide area of copyright licences where no restrictions or regulations apply. In the field of public performances and broadcasting of non-dramatic musical literary works, a judicial body called the copyright tribunal sets the rates. In the field of blank tape licenses and cable TV, the adequate remuneration for the use of works (mechanical reproduction or cable broadcast) is fixed by an administrative body called the copyright board.

Federal Republic of Germany

Until 1965 no comprehensive law existed establishing rules for the operation of copyright organizations. This changed when the new German Copyright Act came into force in 1966. Together with that a copyright organization law was passed concerning the collective administration of copyright ("Urheberrechtswahrnehmungsgesetz"). According to this law each organization granting licenses to users' organizations collectively has to get a government licence for its activities.

The collecting societies on the one hand and the users' organizations on the other hand are required to conclude collective agreements setting the conditions and especially the rates for the granting of copyright licenses. If one of the parties refuses to conclude such a collective agreement or to modify an existing one, the other party is entitled to ask for the decision of a copyright tribunal. The law provides for this tribunal to be established on a permanent basis by the supervising authorities of the collecting societies. This is the federal Patent Office. The copyright tribunal consists of three members. The chairman is appointed by the Patent Office for a period of two years. The two other members of the tribunal are appointed for each case by the two parties seeking the decision of the tribunal. If one of the parties fails to nominate a member of the tribunal, this member is appointed by the Patent Office.

Each party can appeal the decision of the tribunal to the competent court of appeals. The court can uphold the decision of the tribunal, reverse it or modify it in any way it thinks appropriate. Against the decision of the court no further appeal is possible.

In 1985 the copyright act was revised and, together with it, the copy-

right organization law. This revision came into force at the beginning of 1986. Compared to the situation before the revision, the copyright tribunal now is competent not only for questions in connection with collective agreements between collecting societies and users' organizations but also for disputes between individual users and collecting organizations.

To sum up the situation in the Federal Republic of Germany: All disputes in which collecting organizations are involved are in the competence of the copyright tribunal to decide. Against this decision, an appeal to a regular court of appeals is possible.

Switzerland

Switzerland has the oldest copyright law of the three countries examined. Its law dates back to 1922. At that time provisions - either in a separate law or in the Copyright Act itself - that dealt with the organization and activities of licensing organizations were not as common as they are today. It was therefore only in 1940 that such a law was passed. Its provisions were rather basic, containing only eight articles. Essentially this law obliges organizations that are active in the "classical" area of collective licensing, i.e., public performance of non-theatrical musical works, to get permission from the competent authority. This basic law was supplemented by an executive order in 1941. This order extends the field of application of the law governing copyright organizations to the fields of mechanical rights (both audio and video) and cable-TV.

Furthermore, this order contains detailed provisions concerning an arbitration board which is summarily mentioned in the law as having the power to approve the rates for public performances and broadcasts. Decisions of this arbitration board can be appealed to the Supreme Court.

The executive order enumerates the various fields of competence. Not only the approval of rates falls under the competence of the arbitration board but also the preparation of legal opinions, either upon the request of a judge, of the supervisory authority of copyright organization or of parties in dispute about rates.

The arbitration board is composed of a chairman, two neutral members and an appropriate number of representatives of authors and users. The arbitration board normally sits in senates of seven. The president as a rule is a member of the Swiss Supreme Court; the two other members normally are judges or university professors in the field of law. The other four members (two for the composers, two for the users) are appointed by the Justice and Police Department. The organizations of copyright owners and users are entitled to make nominations which are not binding.

To sum up the situation in Switzerland: The arbitration board has more and at the same time less competence than the analogous boards in Germany and Switzerland. On the one hand no rates can be agreed upon between copyright organizations and users without the arbitration board's approval. The arbitration board, however, is not allowed to establish rates of its own. It depends on the submission of rates by either party.

Summary

From the—rather superficial—examination of the arbitration boards of Austria, the Federal Republic of Germany and Switzerland several conclusions can be drawn:

- 1) Unlike the sale and purchase of fish, paper or grain, copyright seems to be an area where special rules are necessary.
 - 2) These rules apply only where copyright is marketed on a collective basis, i.e. by organizations representing a multitude of copyright owners on the one side and by organizations representing large groups of users on the other side.
 - 3) The main purpose of these provisions seems to be the prevention of the misuse of the market power on both sides and the smooth flow of copyright from the producers' side to the users' side.
 - 4) This "smooth flow of rights" must be seen in context with the price of copyright. Setting the price if no agreement between producers' and users' organizations has been reached is one of the main purposes of arbitration boards provided in the laws of these three countries.
 - 5) The legal systems of the three countries examined provide for compulsory arbitration only in the field of copyright. Other areas of intellectual property (e.g. patent, trademarks etc.) are not involved.
 - 6) As far as the composition of these boards is concerned, there are independent judges (chairman) as well as representatives of both parties involved.
 - 7) Decisions of these arbitration boards can normally be appealed. In this case an independent court decides.
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93. THE CANADIAN COPYRIGHT APPEAL BOARD: IN RESTROSPECT AND IN REVISION

By JIM KEON* and ANDREA FRIEDMAN RUSH**

I. INTRODUCTION

This year marks the fiftieth anniversary of the Canadian Copyright Appeal Board (the "Board"), an administrative entity mandated by the Canadian Copyright Act¹ to establish licensing fees payable to performing rights organizations which authorize the performance of musical works in Canada.² The role of the Board has come under a great deal of scrutiny over the past number of years, as a result of the large-scale copyright revision process underway in Canada. Therefore, in our view, it is particularly appropriate at this time to describe the evolving modus operandi of the Board, and to report on proposals to expand the jurisdiction of the Board which will likely be enacted during the 1987 calendar year.

II. PERFORMING RIGHTS IN CANADA

The Copyright Act provides that the sole jurisdiction of the Board is to fix rates for licences granted by the performing rights societies operating in Canada. The performing rights organizations play an important role in licensing a composer's "performing right," being the sole right to perform or to authorize performance of the work, or any substantial part of the work, in public.³ The protection of the Copyright Act (the "Act") for musical works⁴ also includes the exclusive rights to produce, reproduce, publish and record the works through the media of film and sound recordings,⁵ but the Board has no jurisdiction in respect of such rights.

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The authors would like to thank Mr. Michel Héту, formerly with the Copyright Appeal Board, for his useful clarification of the analysis in this article.

¹ R.S.C. 1970 c. C-30.

² Sections 48, 49, 50.

³ "Performance" is defined in section 2 as "any acoustic representation of a work or any visual representation of any dramatic action in a work, including a representation made by means of any mechanical instrument or by radio communication."

⁴ Section 4. "Musical work" is defined in section 2 of the Act as "any combination of melody and harmony, or either of them, printed, reduced to writing, or otherwise graphically produced or reproduced".

⁵ Section 3.

A user can negotiate the right to perform or authorize performance of a musical work⁶ directly with a composer, unless the performing right has been assigned⁷ to one of the two performing rights organizations which operate in Canada: Composers, Authors and Publishers Association of Canada Ltd. (CAPAC) and Performing Rights Organization of Canada (P.R.O., formerly BMI Canada Limited). Where a work is jointly composed by a member of CAPAC and an affiliate (member) of PROCAN, the user must obtain a performing rights licence from each organization. On the basis of an assignment, the relevant performing rights organization, as the composer's representative,⁸ will institute legal proceedings for infringement of the performing right⁹ attaching to all works assigned to it, including those completed after the composer's association with an organization, during the term of that association.

The performing rights organizations are independent, private, not-for-profit corporations. Each organization has particular rules pertaining to the composers being represented, and the users being licensed, some of which are set out in informational literature which is distributed to the public.¹⁰ For example, procedures of associations vary. CAPAC is a member corporation: composer, lyric writers and publishers agree

⁶ The organizations license "petit rights", i.e. individual songs, but not "grand rights", i.e. operas. *Durand & Cie. v. La Patrie Publishing Co. Ltd.* (1959) 32 C.P.R. 1 rev'd [1960] S.C.R. 649.

⁷ A composer is not obligated to assign the performing right to a performing rights organization. Canada is a member of the Berne Convention, Rome text of 1928. Article 2 binds member states to protect works including dramatico-musical works and musical compositions with or without words. Article 4(2) specifies that the exercise of copyright shall not be contingent upon any formal requirements. Article 11(1) stipulates that public representation of published or unpublished works shall be protected. Article 11 bis refers to radio communication. In an unpublished article on the Copyright Appeal Board, circulated in 1983, Bruce Couchman, a policy analyst with the Department of Consumer and Corporate Affairs, suggested that the Berne Convention prohibits mandatory assignment of the performing right to a performing rights organization.

⁸ The performing rights organizations are first and foremost representatives of the composer. The composer's automatic right to a minimum of 50% of the proceeds payable by a performing rights organization will take precedence over the rights of a publisher who has been assigned a performing right even before a composer associates with an organization.

⁹ *Supra* note 2. Section 50(8) allows the collection of license fees, section 50(9) allows for enforcement of civil remedies for infringement of the performing right, and section 20 sets out the civil sanctions for copyright infringement.

¹⁰ CAPAC distributes a handbook prepared by its senior counsel, John V. Mills, entitled, "You and the Music Business" (1983), while P.R.O. distributes a guide entitled, "The PROCAN Handbook".

to observe the rules of the organization when signing their respective CAPAC membership applications. CAPAC is a private corporation and is not obliged to file its by-laws for inspection by applicants, and will not, as a rule, release its by-laws for inspection when requested. By contrast, musicians "affiliate" with P.R.O. for a five-year, renewable term. (P.R.O.'s by-laws are not public, either.) Royalty distribution methods differ between the two organizations, and procedures are constantly changing, to the consternation of some composers, lyricists and publishers. The organizations are not required by law to file statements showing distribution of the fees collected.

Users must acquire a licence to use each organization's repertoire. Whether or not a licensor-organization and a licensee can agree upon a royalty, the organization must file, on or before September 1 of each calendar year, a proposed statement of fees which it intends to collect as compensation during the following year. (Each performing rights licence is limited to one year's duration.)¹¹ The statements of fees, charges and royalties are published by the Minister of Consumer and Corporate Affairs in the Canada Gazette.¹² The published statements are divided into tariff "items," based upon the category of user, such as operators of radio stations, television stations, cabarets, cafes, clubs and the like, restaurants and the like, live theatre, cinemas, exhibitions and fairs, skating rinks, sports arenas, public parks, circuses and public conveyances. These users generally obtain blanket licences from each performing rights organization, although it is possible to obtain a separate licence to use a particular work. Without such licences, these users would be liable for copyright infringement for "authorizing" performances of copyrighted works.

The users are not bound, however, to accept a proposed tariff, and indeed, anyone can file an objection with the Board within 28 days from publication of the tariffs.¹³ Objections are referred to the Board and copies forwarded to the relevant performing rights organization. The usual practice is for the performing rights organization, upon receipt of a statement of objections, to reply to the Board by counterstatement, and to call for the objector's evidence. Even at this stage the parties can negotiate and may reach a settlement which would likely be approved

¹¹ *Supra* note 2. Section 48(2) states November 1.

¹² Section 49.

¹³ *Ibid.* Any person has status to file an objection for the Board's consideration: *C.B.C. v. Copyright Appeal Board* (1986) 7 C.I.P.R. 194 (F.C.T.D.). The 28-day limitation period is mandatory, however. In *Bushnell Communications Ltd. v. Minister of Consumer and Corporate Affairs*, an unreported decision of the Federal Court Trial Division, No. T-2692-85, January 16, 1986, an objection filed with the Board one day late was not accepted.

by the Board. If a settlement cannot be reached, the parties may appear before the Board, with or without counsel, to debate a tariff item. The Board will then approve or alter the proposed license fee.¹⁴

III. THE COPYRIGHT APPEAL BOARD

3.1 History

Supervision of performing rights organizations began with an amendment to the Copyright Act in 1931, requiring any performing rights organization operating in Canada to file a list of its repertoire and tariffs with the Minister, and permitting the Governor in Council to alter exorbitant tariffs.

Shortly thereafter, His Honour Judge Parker was appointed to investigate and to report on the activities of the single organization in operation at that time, the Canadian Performing Rights Society, Limited.¹⁵ The Parker Commission considered whether performing rights licences had been improperly issued or withheld, whether excessive fees had been charged, whether the public interest had been detrimentally affected by the organization, and the appropriate bases for compensation of charges and licenses. The inquiry continued for three months. In all, 143 witnesses were heard and 274 exhibits filed.

It was conceded by all parties appearing before the Parker Commission that authors, composers and publishers benefitted by the Society's ability to collect royalties on their behalf. As a result of criticisms levelled at the Society, however, the Copyright Act was amended in 1936¹⁶ and the Copyright Appeal Board established. The procedure then instituted, which has since remained unchanged, required any society, association or company which carries on the business of licensing performing rights in Canada, to file at the Copyright Office a statement of proposed license fees, which would then be referred by the Minister to the Copyright Appeal Board for consideration and approval, failing which the remedies for infringement would be unenforceable by the Societies.

¹⁴ Section 50(8).

¹⁵ Report of His Honour Judge Parker, a Commissioner appointed by The Inquiries Act and The Copyright Amendment Act of 1931, pursuant to Order in Council No. 738 dated March 22, 1935. Ottawa's J. O. Patenaude, King's Printer, 1935.

¹⁶ Enacted June 23, 1936, c. 28, s. 2 and 1938, c. 27, s. 1., and s. 4. The amendments are now found in sections 48(3), 49(2), 50(10) and 51(2).

3.2 *Description of the Current Board*

Constitution of the Board is set out in the Act.¹⁷ The Governor in Council appoints all three Board members, for an unspecified period of time. One of the members, the Chairman, must be a judge, or have served as such at one time. The Honourable François Chevalier, a judge of the Quebec Court of Appeal, is now the chairman. The remaining two Board members are selected from any branch of the federal public service, generally because of their backgrounds in intellectual property law or accounting. In addition, the Board can call upon experts to assist, but to date this has not been done.

The Act allows the Board to devise its rules and procedures.¹⁸ A body of unwritten practices has evolved. Perhaps because the chairman is a judge, Board practices largely parallel a judicial hearing, although the Board is bound by less rigorous standards applied to administrative tribunals. A pre-hearing meeting, similar to a pre-trial conference, is scheduled to determine the length of the hearing, the evidence to be presented, the order in which the parties will be heard, and the substance of the argument. The Board may hold a public hearing, generally (but not necessarily) in the Ottawa-Hull area, although the parties may choose to submit written argument rather than to appear. If an oral hearing is held, witnesses testify under oath, and evidence is recorded by a stenographer. Hearsay evidence is acceptable, since the Board does not act in a judicial capacity, simply regulating license fees. The Board would likely accept survey evidence as admissible, although it lacks the investigatory power to conduct its own survey. During oral argument, the Board members generally intervene to question the deponent or counsel. Finally, short reasons may be given, although the Act does not oblige the Board to give written reasons for its decisions. Until recently, however, the Board's final reports have not been published, although they have been made available to the public, in both official languages (English and French).

3.3 *Review of the Board's Decisions*

As noted above, the Board's decisions are released in the form of annual reports submitted to the Minister of Consumer and Corporate Affairs. The reports generally simply confirm or alter a proposed tariff with little elaboration. The Act does not otherwise permit the Board to alter the terms of a licence.¹⁹ In law, the Board's jurisdiction is limited to fix-

¹⁷ *Supra* note 2, section 50.

¹⁸ Section 50(4).

¹⁹ The Royal Commission on Patents, Copyrights, Trade Marks and Industrial Designs Ottawa: Queen's Printer and Controller of Stationery, 1957. The

ing the rates which the performing rights organizations can charge. The Board has no jurisdiction in respect of legal questions, such as who owns a musical work.²⁰

The factors that may be considered by the Board in determining whether to allow fee increases over a previous calendar year are not imposed by the Copyright Act. The Board's discretion is therefore broad, but must be exercised upon reasonable grounds. The factors which have been used include: an increase in the Canadian population (where a tariff is based on cents per capita), an increase in the organization's repertoire, an increase in the use of music, growth in the value of music to an industry, an increase in the rate of inflation and an increase in the cost of musical entertainment (where the tariff is based on gross revenues). Essentially, the issue of value to the user is fundamental to the Board's analysis.

Where the proposed increase obviously represents a substantial increase in a user's operating costs, the Board will ask the requesting party to justify the increase.

There is no right to appeal from the Board's decisions. There is a right, however, to have the Board's decision reviewed by the Federal Court of Canada,²¹ on grounds including jurisdictional error, application of the wrong principle, consideration of irrelevant or extraneous matters, and failure to consider a relevant matter. In the event that the court finds a decision of the Board wanting for any of the above reasons, the court will quash the decision and return the matter to the Board for reconsideration. All of these grounds for review were relied upon by the Performing Rights Organization of Canada Limited, which recently contested a decision of the Copyright Appeal Board rejecting a proposed increase of 174% in the CBC tariff.²²

A brief review of the case illustrates the mechanics of judicial review. The applicant, P.R.O., argued that the value of music, and accordingly,

Ilsley Commission recommended, at 107, that the Board be empowered to order the alteration of licenses and fix their terms, upon application by a user or a performing rights organization.

²⁰ *Posen v. Minister of Consumer and Corporate Affairs* [1980] 2 F.C. 259, 261.

²¹ Pursuant to the Federal Court Act, S.C. 1970-71-72, c. 1; R.S.C. 1970, 2nd Supp., c. 10. This court is a continuation of the Exchequer Court of Canada. Judicial review by the Federal Court trial division, pursuant to section 18, is available for writs of certiorari, prohibition or mandamus. Review by the Federal Court of Appeal is appropriate, pursuant to section 28, to have the Board's decision set aside.

²² *Performing Rights Organization of Canada Limited v. Canadian Broadcasting Corporation*, an unreported decision of the Federal Court of Appeal, A-593-84, heard October, 1985.

the licensing tariff should be assessed without regard to the C.B.C.'s status as a public broadcasting corporation. The majority of the Federal Court accepted that a public user should not be required to pay the same fee for use of music as a private broadcaster. There were, however, several irrelevant considerations which the Board took into account, such as the fact that P.R.O.'s existing tariff had been satisfactory for many years, and the spirit of the then existing federal and provincial fiscal restraint program, the "6 and 5" guidelines which restrained salary and price increases under the governments' control to 6 and 5 percent respectively in the two years of the program's existence. The Board reheard the matter on July 15, 1986, upheld its earlier decision to reject the proposed increase of 174% as excessive, and set the tariff increase at 5% over the previous year.

In summary, the overall scheme of performing rights in Canada can be viewed as a tiered structure. The performing rights organizations report to an administrative Board, which in turn is overseen by a Federal Court. The result has been both efficient and effective since the Board is a counterbalance to the societies' market power, vis à vis authors, composers and publishers on the one hand and users on the other. The Copyright Appeal Board is a very valuable watchdog over the performing rights organizations, which, as monopolies, might otherwise be impenetrable, to the potential detriment of all concerned.

IV. *WHERE TO FROM HERE?*

Study and consultation on the revision of Canada's Copyright Act has been ongoing for some thirty years. This process has gained momentum with the publication in October 1985 of the report of the Parliamentary Sub-Committee on Copyright²³ ("Sub-Committee") and the subsequent Government Response to this report released in February, 1986.²⁴ It is now expected that a Bill to revise the Act will be introduced into Parliament during 1987.

As outlined in the previous section, the current Copyright Appeal Board has functioned very well for the past 50 years. Throughout the copyright revision process there have been calls for an expansion of the Board's role and mandate to take account of changing technological and economic circumstances facing copyright owners and users. This section will discuss options for changing the role of Canada's Copyright

²³ A CHARTER OF RIGHTS FOR CREATORS, Report of the Sub-Committee on the Revision of Copyright, Supply and Services Canada (1985).

²⁴ GOVERNMENT RESPONSE TO THE REPORT OF THE SUB-COMMITTEE ON THE REVISION OF COPYRIGHT (Feb. 1986).

Appeal Board regarding its jurisdiction, powers, procedures and composition.

4.1 *Areas of Jurisdiction*

As indicated, the current Board has statutory jurisdiction to approve rate schedules for one area of activity only, the societies which collectively administer musical performing rights. The role of the Board is to ensure that the rates charged by the societies are reasonable and fair to users and the societies.

Music composers realized early on that if they did not exercise their rights through societies they would lose them by default since high transaction costs make it impossible for composers to negotiate individually with users. Interest in new types of copyright societies has arisen because of the development of technology such as photocopiers and audio and video recorders that has lowered the cost of reproducing copyright material. This technology has created new uses of copyright works for which copyright holders are not usually directly paid because of the impossibility of negotiating with all private users. Collectives, societies collectively representing the interests of copyright owners, are seen as the system by which copyright owners could ensure payment for these uses.

Published studies²⁵ have indicated that, depending on the rights granted under a revised act, new collectives could arise in a variety of fields including the following:

- photocopying
- audio and video home copying
- educational uses
- neighbouring rights

While the formation of collectives can clearly benefit copyright holders, it is also in the interests of users in many cases since the collectives can provide speedy and easier access to material. There is a concern, however, that the unregulated collective exercise of copyright could

²⁵ See, e.g., ECONOMIC COUNCIL OF CANADA REPORT ON INTELLECTUAL AND INDUSTRIAL PROPERTY (1971); A.A. KEYES and C. BRUNET, COPYRIGHT IN CANADA: PROPOSALS FOR A REVISION OF THE LAW (1977); D.A. SMITH, COLLECTIVE AGENCIES FOR THE ADMINISTRATION OF COPYRIGHT (1983); FROM GUTENBERG TO TELIDON - A WHITE PAPER ON COPYRIGHT (The Department of Consumer and Corporate Affairs and Communications, Supply and Services Canada, 1984); A CHARTER OF RIGHTS FOR CREATORS, *supra* note 23.

lead to abuses. If users have no practical alternatives for access to copyright material other than through the collective, then the latter could, because of its dominant position and resulting bargaining power, demand excessive payment. Because of this it is felt that a regulatory mechanism is required to ensure that both parties to the agreement have their interests protected.

In general it is the role of competition legislation to ensure that practices such as price fixing or the operation of a monopoly are not engaged in to the detriment of the public. For certain sectors, however, more direct regulatory mechanisms have been put in place. This is what now happens with the musical performing rights societies which are subjected to regulation by the Copyright Appeal Board. Canadian jurisprudence has established that to the extent that specific activities are undertaken pursuant to a regulatory scheme, they are shielded from competition legislation under a regulated conduct exemption.²⁶ It is because of this regulated conduct exemption that many copyright owners who are considering forming collectives prefer the certainty which would be provided by a Copyright Board.²⁷

Not all groups, however, are so eager to have a Copyright Board regulate their rate setting. Other societies now exist in Canada representing copyright owners in the visual arts, reprographic and audio-visual fields. Agreements have been signed between these societies and various users. These agreements have been reached without any intervention or role being played by the Copyright Appeal Board. It seems unlikely that these societies will want to be subject to a Board's regulation under a revised Act.

The most fundamental decision that will have to be taken with regard to the Copyright Appeal Board under a revised Act relates to its future areas of jurisdiction. At one extreme would be a policy that provided for regulation of any and all collectives operating in any field of copyright. This seems to have been the alternative recommended by most commentators including the Parliamentary Sub-Committee. An alternative would be to specify, either in the Act or the regulations to the Act, which types of uses come within the Board's jurisdiction. The latter approach would provide more certainty as to the Board's mandate and its probable workload.

²⁶ *Submission to Sub-Committee on Revision of Copyright* (April 1985) by A.W. Lawson, Director of Investigation and Research Combines Investigation Act, refers to decisions in different jurisdictions, at p. 11.

²⁷ As an example of the problems that can arise in the absence of regulation by a Copyright Board see "Canada Warns Music Trade on Royalty Talks", p. 1, 98 *Billboard*, No. 25, June 21, 1986.

In addition to its principal function, which would be to arbitrate tariff disputes between societies and users, the Board may also be charged with the administration of a compulsory licensing scheme for retransmission and the issuance of licences in cases where it is not possible to locate the copyright owner.²⁸

4.2 Powers

4.2.1 Rate Setting Authority

As indicated, the responsibility of the current Board is limited to the approval of the fees, charges or royalties proposed by the performing rights societies. In the past it had been felt that the Board has no power to fix the terms or conditions of the tariffs placed before it; "...it has power only to attach price tags to the licences framed by the societies."²⁹ A recent Federal Court of Appeal case has, however, cast doubt on this position by indicating that the Board may have within its powers of rate review the ability to set the base upon which the tariff is calculated.³⁰ Users have requested that under a revised Act the Board be given the power to review and amend the societies' tariff structure when considered appropriate. Currently only blanket licences are offered to users by the performing rights societies. Radio broadcasters for instance must buy access to the entire repertoire of the society. They have sought, without success, to have per program licences made available. An important issue for resolution under the revised Act therefore is to determine whether the Board should have the power to alter the terms and conditions of the licences placed before it.

While the current Board does not have the right to alter the terms or conditions of licences, it does have the authority to review and change the tariffs proposed by the societies even where no user has objected. The Sub-Committee recommended that in the revised Act the Board should be empowered to set rates only in cases of dispute.³¹ As argued by the Sub-Committee, it seems counter-productive to have the Board modify an agreement between the parties themselves if the Board's main role is to ensure balance between creator and user interests.

4.2.2 Powers to Intervene in Administration of Collectives

The 1984 White Paper on Copyright contained controversial recommendations which would have given a revised Board the power to review

²⁸ A CHARTER OF RIGHTS FOR CREATORS, *supra* note 23 at 24 and 81-83.

²⁹ *Supra* note 19 at 104.

³⁰ *Supra* note 22.

³¹ A CHARTER OF RIGHTS FOR CREATORS, *supra* note 23 at 90.

and veto the royalty distribution schemes of societies. It also proposed that the Board should ensure that the Board of Directors be elected democratically by the members of the societies.³² These proposals were apparently intended to protect copyright owners from potential abuse by societies. Reaction to these proposals was strongly negative from many groups. The expertise of the Board on the details of monitoring and distribution schemes was felt to be dubious and the proposal to enforce corporate democracy was seen as interventionist and coercive. As a result the Sub-Committee did not recommend these powers for the Board; they seem unlikely to be included in revised legislation.

4.2.3 *Authority to Subpoena Witnesses or Documents*

The Sub-Committee recommended that the Board be given the power to subpoena witnesses or documents. The current Board does not have this power. Normally, it is in the interests of the parties to produce all relevant documents in order to support their cases before the Board. Nevertheless, the Sub-Committee felt that there may be instances where one party would want access to information held by another. Giving the Board the power to subpoena witnesses or require the production of documents would ensure an equitable hearing for all sectors.³³

4.2.4 *Appeal from Board's Decision*

The current Copyright Appeal Board considers the proposed fees in public hearings which are conducted in a quasi-judicial manner. Upon the conclusion of its consideration the Board makes such alterations to the proposed fees as it sees fit. The decisions of the Board are final and binding. Its decisions are only appealable to the courts on matters of law or jurisdiction and not on the merits of the decisions themselves. It is expected that the finality of the Board's decisions on rate setting will be retained in a revised Act in all areas save for perhaps one. The Government has suggested that in relation to retransmission "the tariffs set by the Copyright Appeal Board will be subject to a right of review by the Governor in Council."³⁴ This change in policy for this one area presumably reflects a concern over the sensitivity of the retransmission issue and a desire to ensure that the Board's decisions are not at odds with government broadcasting or cable policy initiatives.

³² WHITE PAPER, *supra* note 25.

³³ A CHARTER OF RIGHTS FOR CREATORS, *supra* note 23, at 91-92.

³⁴ GOVERNMENT RESPONSE, *supra* note 24, at 15.

4.3 *Procedures*

4.3.1. *Annual Review*

Currently the tariffs of the two performing rights societies must be submitted and approved each year. While this system allows users the opportunity to express objections promptly, it is costly and in many cases unnecessary. Because of this it is likely that in a revised Act the Board would have the right to approve rates for longer periods. Since the rates can be based on factors which take account of inflation (e.g. a percentage of gross revenues), there is no need to have mandatory annual reviews.

4.3.2 *Dealings Directly with Board*

Under the current Act, the societies must file their proposed tariffs with the Minister of Consumer and Corporate Affairs who forwards them to the Board. After its deliberations the Board forwards its decisions to the Minister who then publishes them. The Sub-Committee has recommended that dealings with the Board should be with it directly and not through the Minister. Such a change is intended to simplify the process and seems reasonable.³⁵

4.4 *Composition*

The make-up of the current Board was described above. It consists of three members appointed by the Governor in Council. The chairman must be a member of the judiciary with the other two members being officers of the public service.

In view of the expected increase in the Board's workload resulting from increased jurisdiction over new collectives, it is likely that the new Board will require increased representation. The Sub-Committee recommended that the Board be composed of five permanent members. It is difficult to determine at this time if in fact five permanent members will be required. As the current Board itself has mentioned, there are operational advantages in having a Board composed of a few members only.³⁶ Large Boards with permanent members have a tendency to spawn equally large bureaucracies. As the Sub-Committee noted, "history has shown that the Board has functioned remarkably well for 50 years in its important role as a rate fixing tribunal, with probably the least impact on the public purse of any such tribunal."³⁷ Care will

³⁵ A CHARTER OF RIGHTS FOR CREATORS, *supra* note 23, at 91.

³⁶ Brief of Copyright Board to the Sub-Committee on Revision of Copyright, at 6.

³⁷ A CHARTER OF RIGHTS FOR CREATORS, *supra* note 23, at 88.

have to be taken to ensure that a revised Board does not become too large or unwieldy.

V. *CONCLUSION*

The current Canadian Copyright Appeal Board has been in operation for fifty years. It has, with very limited resources, been effective in acting as arbiter between the musical performing rights societies and the users of their music. Undoubtedly the Board's mandate will increase under a revised Act, which could be introduced as early as 1987, to encompass new areas (e.g. retransmission). The challenge to policy makers is to ensure that an expanded Board remains an effective, efficient regulatory body.

94. THE COLLECTION OF COPYRIGHT ROYALTIES AND THE FEDERAL ARBITRAL COMMISSION IN SWITZERLAND

By PATRICK F. LIECHTI*

I. Introduction

According to the Swiss copyright law of December 7, 1922, amended on June 24, 1955, every author has a very wide control over the works he creates. The Berne Convention (Brussels Version) as well as the Universal Convention, which were ratified by Switzerland on June 22, 1955, and December 30, 1955, respectively, confirm the author's strong position and the broad scope of rights which are recognized to belong to the creator. By the way, it is worth noting that with respect to the Swiss legal system and following the principle of incorporation, the international treaties concluded by Switzerland come into force as national law as soon as they are ratified by the Parliament.

So, with respect to the national and international copyright laws which are valid in Switzerland, the author can decide what he wants to do with his copyright, particularly the way to administer his rights: by himself or by entrusting them to other persons or bodies.

II. The Swiss Federal Law Concerning the Collection of Copyright Royalties

The very substantial power recognized as belonging to authors has been restricted for two major reasons. The first one is the desire to prohibit to foreign authors' societies the exercise of collecting activities in Switzerland; the second one is the desire to help the users of copyrighted works by appointing a unique institution for the granting of licences. With these reasons in mind, the Swiss government proposed for the first time to enact the Swiss federal law concerning the collection of copyright royalties. This came into force on January 1, 1942. Article 1 of this law stipulates no less than a compulsory authorization, i.e. that the exclusive right publicly to perform *musical* works, with or without lyrics (known as "non-theatrical musical works"), which is guaranteed by Article 12 paragraph 3 of the law of December 7, 1922, concerning copyright in literary and artistic works, may only be exploited with the authorization and under the supervision of the Federal Council or the authority designated by the Council. Further, according to paragraph 3 cipher 1 of this provision, the Federal Council which is the executive body of the

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Swiss Confederation is authorized to declare the provisions of this law applicable also, by analogy, to the collection of other royalties guaranteed by Article 12 of the Law of December 7, 1922.

The Swiss authorities used this opportunity the first time by extending, with effect up to January 1, 1979, the needed authorization to the rights to reproduce the so-called non-theatrical musical works by any process and to sell, place on sale or put into circulation in any other manner copies of these works. These rights are, too, guaranteed by Article 12, paragraph 1, ciphers 1 and 2 of the Law of December 7, 1922.

We have to point out, and maybe it has to be considered as a particularity of the Swiss system, that the first two restrictions concern musical works exclusively and not all copyrighted works protected either by the national law or by the international conventions. This can be explained by the fact that at the time of promulgation of these provisions, there was really a need to collectively administer copyright fees in the field of musical works, considering the very wide use of such works.

By a second decision dated March 31, 1982, and with effect up to May 1, 1982, an authorization is now, too, requested for the administration of the exclusive right to communicate the broadcast work publicly, over wires or otherwise, when such communication is made by an organization other than the originating organization. This right is guaranteed by Article 12, paragraph 1, cipher 6 of the Law of December 7, 1922, as well as by Article 11 bis, paragraph 1, cipher 2 of the Berne Convention.

We have to point out that this last extension of the scope of the Federal Law concerning the collection of copyright royalties is not limited to works belonging to the repertory of non-theatrical musical works, but is valid for all copyrighted works, i.e. for literary and dramatic works, as well as for movies, among others. In all the aforementioned fields, this means that a common and joint administration of copyrights by a specialized society is submitted for formal authorization delivered by the Swiss government. This regulation, however, does not exclude the possibility that the author himself takes care of his interests. So, and according to Article 1, paragraph 2, cipher 2, it is stipulated very clearly that the author or his heirs can at any time administer their own copyrights. However, the publisher is not allowed to do the same.

III. The Authorization to Administer Copyrights

By enacting the Federal Law concerning the collection of copyright royalties in 1940, the Swiss legislature decided, too, that according to Article 2, cipher 1 the authorization shall be granted only to one organization which has as its object the collection of copyright royalties. In

the field of non-theatrical musical works SUISA has had this authorization without interruption since 1942 (up to 1979 for performing rights only, since the same year for the performing and mechanical rights) and consequently holds a legal monopoly.

The Swiss Government promulgated in February 7, 1941 an executive order of enforcement by which the conditions that must be fulfilled in order to obtain authorization were spelled out. In particular, organizations which wish to be authorized to collect copyright royalties must file an application with the Federal Department of Justice and Police, setting forth the following:

- their by-laws and, in due course, their regulations;
- particulars of their managing personnel, i.e. names, addresses and nationalities;
- a declaration relating to the number of Swiss authors who have entrusted to the organization the collecting of their royalties, and the nature of these royalties;
- a statement concerning the organization established for the supervision and administration of such royalties.

Additional information can be requested at any time. According to Articles 4 and 5 of this executive order, Swiss applicants shall have priority over foreigners and the authorization shall be granted for a period of five years, which may be renewed for further five-year periods.

These regulations do not mean anything other than the setting up of a legal monopoly. Since in Switzerland there is no antitrust legislation as there is in the United States of America, except for a cartel law of December 1962 which prescribes some restrictions to private agreements in the field of the trade of products and services, the Swiss Government introduced a double control in order to counterbalance the legal monopoly: on one side, an administrative supervision over the collecting society, on the other side, the creation of an Arbitral Commission.

IV. Administrative Supervision

Administrative supervision is exercised by the Bureau of Intellectual Property, which is a Division of the Federal Department of Justice and Police. The Supervision consists of checking that the collecting society manages its affairs in accordance with the general principles of good administration and that collection and distribution are carried out in accordance with established rules and not arbitrarily. In other respects,

collection and distribution are matters of internal concern to the society; decisions of the society with respect to the applicability of any given royalty rates to certain organizers of performances shall not be supervised by the Bureau. Interested parties shall, however, have the right to seek redress with the Arbitral Commission.

All the authorized collecting societies have to report about their activities each year by indicating, for example, their receipts and expenditures, the modifications made to the by-laws and regulations, the new reciprocal agreements they concluded with foreign societies and the legal claims they filed in court.

Last but not least, each authorized society has to submit a statement of an auditing company concerning the accounts of the society and the conformity between the financial statements included in the report and the society's accounts.

V. The Second Side of Control: The Federal Arbitral Commission

As already mentioned, the creation of the Federal Arbitral Commission is the second measure taken by the Swiss government in order to counterbalance the effects of the monopolistic position held by authors' societies.

The establishment of the Arbitral Commission is based on the federal law concerning the collection of copyright royalties of September 25, 1940. According to Article 6 of this law, the Federal Council shall nominate an Arbitral Commission charged with the tasks described in Articles 4 and 5. It is especially stipulated that the collecting societies may only require, as payment for the permission to use their works, the royalty rates published and approved by the Arbitral Commission.

After two revisions of the executive order, in 1979 and 1982, the Federal Arbitral Commission now comprises a chairman and two professional judges who are neither representatives of the authors nor representatives of the users of copyrighted works. These two last categories are, however, entitled to have appointed by the Federal Department of Justice and Police an adequate number of their own representatives.

Decisions are taken by seven members, i.e. the president and the two professional judges, as well as two representatives of the authors and two of the users who are especially competent in respect of the kind of question at issue.

Before appointing the members of the Arbitral Commission, the Federal Department of Justice and Police has to request the principal associations of authors and users to propose two persons for each vacancy. But the Department need not be bound by these proposals.

The Department is the supervising authority for the Commission. It is authorized to determine the rights and obligations of members, as

well as the organization and procedure to be followed before the Arbitral Commission.

The competences of the Arbitral Commission are exhaustively enumerated in Article 12 of the revised executive order of the Swiss government dated December 21, 1956.

The Commission, with reference to Article 6 of the federal law, has jurisdiction:

- (1) to approve the rate schedules provided for in paragraphs of Article 4 of the law;
- (2) to give advice to the courts (paragraph 2 of Article 5 of the law);
- (3) to give advice to the supervising authority (paragraph 2 of Article 8 of the executive order);
- (4) to give advice to interested parties on litigious questions relating to discussions concerning the conclusion of contracts falling within the scope of Article 4 of the law.

The Arbitral Commission does not have any other competence. It should be pointed out that decisions relating to the approval of a rate schedule are not final; based on a revision of the federal law concerning the organization of the Swiss Federal Court (the highest judicial body in Switzerland), an appeal to the Swiss Federal Court is reserved against every decision taken by the Arbitral Commission, within a delay of 30 days after notification of the decision.

Without any doubt, the most important competence of the Arbitral Commission is to approve the rate schedules of the authorized collecting societies. In fact, and according to Article 4 paragraph 1 of the federal law concerning the collection of copyright royalties, a collecting society which has obtained a valid authorization may only impose, as payment for the permission to use its repertory, royalty rates published and approved by the Arbitral Commission. Articles 9 and 11 of the executive order dated February 7, 1941 set additional conditions on the collecting society. When schedules of royalty rates are in the course of being established, the collecting society shall request proposals thereon from the principal associations of users, especially as regards the establishment of the various categories of rates. It shall, as far as possible, take account of the proposals of the said associations. Finally, the schedule has to be published once in the "Official Swiss Paper" by the collecting society, at its own expense; the schedule shall not become applicable until the first working day following that of publication.

VI. *THE ADMINISTRATION OF THE EXCLUSIVE RIGHT TO COMMUNICATE THE BROADCAST WORK PUBLICLY, OVER WIRES OR OTHERWISE WHEN SUCH COMMUNICATION IS MADE BY AN ORGANIZATION OTHER THAN THE ORIGINATING ORGANIZATION: AN ADDITIONAL CONDITION*

As described under section II of this article, the administration of this right is submitted for government authorization. Today, three collecting societies are entitled in Switzerland to administer this right: SUIISA, in the field of musical works, SUISSIMAGE, for all other works and PROLITTERIS, for all other works, too, but only on radio.

According to an order of the Federal Department of Justice and Police, dated April 8, 1982, among other conditions, the three collecting societies have to set up a common schedule and to appoint a single royalty-distribution entity.

At this point, it should be emphasized that with respect to this last order, the condition to set up a common schedule brought numerous difficulties in the last three years. First, between the three societies themselves as they do not follow the same tariff policy. Secondly, between the societies and the principal organizations of users of copyrighted works who benefited from the discord between the societies, which resulted in lower tariff rates. Finally, by a decision of November 24, 1986, the Arbitral Commission approved a new schedule which stipulates - since January 1, 1987 - a royalty fee of SFr. 1.- per month per user of a cable network.

VII. *Conclusion*

The Swiss system seems to represent a good compromise between the interests of the collecting societies, and respectively, the owners and users of copyrighted works. However, the latest developments in the field of the administration of copyrights by collecting societies and some recent decisions of the Arbitral Commission¹ as well as of the Swiss Federal Court make it appear that the counterbalancing system between the legal monopoly on one hand and the administrative supervision and Arbitral Commission on the other, is evolving in an unfavorable way for copyright owners. According to the regulations of procedure before the Arbitral Commission and with over 40 years' experience, the Commission is only supposed to examine the schedule of the collecting societies with respect to potential abuse of their legal monopoly. The

¹ The most important decisions of the Federal Arbitral Commission are assembled into a collection; the first two volumes are now available.

already mentioned decisions indicate that the Arbitral Commission has recently been tempted to increase its jurisdiction to also examine the adequacy of the schedules of rates. This evolution has caused some anxiety to copyright owners because it may lead to an imbalance of the counterbalancing system.

95. THE COPYRIGHT TRIBUNAL IN AUSTRALIA

*By COLIN B. MARKS**

ORIGINS AND FORMATION

As in most other countries, in Australia demands for arbitral intervention in copyright licensing disputes have been associated mainly with the activities of the national performing right association.

The Australasian Performing Right Association ("APRA") was formed in 1926 on the initiative of Australian music publishers and under the patronage of the British Performing Right Society, which was then already well established. It rapidly acquired exclusive and effective control over public performance rights for Australia, New Zealand, and South Pacific islands in respect of virtually all music whether of local or overseas origin. It has always functioned on the usual worldwide pattern of performing right societies, and its control extends to broadcasting and transmissions by wire-diffusion services, as well as public performance.

APRA has never had a competitor in the field of collective licensing of performing rights. Apart from the usual reasons which have discouraged rival control in all countries except the U.S.A., the vast size of the Australian continent, together with a very low-density and scattered population, at least outside major coastal cities, is a special factor which encourages the economies of scale available to a single organisation.

As a result of the monopolistic nature of APRA, it soon became a target for criticism by major music users who never seemed to rejoice in paying its licence fees. Opposition in its early days was probably stronger than in most other countries, particularly European, where copyright was generally more widely understood and respected as a result of long-established performing right societies, and of a relatively broader base of recognised and vocal local composers and authors.

These criticisms were recognised in 1932 by the appointment of a Royal Commission to enquire into and report upon the licensing of performing rights.¹ In his Report the Commissioner recognised that much of the criticism of APRA arose from misconceptions of the legal nature

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¹ Royal Commission on Performing Rights (1933).

of copyright owners' rights and that APRA had been of great benefit to copyright owners, but concluded that it was "to all intents and purposes, a super-monopoly controlling or claiming to control most of the music which users in public must use and is able to dictate its own terms." The Commissioner therefore recommended the creation of a form of compulsory tribunal in cases of dispute between APRA and music-users.

However in the 1930's the political climate for state intervention in business and commerce was far less favourable than it is today: laissez-faire was still respectable and freedom of contract, even for monopolies, if not holy writ, was at least a major tenet.

As a result, the Government resisted the recommendation of the Commission, giving as its reason concern over possible violation of the Berne Convention. Instead an amendment was made in 1933 to the Copyright Act 1912 by the addition of a new section 13A which merely gave the Executive power to appoint an arbitrator on the application of *both* parties to a dispute. This provision for voluntary arbitration was in fact never used. In 1963 an important voluntary arbitration occurred between APRA and all Australian commercial television stations, but this was arranged by special agreement between the parties outside the terms of section 13A.

In 1956 the United Kingdom established in its new Copyright Act a *Performing Right Tribunal*² which gave a legal right to persons or bodies aggrieved by the terms of an existing licence scheme to apply to the Tribunal for review of the licence fees payable and other conditions of the scheme. The jurisdiction of this Tribunal was confined solely to performing, broadcasting, and diffusion rights in musical works. It did not extend to sound recordings, or any other area of copyright licensing.

Australia, which up to that time had drawn almost exclusively upon Britain for its lead in copyright law, established a Federal Committee in 1959 to enquire into the suitability for Australia of the new U.K. Act, and as to what changes may be desirable.³ This Committee recommended the establishment of an Australian Tribunal along the lines of the U.K. Tribunal but with considerably wider jurisdiction.

Although conceived as early as 1959, the period of gestation for the new Act was long. It was finally enacted as a Federal Act in 1968.⁴

² U.K. Copyright Act 1956, Part IV.

³ Copyright Law Review Committee (1959) ("the Spicer Committee").

⁴ Copyright Act 1968.

Part VI established "*The Copyright Tribunal*."⁵

It is interesting to note that there was not during the hearings of the 1959 Enquiry or subsequently any strong demand among music users or their representatives for a tribunal, and in fact, the main support came from APRA itself. Hitherto APRA had felt constantly vulnerable and defensive at the political level, and this had a constraining effect upon its licensing policies. It was considered that the advent of a tribunal would provide a ready answer to its anti-monopoly critics, whilst there was confidence that few music users in practice would need to resort to it. These views were proved correct: in the 18 years of the Tribunal's existence only one reference in respect of APRA licensing activities has occurred,⁶ and that 13 years after the Tribunal's creation, although there have been other references in relation to other aspects of the Tribunal's jurisdiction.

The Copyright Act of 1968 represented a complete revision and updating of copyright law—the first since the previous Act was enacted in 1912.⁷ A feature of the new Act was the creation of new rights of compulsory licence against copyright owners in fields where it was felt that public interest justified it, such as libraries, educational institutions, institutions serving handicapped readers, and the broadcasting industries. In addition, the Act continued the previous compulsory licence covering all commercial manufacture of records for retail sale, subject to payment of a statutory royalty fixed in terms of a percentage of retail selling price. Statutory recognition also was given to a limited right for owners of copyright in sound recordings to control public performance and broadcasting of their recordings; but these rights were also qualified by the creation of new compulsory licences.

Where the 1968 Act created new compulsory licences (as compared with straight-out exceptions to infringement such as "fair dealing" which have the effect of giving free access to copyright material),⁸ it conferred upon copyright owners rights to "equitable remuneration," and the Copyright Tribunal was given jurisdiction to fix that remuneration in the event of disputes.

In relation to the compulsory licence for the making of records for retail sale, provision was made for the Copyright Tribunal to hold an inquiry into royalty rates in force under the Act, in place of an ad hoc committee of inquiry under the old Act.

⁵ ss136 to 175.

⁶ *Australasian Performing Right Association Ltd. re Australian Broadcasting Corporation*, 5 IPR 449.

⁷ Copyright Act 1912.

⁸ Copyright Act, 1968, ss 41,42.

SPECIFIC JURISDICTION OF THE COPYRIGHT TRIBUNAL

As a result of the complex provisions of the 1968 Act, the jurisdiction of the Copyright Tribunal is quite extensive and varied.

1. Licensing Schemes

The Tribunal has jurisdiction to review certain proposed and existing licence schemes. A "licence scheme" is defined⁹ to cover the kind of general tariffs drawn up by copyright collecting societies to cover various categories of usage. For example in the case of APRA, its various licence schemes cover live concerts, clubs, discos, factories, skating rinks, radio broadcasting, television broadcasting, etc. The schemes are in fact a unilateral statement of the terms and fees upon which the licensing organisation is prepared to issue licences. A licence scheme however is limited to defined aspects of copyright usage. In the case of literary, dramatic or musical works, three usages are public performance, broadcasting and transmission to subscribers to a diffusion service (being all of the usages controlled by APRA in the case of music), as well as the right to make sound recordings and films for broadcast purposes¹⁰ (being the rights in the case of music, controlled by the Australian mechanical rights collecting society established by the Australian music publishing industry).¹¹

In relation to copyright in sound recordings a "licence scheme" covers public performance rights as well as broadcasting rights (being the rights controlled by the collecting society established by the Australian record industry).¹²

It is worthy of note that, although licence schemes are invariably considered in relation to music and records of music, they comprehend also literary and dramatic works which could be major works. For example, if an Australian agent for a range of overseas dramatic plays prepared a "price list" for distribution to amateur and professional theatrical organisations, this could be referred to the Tribunal, and even without such a "licence scheme," an individual application for theatrical performance rights could be referred if the applicant considered he had been unreasonably refused a licence.¹³

Proposed licence schemes may be referred to the Tribunal by the licensor organisation,¹⁴ and existing licence schemes (i.e. schemes

⁹ s.136(1).

¹⁰ See definition of "licence" s.136(1).

¹¹ Australasian Mechanical Copyright Owners Society Ltd.

¹² Phonographic Performance Company of Australia Ltd.

¹³ Copyright Act, 1968, s.157(3).

¹⁴ s.154(1).

already in operation) may be referred by the licensor organisation, by an individual person requiring a licence covered by the scheme, or by organisations representing a class of licensees covered by the scheme.¹⁵ Hence an association of juke-box operators might refer a scheme which covers the performance of music or sound recordings by juke-boxes.

The right of the licensing organisation to refer a proposed scheme or an existing scheme to the Tribunal was sought by APRA as a departure from the 1956 U.K. Tribunal provisions. APRA considered that if only a licensee or a licensee organisation could refer, then it would be placed at a disadvantage by always being cast in the role of a defendant. It was also considered that prior approval by the Tribunal of a proposed scheme might have the effect of forestalling a wide range of possible disputes with prospective licensees. Conversely, where there have been protracted negotiations for a new licence scheme, without prospect of agreement, the licensing organisation may refer the scheme to the Tribunal as an alternative to bringing the scheme into operation, and taking ordinary legal remedies for infringement against those who neither accept licences under the scheme nor themselves refer the scheme to the Tribunal. This was the course in fact adopted by APRA in its reference of its scheme for licensing the Australian Broadcasting Corporation, following long negotiations with the Corporation for a new licensing basis for the national radio and television service.

When a licence scheme is referred to the Tribunal, then, the parties having standing before the Tribunal will be the licensor, organisation, or person referring the scheme, the licensor if other than the referrer,¹⁶ and any other organisation or person who satisfies the Tribunal as having a "substantial interest."¹⁷

The mandate of the Tribunal in each case is to make such order, either confirming or varying the scheme "as the Tribunal considers reasonable in the circumstances."¹⁸

Orders made by the Tribunal may be made so as to remain in force either indefinitely or for such period as the Tribunal thinks fit.¹⁹ After an order has been made, the scheme may be again referred to the Tribunal but only after the lapse of certain prescribed periods.²⁰ There is also power to make interim orders pending a final decision.²¹

¹⁵ s.155(1).

¹⁶ ss 154(2), 155(2).

¹⁷ ss 154(3), 155(3).

¹⁸ ss 154(4), 155(5).

¹⁹ ss 154(5), 155(6).

²⁰ s.156.

²¹ s160.

An important facility available to the licensor organisation which refers a proposed scheme, is to bring the scheme into operation at any time after referral to the Tribunal and before an order is made.²² This has the effect of requiring immediate compliance with the scheme by copyright users covered by it pending the Tribunal's order, if during that period they are to be protected against the normal legal consequences of infringement.²³ After an order is made, immunity from infringement action is automatic for persons covered by the scheme if they comply with its requirements, even if they do not hold a specific licence.²⁴ As a result of these mechanisms, the licensing organisation can insist upon payment in accordance with its scheme pending final order, unless an interim order is made to the contrary. The more likely course in practice would be for the parties to agree in advance that any order of the Tribunal is to apply retrospectively to the date the scheme was brought into operation.

Although the emphasis under the Tribunal provisions of the Act is upon review of "licence schemes," it is also possible (as noted above) for an individual desiring a licence (as defined), when there is no relevant licence scheme in operation, and even when the copyright is owned individually and not by an organisation, to apply to the Tribunal for a licence, if a licence has been refused, or offered only on terms which the applicant considers unreasonable.²⁵ Thus a promoter wishing to stage a professional season of a valuable musical play or opera controlled by an individual publisher could apply to the Tribunal on this basis, because such a licence would be in respect of a "literary, dramatic or musical work" for performance in public, and hence within the definition of "licence." No such application has ever been made to the Tribunal, and one reason for this has probably been a failure on the part of those commercially concerned to appreciate the significance of this rather obscure provision of a complex Act. It does however clearly represent a serious limitation on the rights of copyright owners, without support from the anti-monopoly argument which applies in the case of collecting societies.

2. *Compulsory Licences—Equitable Remuneration*

As indicated before, a range of compulsory licence rights is conferred by the 1968 Act, subject however to payment of "equitable remuneration," to be agreed or, in default of agreement, to be determined by the

²² s.154(6) (b).

²³ s.158.

²⁴ s.159.

²⁵ s.157(3).

Copyright Tribunal. As a condition of enjoying the infringement immunity conferred by the compulsory licence, the copyright user must, failing agreement, give an undertaking to comply with any order of the Tribunal.²⁶ Thus the Tribunal cannot consider the matter in advance of the usage, nor is any determination binding on similar future use.

The compulsory licences covered by this Tribunal jurisdiction include—

- (i) the making of “ephemeral” records or films of a work for the giving of broadcasts, where the maker is not the broadcaster;²⁷
- (ii) the making of “ephemeral” copies of a sound recording for the giving of broadcasts, where the maker is not the broadcaster;²⁸
- (iii) multiple copying of works and periodical articles by educational institutions;²⁹
- iv) copying of works and periodical articles in institutions assisting handicapped readers;³⁰
- (v) causing published sound recordings to be heard in public.³¹

3. *Compulsory Licence for Broadcast Use of Published Sound Recordings*

The 1968 Act gave for the first time specific statutory recognition to the right of owners of copyright in (with some exceptions) sound recordings to control their broadcast use.³² This right was however qualified by the simultaneous creation of a compulsory licence; and the Copyright Tribunal is given jurisdiction to determine the amount payable by the broadcaster in respect of this use.³³ The Act envisages advance determination for a specified period on a blanket licensing basis after taking into account “all relevant matters,” some of which are

²⁶ See, e.g., s.37(3).

²⁷ s.37(3).

²⁸ s.107(3).

²⁹ s.53B.

³⁰ s.53D.

³¹ s.108.

³² s.85.

³³ s 109(1).

specified.³⁴ A ceiling limit is fixed.³⁵ There is no reference to "equitable remuneration." The net effect is to restrict the rights of owners of copyright in sound recordings in their dealings with the Tribunal for broadcast use, as compared with owners of copyright in literary, dramatic, and musical works.

4. *Compulsory Licence for Records Made for Retail Sale*

As noted above, the 1968 Act maintained the compulsory licence conferred on manufacturers of records, which permits them to make records of copyright musical works for retail sale, subject to payment of a royalty fixed by the Act at 5% of retail selling price.³⁶ If at any time it appears to the Attorney General that the royalty in force is not equitable, then he may request the Copyright Tribunal to hold an inquiry into the matter and report the result to him.³⁷ The report of the Tribunal is, however, not conclusive, and the executive authority of Government (the Governor-General) is given final power to make such variations as he "thinks equitable" after taking into account the report of the Tribunal.³⁸ In practice, therefore, the final decision can be political.

An inquiry into record royalty rates was heard by the Tribunal in 1979 as reported later, and its recommended increase in rates was not accepted by the government, which ultimately fixed rates which represented a smaller increase.

MEMBERSHIP AND PROCEDURE OF THE TRIBUNAL

Members of the Tribunal are appointed by the executive authority of Government (the Governor General),³⁹ and they are appointed for renewable terms of up to seven years.⁴⁰

The President and Deputy President must both be judges of the Federal Court of Australia. Other members may be either present or retired judges, lawyers (barristers or solicitors) of not less than five years' standing, graduates in the field of law, economics or public administration, or persons who have "in the opinion of the Governor General, special knowledge or skill relevant to the duties of a member."⁴¹

³⁴ s.152(7).

³⁵ s.152(8),(11).

³⁶ ss54 to 63.

³⁷ s.58(1).

³⁸ s.58(1).

³⁹ s.139.

⁴⁰ s.141(1).

⁴¹ s.140.

On any particular reference, the Tribunal is to be constituted by a single member, unless any party requests there be more than one member, in which case there is to be not less than two. There are also to be at least two members on inquiries into the statutory royalty rate payable on records made for retail sale.⁴²

To date all members sitting at hearings have been federal judges or practicing barristers of high standing, with the exception of the most recent reference by APRA in respect to the Australian Broadcasting Corporation, where the Chief Librarian of the University of New South Wales was appointed to sit with the President, a federal judge.

Provision is made for questions of law which arise to be referred to the Federal Court of Australia, if either the Tribunal itself or a party considers it desirable.⁴³

Hearings are to be conducted in public, but the Tribunal is given wide powers to protect confidential information by private sittings or restricting publication.⁴⁴

The Tribunal may order one party to pay the legal costs of another.⁴⁵ The Tribunal is not bound by the normal legal rules of evidence and is directed generally to conduct its proceedings "with as little formality, and with as much expedition, as the requirements of this Act, and a proper consideration of the matters before the Tribunal permit."⁴⁶

In practice the hearings have been formal in general format. Sitings have always taken place in a Federal Courtroom in Sydney, with sworn oral evidence from witnesses, supplemented by some sworn written statements, extensive cross-examination, and addresses by Counsel. The substantive hearings have always been preceded by "directions hearings" at which the Tribunal makes orders for the filing of written submissions and replies thereto, subpoenas for production of documents, and filing of summary statements of evidence by prospective witnesses, with appropriate time limits. These directions orders have usually been made on the basis of previous procedural agreement reached between the parties.

THE PROBLEM OF VALUATION CRITERIA

In exercising all of its varied jurisdictions conferred by the Copyright Act, the essential issue for the Tribunal is to determine a value for the

⁴² s.146.

⁴³ s.161(1).

⁴⁴ s.163.

⁴⁵ s.174.

⁴⁶ s.164.

use of copyright property.

In the case of the compulsory licences, the standard is expressed to be "equitable remuneration."⁴⁷ In inquiries for variation of the statutory royalty rate payable on records made for retail sale, the test is also what is "equitable."⁴⁸

With references of "licence schemes" the mandate is to make such order "as the Tribunal considers reasonable in the circumstances."⁴⁹ In relation to the limited compulsory licence for broadcast use of sound recordings, no general standard is specified, and upper limits are fixed in relation to the payments which may be ordered.⁵⁰

In each of four cases so far heard, the Tribunal has considered at length the problem of formulating a practical basis which might mark out limits to the virtually unfettered discretion given by the statute. Inevitably, because of the novel circumstances of each case, and the inherent problems of valuation where there is no comparable established market or going rate, the problem has really proved insoluble. This author frankly shirks the task of summarising the Tribunal's various brave attempts to find a general practical formula, and takes refuge in the comment by Lord Wilberforce in an English patent infringement case,⁵¹ quoted with emphasis by the President of the Tribunal, Sheppard J., in the *Copyright Agency Case*.⁵² —

"The ultimate process is one of judicial estimation of the available indications (sic)."

And later in the same case, a *cri de coeur* from the President—

"I know that there is a tendency for judges to regard the instant case as the most difficult simply because it is the one to be decided, but on reflection I confess that I have found this case poses as intractable a problem in the area of evaluation as any I can remember so far encountering. That is because of the lack of a market and a lack of any satisfactory guidelines as to what the outcome should be."⁵³

⁴⁷ See, e.g., 47(3).

⁴⁸ s.58(1),(2).

⁴⁹ ss.154(4), 155(5).

⁵⁰ s.152.

⁵¹ *General Tyre and Rubber Co. v. Firestone Tyre and Rubber Co. Ltd.* (1976) RPC at 214.

⁵² *Copyright Agency v. Education Dept.* (1985) 4 IPR5 at 15.

⁵³ *Ibid.* at 34.

There is one significant principle which has been repeatedly accepted, namely that the *public interest* is not generally to be considered, and the only relevant question is the rate of remuneration which would be equitable to *the copyright owner*,⁵⁴ and not necessarily to the *copyright user*. The importance of this limitation for copyright owners could be considerable, having regard to the public interest nature of some compulsory licences under the Act, such as those conferred on educational institutions, libraries, and handicapped readers. The policy, however, would be justified on the basis that the community as a whole, not merely copyright owners, should meet the cost of any desirable subsidy. To proceed otherwise would be to discriminate against copyright owners, as compared with other suppliers of goods and services to public institutions.

CASES DECIDED

To date only four matters have been referred to the Tribunal. It is not intended here to give any detailed report on the substance of the decisions, as they are concerned with circumstances mainly of interest in Australia. Rather, a brief indication will be given of the general nature of the cases to show their diversity and scale, as well as to provide some insight into the Tribunal's practical operation. There is strong support for this view by the President, Sheppard J. in the *Apra v. ABC* case⁵⁵ and again in the *Copyright Agency* case.⁵⁶

*Inquiry into the Royalty Payable in Respect of Records Generally (1979)*⁵⁷

As noted above, if at any time it appears to the Attorney-General that the rate of royalty fixed by the Act or Regulations for the compulsory licence to make records for retail sale is not equitable, then he may request the Tribunal to hold an inquiry and report the result to him.⁵⁸

The royalty in force at the commencement of the 1968 Act was 5% of retail selling price,⁵⁹ and this rate had remained unchanged since 1912.

The Attorney-General's request to the Tribunal to hold an inquiry was made on 30th December 1977, and the final Report was issued by

⁵⁴ Report of the Inquiry into the Royalty Payable in Respect of Records, at 4.32, *supra*. *Copyright Agency v. Education Dept.* at 33.

⁵⁵ *Supra*, 5 IPR 449 at 480.

⁵⁶ *Copyright Agency v. Education Dept.* (1985) IPR 5 at 33.

⁵⁷ Report published by the Australian Government Publishing Service, Canberra, 1980.

⁵⁸ s.158(1).

⁵⁹ s.56(1).

the Tribunal on 24th December 1979. However, the substantive hearings did not start until April 1979, the previous time being taken up by extensive preparation of evidence and written submissions by the parties and replies thereto, and preliminary hearings to deal with many procedural matters. The principal parties were the Australian Music Publishers Association, representing the interests of music copyright owners, and the Australian Record Industry Association, representing the various Australian record manufacturing companies.

The substantive hearings occupied 42 sitting days, and included inspections by the Tribunal of recording studios and music publishing offices as well as a large record manufacturing plant. Thirty witnesses, including three from overseas, gave evidence. The Tribunal received about 500 pages of written submissions by witnesses. There were 236 exhibits and the record occupied 2593 pages of transcript. The two major parties were represented by a total of five Counsel, including three Queen's Counsel, as well as instructing Solicitors.

These details are given to indicate the scale of the Inquiry, which was probably the most thorough examination of the music publishing and record manufacturing industries ever undertaken anywhere. The Report of 104 pages must be regarded as a definitive work on compulsory record licensing.

In reaching its final conclusions, the Tribunal took into account a wide range of factors, none of which was treated as decisive. In the result, it recommended an increase in the royalty rate from 5% of retail selling price to 6.75%, both calculated exclusive of sales tax.

The relatively high increase recommended was strongly opposed by the record industry, which then embarked on an intensive campaign of political lobbying in an effort to prevent acceptance by the Federal Government of the Tribunal's recommendation and consequent implementation by Statutory Regulations, this being a discretion reserved by the Copyright Act.⁶⁰

This campaign was effective in delaying for a long period a final Government decision, and in the meantime the main parties reached an industry agreement incorporating a compromise rate of 6% to be effective until 30th September 1984 and 6.25% to be effective after that date. These rates were then given statutory basis by Regulations under the Act.⁶¹

⁶⁰ s.58.

⁶¹ Copyright Regulations, reg. 15A.

*WEA Records v. Stereo FM Pty. Ltd. (1982-3)*⁶²

This case invoked the jurisdiction of the Tribunal to determine the amount payable by broadcasters to owners of copyright in sound recordings for broadcast use of published sound recordings.⁶³

The applicants were seven major record manufacturers and the respondent was a commercial FM broadcasting station, which was treated as representative of all commercial FM broadcasters. Phonographic Performance Company of Australia Ltd. was also joined as a party, being an organisation formed by the record industry to act as a central licensing body for the public performance and broadcasting of sound recordings made and published by its members.

The Tribunal decided the matter on the general principle that the amount to be paid should represent equitable or fair remuneration to the copyright owners, to be ascertained by reference to what could have reasonably been charged for a licence in the actual circumstances prevailing, the only assumption being that the parties were willing to negotiate and conclude a bargain. A wide range of factors was considered relevant, including—

- (i) the terms of an agreement reached in 1970 between commercial AM broadcasters and the record industry;
- (ii) existing agreement between A.P.R.A. and commercial radio stations for payment of licence fees for the broadcast use of music;
- (iii) payments made by radio broadcasters in other countries;
- (iv) the proportion of total broadcast time occupied by the playing of the protected records in question;
- (v) the risk of reduced sales of records due to substitution of listening to radio, and due to over-exposure;
- (vi) the benefit to record companies of airplay in promoting the sale of their records;
- (vii) the facilitation of quality home taping brought about by FM radio and its effect on record sales.

⁶² 1 IPR 6.

⁶³ ss.109, 152.

In Australia, copyright protection for sound recordings only extends to public performance and broadcasting where the recording has occurred overseas, if similar rights are conferred on owners of copyright in sound recordings in the overseas country of origin.⁶⁴ This effectively excludes from protection all recordings of U.S. origin. On the basis of evidence before the Tribunal, it appeared that about 43% of total records played were free from copyright control over broadcasting, and this was an important factor requiring proportionate adjustment before the Tribunal adopted its final award.

In the outcome, the Tribunal ordered that the broadcaster should pay to the record companies for the period covered by the order 0.45% of its gross earnings from the broadcasting of advertisements and other matter. The Act itself fixed a ceiling on the amount which could be ordered of 1% of gross earnings,⁶⁵ so after adjustment for the proportion of protected recordings used, the result was welcomed by the record industry.

*A.P.R.A. Ltd. reference re Australian Broadcasting Corporation (1985)*⁶⁶

The Australian Broadcasting Corporation (A.B.C.) is a statutory body which operates a national radio and television service, with an extensive network of stations throughout Australia. Its radio network includes both AM and FM stations. In many areas it offers a choice of radio programs, but there is nowhere a choice of television programs. The network is non-commercial, and operates alongside a wide range of commercially owned and operated radio and television stations. It also operates the Australian Overseas Service "Radio Australia".

The reference was in respect of a proposed "licence scheme" drawn up by A.P.R.A. in relation exclusively to licensing of the A.B.C.

A licensing agreement had existed for many years between A.P.R.A. and the A.B.C. under which A.P.R.A. was paid licence fees calculated as a basic amount per capita of the total population of Australia, the basic amount being adjusted annually in accordance with population growth and Consumer Price Index changes. This reference to the Tribunal was the culmination of protracted attempts by A.P.R.A. to convert the formula for calculation of fees to a formula expressed as a percentage of the gross annual expenditure of the A.B.C., after allowance for deduction of certain expenditures considered not relevant. At the

⁶⁴ Copyright (International Protection) Regulations, regs. 6 and 7.

⁶⁵ s.152(8).

⁶⁶ Australasian Performing Right Association Ltd. re Australian Broadcasting Corporation, 5 IPR 449.

same time A.P.R.A. sought the application to this formula of a rate which would result in a substantial increase in annual licence fees received.

A.P.R.A.'s main argument for the new formula was an analogy with the formula long in force with commercial broadcasters, namely a percentage of gross revenue from advertising.

The case occupied 14 sitting days. The Tribunal comprised the President Sheppard J., with the first non-lawyer member, Mr. Allan Horton, the Chief Librarian of the University of New South Wales.

The Tribunal considered a wide range of evidence given by written statements, orally, and over 100 exhibits. The evidence covered the long and complex history of licensing agreements between A.P.R.A. and the A.B.C., the extent and significance of music in A.B.C. programs, the finances of the A.B.C., detailed survey reports on the penetration and ratings of the A.B.C., overseas licence fees paid by broadcasters, and comparable Australian licence fee rates and formulas. A previous decision in an arbitration between A.P.R.A. and commercial television broadcasters, and decisions of the British Performing Right Tribunal were also considered. In the result, the Tribunal found that the A.B.C. had not made out a case for retention of the cents per head of population formula. It referred to the long history of acceptance of percentage of revenue as a measure of the worth of copyright in the licensing of book sales, sheet music sales and theatre and concert promotions, as well as broadcasting both in Australia and overseas. It then found that by analogy for a non-commercial organisation such as the A.B.C., a percentage of gross operational *expenditure* was the appropriate basic formula.

The rates fixed for application to this formula were 1.25% for radio services (domestic and overseas) and 0.6% for television.

This decision represented a substantial increase in annual fees payable to A.P.R.A. The A.B.C. requested a phasing-in period to ease the financial impact. This claim was rejected, on the ground that the A.B.C. had long prior notice of the fees sought by A.P.R.A., and also taking into account that no interest could be ordered on retrospective payments due under the award. (The award was handed down on 6th December 1985 and was retrospective to 20th February 1981, being the date when the "Licence Scheme" was brought into operation by A.P.R.A., after reference to the Tribunal on 16th February, 1981).

*Copyright Agency Ltd. v. Department of Education of New South Wales and Others (1985)*⁶⁷

The sections 68 of the Copyright Act pursuant to which these

⁶⁷ 4 IPR 5

applications were made were added into the Act by amendment in 1980 and came into force on 1st August 1981. The additions gave effect to the recommendations of the Copyright Law Committee on Reprographic Reproduction ("the Franki Committee") in 1976.

The effect of these amendments was to confer on educational institutions an immunity from copyright infringement when multiple copies of copyright material are made for teaching purposes, provided certain prescribed records of the copying are kept.

In respect of this copying there is added an obligation to pay upon request made by the owner of copyright "equitable remuneration" as agreed or, in default of agreement, as determined by the Copyright Tribunal.⁶⁸

The applicant, Copyright Agency Ltd., had been formed on the initiative of authors and publishers for the purpose of operating mainly as a collecting agency on their behalf for fees payable under this statutory licence by educational bodies.

The respondents were State Departments, Universities, and other authorities and institutions responsible for primary, secondary and tertiary education throughout Australia.

Although on a strict interpretation of the Act the Tribunal had jurisdiction only to fix remuneration for each specific item of copyright which was the subject of the application, the parties agreed that the hearing should be treated as a test case to avoid a multiplicity of proceedings, and further that a general fee per copy per page should be fixed irrespective of the nature of the material copies. This role was accepted by the Tribunal.

The Tribunal faced a daunting task in finding a satisfactory criterion for the fixing of "equitable remuneration" in circumstances which were virtually unique. As this kind of comprehensive scheme of remunerated copying under copyright law has operated nowhere else, no guidance from overseas was available.⁶⁹

The main evidence for the applicant consisted of details of 74 permissions which had been given in recent years by authors and publishers in relation to copying done by educational institutions in Australia. This relatively small number showed a wide range of copying charges, and even though it was considered with the aid of expert actuarial analysis, it failed to give much guidance as to a going or market rate, or even "a most common charge."

⁶⁸ ss.53B(11), 149A.

⁶⁹ Voluntary blanket licensing schemes have operated in the Nordic countries, but these operate outside copyright law and are limited to schools.

The respondents argued that the remuneration to be fixed per page for copying should not exceed the royalty per page which the author might expect to receive from an actual sale of a book of the kind commonly copied in educational institutions. A table of 63 books selected from tertiary bodies showed an average royalty return of 0.45 cents on the basis of a total royalty per book of 10% of retail price. A similar exercise done for school books yielded 0.53 cents per page. The Tribunal, however, rejected this approach on the basis that it was wrong to consider only the author's royalty from a sale. What is appropriated when copies are made is the whole investment of author and publisher, and in many cases the publisher is the actual copyright owner. Under the Act, the Tribunal's duty is to fix equitable remuneration for the *owner of the copyright*.

In the result, the Tribunal fixed the remuneration at two cents per page for each page copied.

Since this decision, Copyright Agency Ltd. has been seeking to negotiate a range of blanket licensing arrangements with educational institutions in an effort to reduce on both sides the considerable trouble and expense of detailed record-keeping, inspection of records, and accounting which would otherwise be necessary.

RELATIONSHIP WITH ANTI-TRUST LAW

Copyright collecting societies are universally accepted as providing the only feasible and viable means of turning to commercial account some important rights vested by copyright law in individual authors. This is the case particularly with performing rights in musical works and sound recordings and now in Australia is relevant also to the recent scheme for remuneration to be paid for multiple copying of literary and other works for educational purposes. The importance of the collecting society to both copyright owner and copyright user stems basically from the need to bring together a multitude of individual world-wide copyright owners with vast numbers of separate widely scattered users, combined with the fact that each individual usage of each work is of very small economic value. However, collecting societies in Australia (as in the U.S.A.) are living constantly with the spectre of attack under anti-trust law.

In Australia there has been in operation since 1974 federal legislation providing a comprehensive code for regulation of restrictive trade practices and consumer protection generally. Called the Trade Practices Act, it incorporates anti-trust concepts of the kind familiar in the U.S.A. as the Sherman Act, the Clayton Act, and the Robinson-Patman Act.

The Act includes provisions which prohibit contracts or arrangements which have the purpose or effect of substantially lessening com-

petition. More specifically, any form of price-fixing between competitors is prohibited.⁷⁰

As the licensing activities of the collecting societies are subject to the full and comprehensive regulatory powers of the Copyright Tribunal, it seems not unreasonable to argue that they should be placed beyond the reach of general anti-trust laws, or at least some exception should be created, so that their basic method of operation is no longer vulnerable. Failure to do so places them, in effect, in double jeopardy under both the Copyright Act and the Trade Practices Act. True it is that a procedure is available for "authorisation" under the Trade Practices Act of particular arrangements which might otherwise be in breach, but these clearances can be difficult to obtain and can impose unsatisfactory conditions.

PERSPECTIVE

The Copyright Tribunal was created 18 years ago. A decade passed before it had any work, and then only to make a general inquiry into record royalties, the outcome of which had no binding force.

Although its main purpose was to deal with A.P.R.A. licensing disputes, there was no such reference for 13 years. There has been no other reference in respect of A.P.R.A. licensing. There have been only two other references and these both related to remuneration payable for the exercise of special compulsory licences conferred by the Act.

It will be obvious that prospective litigants have not been beating a path to its door. What is the reason?

In regard to A.P.R.A., historically it has always shown a readiness to negotiate the terms of its licences. Coupled with this, music users and their organisations seem to be more aware of what is happening overseas in relation to licence fees; if A.P.R.A. keeps its fees reasonably in line with overseas rates, there is a good prospect of reaching agreement. Often with small individual licensees, although the imposition of fees at all is often resented, the amount involved is usually small in relation to other business expenses, and not worth litigating, even on an industry basis. The small general licences are usually on a flat-fee basis, with automatic annual cost-of-living adjustment, which minimises the need for revision.

With the major copyright-based industries, such as broadcasting and concerts, copyright fees are significant. However a voluntary arbitration in 1964 set commercial television fees on a percentage of revenue basis which is self-adjusting for growth and inflation. Commercial radio

⁷⁰ Trade Practices Act, ss.45, 45A.

fees were agreed upon many years ago on a percentage of revenue basis which is similarly self-adjusting. The national non-commercial A.B.C. has been the subject of a major reference as described above.

All four cases so far decided have had long hearings, for which the legal costs have been high. They have however involved major organisations which were prepared to commit large budgets to advance or defend substantial financial claims. For these reasons the scale of the proceedings tended to be escalated by the parties (rather than by the Tribunal itself) to become comprehensive reviews of all aspects of the industries and organisations concerned.

The scale and cost of these proceedings have probably tended to deter others from resorting to the Tribunal, and has encouraged negotiated agreement.

It must be said also, without the slightest reflection on the Tribunal, that the outcome of references must always remain uncomfortably difficult to predict, given that the decision process inevitably involves a fairly arbitrary value judgment guided and informed by a wide range of factors.

The choice of members appointed to the Tribunal, and the manner in which proceedings have been conducted have, it is believed, met with a high degree of respect and satisfaction from the legal profession and the litigants concerned, irrespective of whether the outcome always coincided with their expectations. The hearings have been conducted conscientiously and fairly, and the published decisions have been remarkable for their thorough reviews of complex evidence and arguments.

It is of course also a feature of a specialised Tribunal of this nature that the Members build up valuable knowledge of the special background of the general issues recurring before the Tribunal.

Whatever the reasons for the low activity, it is not because of any dissatisfaction with the standards of the Tribunal itself.

PART II

LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS

1. United States of America and Territories

96. U.S. CONGRESS. HOUSE.

H.R. 4949. A bill to protect copyrighted computer programs from illegal copying. Introduced by Mrs. Schroeder on June 5, 1986; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

Entitled the "Computer Software Rental Act of 1986", this bill would amend section 109 of Title 17 of the United States Code by redesignating subsections (c) and (d) as subsections (d) and (e) and adding the following new subsection "(c) Notwithstanding the provisions of section 117 and of subsection (a) of this section, unless authorized by a copyright owner, the owner of a particular copy of a computer program may not, for purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the possession of the copy by rental, lease, or lending, or by any other activity or practice in the nature of rental, lease, or lending."

97. U.S. CONGRESS. HOUSE.

H.R. 5126. A bill to amend title 17, United States Code, relating to copyrights, to provide for the temporary compulsory licensing of the secondary transmission by satellite carriers of superstations for private viewing by earth station owners. Introduced by Mr. Kastenmeier on June 26, 1986; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

Entitled the "Satellite Home Viewer Act of 1986" this bill would allow satellite carriers to market scrambled cable superstations to backyard dish owners. The new legislation would require common carriers to pay a compulsory license of 12 cents per month for each TVRO owner who subscribes to a scrambled superstation. Every six months the carriers would turn over the money to the Register of Copyrights, who would divide the royalties among copyright owners. The 12 cents per subscriber rate would be in effect until December 31, 1990; after that date the Copyright Office would preside over a rate negotiation that would remain in effect

until December 31, 1994. After 1994, carriers and copyright owners would be free to negotiate "marketplace" copyright fees.

98. U.S. CONGRESS. SENATE.

S. 2525. A bill to encourage innovation, promote research and development, and stimulate trade by strengthening the protection given intellectual property rights by making necessary and appropriate amendments to the intellectual property rights laws. Introduced on June 6, 1986; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

Entitled the "Intellectual Property Rights Improvement Act of 1986", this bill would add a new section 27 to the Clayton Act, providing that "agreements to convey rights to use, practice, or sublicense patented inventions, trade secrets, or know-how, or rights in a mask work subject to protection under Chapter 9 of Title 17, United States Code, shall not be deemed illegal per se in actions under the antitrust laws." The bill would also eliminate the need for economic arguments in intellectual property cases by simplifying ITC proceedings. With this revision, a petitioner would only need to show the existence of a United States patent, trademark, copyright, or mask work right and the importation of an infringing article or the sale of that article.

99. U.S. CONGRESS. SENATE.

S. 2663. A bill to authorize trade negotiations on technology transfers and the protection of intellectual property rights, and for other purposes. Introduced by Mr. Chafee on July 21, 1986; and referred to the Committee on Finance. (99th Cong., 2d Sess.).

Entitled the "Technology Transfer and Intellectual Property Protection Act," this bill is designed to be a comprehensive approach to the problems of inequitable technology transfer and the lack of intellectual property protection in foreign countries. It also provides for technical assistance to developing countries which have inadequate laws designed to protect intellectual property.

100. U.S. CONGRESS. SENATE.

S. 2666. A bill to provide for a study by the Federal Communications Commission of the encryption of certain television programming, and to ensure the availability of certain encrypted programming for private viewing under competitive market conditions. Introduced by Mr. Bumpers on July 21, 1986; and referred to the

Committee on Commerce, Science and Transportation. (99th Cong., 2d Sess.).

This bill has three major provisions. The first requires the FCC to initiate a notice of inquiry to address several issues regarding scrambling. The second provision contains two subsections, one that would require the FCC to set uniform standards for decoder equipment with the view that dish owners will need only one decoder for all scrambled programming. Scrambling would become unlawful if decoding equipment is not available within 60 days of requests for sale or lease of such equipment. The final provision would require the Justice Department to report to Congress within six weeks of enactment on its work investigating possible antitrust violations in the present noncompetitive marketplace for scrambled programming.

101. U.S. CONGRESS. SENATE.

S. 2702. A bill entitled the "Satellite Television Open Market Act of 1986." Introduced by Mr. Gore on July 30, 1986; and referred to the Committee on Commerce, Science and Transportation. (99th Cong., 2d Sess.).

This bill would require programmers to establish reasonable standards for the third-party distribution of their services and require them to allow independent distributors to market those services. In addition, this bill specifically addresses anticompetitive behavior in the marketing of satellite television programming as a violation of communications law and allows citizens to bring immediate suit in federal court against programmers who refuse to make programming available at fair terms.

102. U.S. COPYRIGHT OFFICE.

Availability of Supplement to the Motion Picture Agreement for the use of independent filmmakers making ten or fewer motion picture prints. Notice of availability of supplement to the Motion Picture Agreement. *Federal Register*, vol. 51, no. 135 (July 15, 1986), pp. 25620-21.

The Library of Congress has adopted a Supplement to the Motion Picture Agreement. The Motion Picture Agreement was instituted in 1946 to relieve the financial burden that the deposit requirements of the Copyright Act posed for filmmakers. The Agreement works for the film community at large, but it fails to resolve the deposit-related financial problems of independent filmmakers. The Supplement alleviates these problems by making possible, under certain conditions, the deposit of a videotape copy

in lieu of a best edition film print to satisfy the deposit requirements of 17 U.S.C. 407 and 17 U.S.C. 408 where independent filmmakers, as that term is commonly understood in the trade, have made no more than ten prints of a motion picture.

103. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Notice commencing 1984 cable distribution proceeding. Notice of partial distribution of 1984 cable royalty fund. *Federal Register*, vol. 51, no. 114 (June 13, 1986), p. 21587.

The Copyright Royalty Tribunal has determined that a controversy exists concerning the 1984 cable royalty distributions. Consequently, the Tribunal is making a partial distribution of the funds according to the terms of a settlement agreement reached by the parties.

104. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 73, 74 and 76. Oversight of the radio and TV broadcast rules. Final rule. *Federal Register*, vol. 51, no. 140 (July 22, 1986), pp. 26248-51.

The Federal Communications Commission adopted a final rule amending its broadcast and cable TV regulations to delete provisions that are no longer needed, correct textual inaccuracies, contemporize certain requirements, and make editorial revisions for clarification purposes.

105. U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 CFR 76. Cable television; reconsideration of the implementation of the Cable Communications Policy Act of 1984. Final rule. *Federal Register*, vol. 51, no. 115 (June 16, 1986), pp. 21770-72.

The Federal Communications Commission has amended its rules and regulations to revise the definition of basic cable service to exclude reference to the "must carry" rules and to include the same signals that were formerly afforded must carry status. Additionally, the Commission has denied petitions for partial reconsideration of its adoption of rules implementing the franchise fees and cable system definition portions of the Cable Communications Policy Act. The "must carry" rule revision is in response to the appellate decision in *Quincy Cable TV, Inc. v. FCC*. The reconsideration denial is based on a determination that the petitioners failed to show any error or omission in the Report and Order calling for the rules to implement the provisions of the Policy Act concerning franchise fees and the definition of cable systems.

106. U.S. INTERNATIONAL TRADE COMMISSION.

Soft-sculpture dolls popularly known as Cabbage Patch Kids, related literature, and packaging; Commission decision ... as to Respondent Calila, Inc. ... termination of investigation as to respondent on the basis of a settlement agreement. *Federal Register*, vol. 51, no. 313 (July 9, 1986), p. 24949.

Due to a settlement reached with Original Appalachian Artworks, Inc. and Coleco Industries, Inc., the International Trade Commission has granted a motion terminating the investigation of Calila, Inc. for alleged unfair competition and copyright infringement in relation to the importation and sale of Cabbage Patch Kids dolls and related literature and packaging.

107. U.S. INTERNATIONAL TRADE COMMISSION.

Certain soft-sculpture dolls popularly known as Cabbage Patch Kids, related literature and packaging therefor; Commission decision not to review initial determination terminating investigation as to respondent International Panasound on the basis of a settlement agreement. *Federal Register*, vol. 51, no. 117 (June 18, 1986), p. 22145.

The International Trade Commission has terminated its investigation of a complaint against International Panasound Ltd. (IPL) for alleged unfair methods of competition and copyright infringement in the importation and sale of certain Cabbage Patch Kid dolls and related literature and packaging. The termination is pursuant to a settlement agreement between IPL and Original Appalachian Artworks, Inc. and Coleco Industries, Inc., the complainants in the case.

108. U.S. INTERNATIONAL TRADE COMMISSION.

Certain soft-sculpture dolls popularly known as Cabbage Patch Kids, related literature and packaging therefor; Commissioner decision not to review initial determination terminating investigation as to two respondents on the basis of a settlement agreement. *Federal Register*, vol. 51, no. 107 (June 4, 1986), p. 20360.

Original Appalachian Artworks, Inc. and Coleco Industries, Inc. have reached a settlement in their complaint before the U.S. International Trade Commission alleging copyright infringement, unfair competition and other unfair acts in the importation and sale of certain Cabbage Patch Kids dolls, together with related literature and packaging. As a result of the settlement, the Com-

mission has terminated investigation of the complaint as to respondents Osco Drug, Inc. and Sav-On-Drugs, Inc.

PART V

BIBLIOGRAPHY

A. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

1. United States

109. Back to the drawing board: architect loses copyright case. *Copyright Management*, vol. 9, no. 4 (April 1986), p. 8.

In *Donald Frederick Evans & Associates v. Continental Homes*, the Eleventh Circuit affirmed a lower court decision finding that a Florida architect had established the validity of a copyright claim in house drawings but had forfeited the copyright in the drawings because they were published in newspaper ads without a copyright notice. The court also found that efforts to correct the notice deficiency were unavailing due to the large number of copies distributed and that the defendant's copying and placement of a false copyright notice on the drawings did not give plaintiff a civil cause of action.

110. BLUER, SUSAN G. California extends the right of publicity to heirs: a shift from privacy to property and copyright principles. *COMMENT L.J.*, vol. 7, no. 4 (Summer 1985), pp. 575-598.

This note examines the history of the publicity right, comparing California law to that of other states. The author argues that the new California statute is commendable in giving control over use of the celebrity's image to heirs and concludes that the California statute should serve as a model for other states.

111. Canadian copyright protects software. *Copyright Management*, vol. 9, no. 4 (April 1986), pp. 7-8.

A Canadian court has handed down a ruling for Apple Canada, Inc. in the latter's legal dispute over rights to computer software. The decision means that computer programs are, in effect, literary works and protected under Canada's copyright law regardless of "whether they are in the form of an electric medium or written down on a piece of paper."

112. FISHER, BART S. Making the world trade regime work: an agenda for GATT. *SAIS Review*, vol. 6, no. 1 (Winter-Spring 1986), pp. 53-60.

Mr. Fisher focuses on the General Agreement on Tariffs and Trade (GATT) plan to begin new multilateral trade negotiations. He enumerates several problem areas which he believes should be addressed during the upcoming talks. These areas include strengthening the GATT in the formulation and enforcement of trade rules, the application of most-favored-nation treatment, and reductions in tariff and nontariff barriers to trade.

113. JOCHNOWITZ, DANIEL M. Proof of harm: a dangerous prerequisite for copyright protection. *Columbia - VLA Journal of Law & the Arts*, vol. 10, no. 1 (Autumn 1985), pp. 153-169.

This note reviews the "proof of harm" doctrine which the author believes is "inconsistent with both general principles of copyright law and the doctrine of fair use." An overview of case history in the field is provided and the case of *Williams and Wilkins Co. v. United States* is reviewed.

114. Manufacturing clause hearings. *Copyright Management*, vol. 9, no. 2 (Feb. 1986), pp. 3-4.

The Senate recently held hearings on legislation designed to permanently retain the manufacturing clause in the copyright law. This writing briefly examines the bills being considered and the positions of those who testified during the hearings.

115. Mask works: Common Market plan sets nation-by-nation protection. *Copyright Management*, vol. 9, no. 2 (Feb. 1986), p. 2.

The European Economic Community (EEC) has adopted a plan for the protection of semiconductor chip topography on a country-by-country basis. This article summarizes some of the terms set out in the plan.

116. REIN, BERT W. Navigating through the uncharted waters of intellectual property in advertising. *Communications Lawyer*, vol. 4, no. 2 (Spring 1986), pp. 1, 10-14.

The absence of a law which specifically protects advertising has led to businesses resorting to intellectual property laws for protection. This article examines recent application of such laws--trademark, copyright, unfair competition--to advertising, both to

its creative expression as well as to its associative value. It also discusses the right of publicity in relation to creative/associative advertising.

117. RODAU, ANDREW G. Protection of intellectual property - patent, copyright and trade secret law in the United States and abroad. *North Carolina Journal of International Law and Commercial Regulation*, vol. 10, no. 3 (Summer 1985), pp. 537-579.

The author discusses each area of intellectual property, including patent, copyright and trade secret law, and gives a background of each. Part V is devoted to analyzing both the distinctions and the similarities between patent, copyright and trade secret protection and to discussing which offers the best protection. The author also states there is a great need for better international protection in all three areas of intellectual property. Fair use in copyright is discussed, along with the limits patent protection provides.

118. STERN, RICHARD H. Section 117 of the Copyright Act: charter of the software user's rights or an illusory promise. *Western New England Law Review*, vol. 7, no. 3 (1985), pp. 459-487.

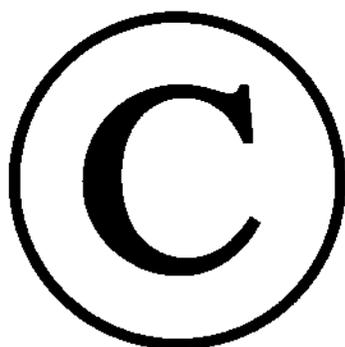
This article reviews the legislative history of Section 117 and gives a history of the Section in the court. Cases discussed include *Hubco Data Products Corp. v. Management Assistance, Inc.*, *Midway Mfg. Co. v. Strohon*, and *Apple Computer v. Formula International, Inc.*

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119. RESERVING ALL RIGHTS BEYOND COPYRIGHT: NONSTATUTORY RESTRICTIVE NOTICES

By MARK A. FISCHER*

I. INTRODUCTION

All rights reserved. No part of this book may be reproduced or utilized in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage and retrieval system, without permission in writing from the Publisher.¹

The boundaries of copyright's limited monopoly are seen, in the eyes of many copyright owners, as too limited.² By a variety of ingenious and ingenuous means, copyright owners attempt to enlarge upon their zone of copyright control, not by obtaining signed contracts, but by publishing notices of special restrictions, similar to the one above, on the use of copyrighted works. Despite authority for the proposition that such nonstatutory restrictive notices are unenforceable, the attempts persist.

These *in terrorem*³ restrictive notices, occasionally found in publications for many decades, are commonplace on many kinds of works today, notably computer software and videotapes, as numerous copyright proprietors increasingly share a perception that copyright law does not offer enough control over use of copies. No thorough survey has been undertaken as to the historical frequency of restrictive notice use;

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¹ Published in S. BACH, FINAL CUT (1985). At the end of the notice appears the statement: "Inquiries should be addressed to Permissions Department, William Morrow and Company, Inc., 105 Madison Ave., New York, N.Y. 10016."

² Congress has 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." U.S. CONST. ART. 1, § 8.

³ The term appears to have come into use by courts in connection with interpretation of bequests, perhaps as a legal fiction, where "it was determined that the only purpose of the condition was to frighten the legatee into compliance." *Moskowitz v. Federman*, 51 N.E.2d 48, 54 (Ohio App. 1943). Book publishers occasionally use the term to describe their restrictive notices.

however, growing use of restrictive notices may well be linked to the pervasiveness of new technologies for reproduction of copyrighted works -- the photocopier, tape recorder, and electronic data storage developments of the last thirty years.

The copyright consumers known as "readers" are often called "end users" these days -- and this new title conveys only some of the de facto copyright power they now possess. In nearly every area of protectible authorship, new technologies have given ordinary end users the kind of power once reserved to a few. Easily accessible photocopiers, audiotape recorders, videocassette recorders, personal computers, and other devices have given consumers -- at home or at the office -- the ability to reproduce easily and inexpensively copyrighted works such as journals, books, music, motion pictures, television programs, and computer software.

It is, perhaps, not surprising that this new end-user power is unmatched by a sense of end-user copyright responsibility. Two or three decades ago, few consumers had access to machines capable of efficiently reproducing copyrightable works. So, copyright was, in part, self-enforcing -- home and office copying was generally not practical. Unaccustomed to copyright responsibilities, many end users may not understand or even know of the rules governing their use and reproduction of copyrighted works. They may not want to know -- and many who do know ignore their responsibilities. Accessible, royalty-free copying is seductive in its convenience.⁴

The combination of end-user power, lack of end-user copyright sensibility, and imprecise rules is exacerbated further by the absence, typically, of a direct linkage between the end user and the copyright proprietor. Traditionally, much of the reproduction and distribution of copyrighted works has been a matter of negotiation and contract between copyright authors and copyright distributors. That bargaining process -- between author and publisher, musician and record company, screenwriter and motion picture studio, and so forth⁵ -- is a hallmark of

⁴ See generally, *Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984); Ladd, *Securing the Future of Copyright: A Humanist Endeavor*, remarks before the International Publishers Association, March 13, 1984 (reprinted at 225 *Publishers Weekly* 24 (1984)); Fischer, "Technological Reality and Copyright," *Billboard*, p. 10, June 15, 1985; Besen, *Private Copying, Reproduction Costs, and the Supply of Intellectual Property*, INFORMATION ECONOMICS AND POLICY 2 (Holland 1986).

⁵ That copyright at times resembles a public utility, available to anyone who pays a rate established or approved by the government, is more than a possibility. See, e.g., 17 U.S.C. §111's compulsory license for cable television operators. Also, numerous proposals have been advanced for compulsory licenses permitting home videotaping and audiotaping of copy-

copyright relations. The copyright holder can impose on a publisher or distributor the desired special restrictions appurtenant to the relationship at the time of contract negotiation. Imposition of restrictions is subject to the ultimate bargain of the parties. But an end user -- possessing and using duplicating machines not unlike those of publishers -- buys over-the-counter software, views motion pictures on television, and reads articles without having negotiated a license.

All of this adds up to a substantial loss of the copyright owner's control over subsequent use of works of authorship. Infringement -- or at least use of copyrighted works beyond the wishes of copyright owners -- has become decentralized and secret. The lines between categories of copyright owner, legal reproducer, infringer, and consumer are, at times, blurred. Enforcement through litigation in such circumstances is difficult or worse.⁶ Requiring all end users to sign agreements could unduly inhibit sales, yet copyright owners want to impose restrictions -- because legal end users are seen both as the necessary market and, to some extent, as a threat.

In this context, the attempts of copyright holders to state, perhaps to overstate, their rights by means of *in terrorem* notices are understandable. A restrictive notice could serve several purposes: first as a general warning directed to all potential copyright users (large and small), second as a negotiation substitute in controlling end users, and third as a kind of counterbalance against growing end-user capabilities. However, in the absence of specific statutory authority or other special conditions, restrictive notices should be viewed as unenforceable overstatements of the rights both granted and circumscribed by copyright.

II. RESTRICTIVE NOTICES

Restrictive notices range from general descriptions of the rights

righted works. The permission would be conditioned upon payment of levies on machines and blank tapes.

⁶ *Sony Corporation v. Universal City Studios*, 464 U.S. 417 (1984), epitomizes the plight of the copyright holder in controlling end-user power (with respect to home videotaping of motion pictures broadcast on television -- held to be a fair use). William Griffiths, an owner of a home videocassette recorder, was a nominal defendant in the case. Griffiths was described as follows: "He owns approximately 100 tapes. When Griffiths bought his Betamax [videocassette recorder], he intended not only to time-shift (record, playback and then erase) but also to build a library of cassettes. Maintaining a library, however, proved too expensive, and he is now erasing some earlier tapes and reusing them. ***Griffiths has also recorded documentaries, news broadcasts, sporting events and political programs such as a rerun of the Nixon/Kennedy debate." 464 U.S. 417, 423-424, n. 3.

claimed to be included under copyright to specific, detailed contract-like terms. A few examples and definitions follow.

A. *Statements of Rights*

A collection of music videos on videocassette contains this notice:

WARNING

THE COPYRIGHT PROPRIETOR HAS LICENCED THE FILM
(INCLUDING ITS SOUNDTRACK) COMPRISED IN THIS
VIDEOCASSETTE FOR HOME USE ONLY. ALL OTHER
RIGHTS ARE RESERVED. ANY UNAUTHORISED COPYING,
EDITING, EXHIBITION, RENTING, EXCHANGING, HIRING,
LENDING, PUBLIC PERFORMANCES, DIFFUSION AND/OR
BROADCAST OF THIS VIDEOCASSETTE OR ANY PART
THEREOF IS STRICTLY PROHIBITED.
...OR ELSE!⁷

The notices in this category are typified by a fairly simple but absolute "statement of rights" that are possessed by the publisher (and, therefore, obligations of the end-user), the absolutism omitting any hint of possible weaknesses such as a fair use⁸ right to photocopy one page of a medical journal⁹ for noncommercial scholarly use. Motivations for this kind of notice may include a perceived psychological effect upon those persons confronting the statement, a belief that this notice is truly a binding contract-like restriction upon the end user, and a copyright owner's fantasy of the way copyright might be simply expanded.

The book notice quoted at the outset of this article,¹⁰ although not complex in structure, may represent the ultimate kind of effort to control the habits of end users by notice, as it says "No part of this book may be . . .utilized in any form or by any means. . ." suggesting that utilization merely by reading is a violation of the notice.¹¹

⁷ *The Best of Elvis Costello and the Attractions* (CBS Fox Video, 1985).

⁸ The fair use privilege is codified at 17 U.S.C. §§107 and 108. See also the privileges granted to computer software users under 17 U.S.C. §117. All references to 17 U.S.C. §101, *et seq.*, relate to the Copyright Act of 1976, Pub. L. 94-553, as amended, unless otherwise specified ("1976 Act" herein).

⁹ See *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct.Cl. 1973), *aff'd by an equally divided Court*, 420 U.S. 376 (1975).

¹⁰ See *supra* text accompanying note 1.

¹¹ Caveat emptor! But William Morrow & Company has not written the most severe notice, at least in terms of consequences for breach. Mark Twain included this notice at the outset of *Huckleberry Finn*:

B. License Agreements

The "Microsoft License Agreement" for a popular microcomputer word processing program includes these provisions:

This legal document is an agreement between you, the end user, and Microsoft Corporation. BY OPENING THIS SEALED DISK PACKAGE, YOU ARE AGREEING TO BECOME BOUND BY THE TERMS OF THIS AGREEMENT, WHICH INCLUDES THE SOFTWARE LICENSE, SOFTWARE DISCLAIMER OF WARRANTY, AND HARDWARE LIMITED WARRANTY (collectively the "Agreement").

THIS AGREEMENT CONSTITUTES THE COMPLETE AGREEMENT BETWEEN YOU AND MICROSOFT CORPORATION. IF YOU DO NOT AGREE TO THE TERMS OF THIS AGREEMENT, DO NOT OPEN THE DISK PACKAGE. PROMPTLY RETURN THE UNOPENED DISK PACKAGE AND THE OTHER ITEMS (INCLUDING WRITTEN MATERIALS, BINDERS OR OTHER CONTAINERS, AND HARDWARE, IF ANY) THAT ARE A PART OF THIS PRODUCT TO THE PLACE WHERE YOU OBTAINED THEM FOR A FULL REFUND.

MICROSOFT SOFTWARE LICENSE

1. **GRANT OF LICENSE.** In consideration of payment of the LICENSE fee, which is part of the price you paid for this product, Microsoft, as Licensor, grants to you, the LICENSEE, a nonexclusive right to use and display this copy of a Microsoft software program (hereinafter the "SOFTWARE") on a single COMPUTER (i.e., with a single CPU) at a single location. If the single computer on which you use the SOFTWARE is a multiuser system, the License covers all users on that single system. Microsoft reserves all rights not expressly granted to LICENSEE.

2. **OWNERSHIP OF SOFTWARE.** As the LICENSEE, you own the magnetic or other physical media on which the SOFTWARE is originally or subsequently recorded or fixed, but Microsoft retains title and ownership of the SOFTWARE recorded on the original disk copy(ies) and all subsequent copies of the SOFTWARE, regardless of the form or media in or on which the original and other copies may exist. This License is not a sale of the original SOFTWARE or any copy.¹²

3. **COPY RESTRICTIONS.** This SOFTWARE and the accompanying written materials are copyrighted. Unauthorized copying of the SOFTWARE,

NOTICE

Persons attempting to find a motive in this narrative will be prosecuted; persons attempting to find a moral in it will be banished; persons attempting to find a plot in it will be shot.

BY ORDER OF THE AUTHOR,
Per G.G., Chief of Ordnance.

¹² See *infra* text accompanying note 59.

including SOFTWARE that has been modified, merged, or included with other software, or of the written materials is expressly forbidden. You may be held legally responsible for any copyright infringement that is caused or encouraged by your failure to abide by the terms of this License. Subject to these restrictions, and if the software is not copy-protected, you may make *one (1) copy of the SOFTWARE solely for backup purposes*. You must reproduce and include the copyright notice on the backup copy.

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6. **TERMINATION.** This License is effective until terminated. This License will terminate automatically without notice from Microsoft if you fail to comply with any provision of this License. Upon termination you shall destroy the written materials and all copies of the SOFTWARE, including modified copies, if any.

7. **UPDATE POLICY.** Microsoft may create, from time to time, updated versions of the SOFTWARE. At its option, Microsoft will make such updates available to the LICENSEE and transferees who have paid the update fee and returned the Registration Card to Microsoft.

8. **MISCELLANEOUS.** This Agreement is governed by the laws of the State of Washington.¹³

The "license agreement,"¹⁴ as above, goes well beyond a simple, general statement of rights and warnings and presents the end user with an often complex statement of contractual terms relating to use of the copyrighted work. The key characteristic of the license agreement is that it purports expressly to be a legally binding contract or license.

¹³ Microsoft License Agreement, *Microsoft Word for the Apple Macintosh*, Release 1.05 (Bellevue, Wash. Microsoft Corporation, 1985).

A "Disclaimer of Warranty and Limited Warranty", of a length about equal to the License Agreement, has been omitted.

¹⁴ In the computer software context, these documents are often called "shrink-wrap," "box-top," or "tear-me-open" agreements.

C. Chattel Restraints

Many promotional copies of phonograph records distributed to radio stations and record stores bear this legend:

Lent for Promotional Use Only. Any Sale or Unauthorized Transfer is Prohibited and Void. Subject to Return Upon Demand by Owner. Acceptance of this Record Constitutes Agreement to the Above.¹⁵

For purposes of identification, this kind of notice is referred to as a "chattel restraint." The principal attribute of a chattel restraint is language limiting redistribution of the physical object embodying the copyrighted work.

D. License-Grant Notices

Occasionally, a copyright holder wishes to claim copyright while simultaneously granting special rights to some or all users. For example, a book of illustrations by artists favoring nuclear disarmament contains this "license-grant" notice:

The work contained in this publication is donated by various artists (visual -- verbal) for use by individuals and groups opposed to nuclear arms. If you are an individual or group fighting nuclear arms, you are granted a license to reproduce any of the material in this book without charge and without request for permission in advance. Please print -- the artist's name, ©, year -- next to the work used. If you have any questions please write. Please send a print for our files. Thank you.¹⁶

E. Attributes of Restrictive Notices

A "restrictive notice," as the term is used in this article, has the following characteristics:

- (1) The language of the notice is not required or suggested by any statute or treaty;
- (2) the notice, if enforceable, would enlarge -- mildly or wildly

¹⁵ Imprinted in gold letters on various Warner Bros. records. CBS Records uses a shorter form: "FOR PROMOTION ONLY Ownership Reserved By CBS Sale is Unlawful."

¹⁶ ARTISTS FOR DISARMAMENT, NO (1982).

- the rights that the copyright statute, standing alone, gives an owner of copyright;
- (3) the notice is broadly directed toward all copyright consumers (or, rarely today, toward dealers) with access to the copyrighted work;
- (4) the terms of the notice are not negotiated by the parties and are imposed unilaterally by the copyright owner or licensee;
- (5) the terms of the notice are usually unseen or unread by the purchaser before he or she acquires possession of the copy embodying the copyrighted work; and
- (6) assent to the notice is not manifested by the signature of the party ostensibly bound by its terms.

A number of close relations to restrictive notices are excluded by this definition. Outside the scope of the term are notices which accurately state the limits of copyright law, "license-grant" notices, those which superfluously express a fact of control or ownership otherwise arising out of contractual relationships or under law, statutory notices, notices relating to legal rights other than copyright (e.g., trade secrecy status of documents, product warranty exclusions), and warnings not purporting to establish legal obligations.

III. COPYRIGHT NOTICE

Copyright protection under United States law has long been connected with affixation of notices on copies of works. Under the Copyright Act of 1909,¹⁷ copyright in a work could be initially secured "by publication thereof with the notice of copyright. . ." ¹⁸ (consisting of three elements: i. ©, Copyright, or Copr., ii. year of first publication, and iii. name of the copyright owner)¹⁹ on copies "published or offered for sale in the United States by authority of the copyright proprietor. . ." ²⁰ Inclusion of the notice was required as a condition of federal copyright protection for published works.

Although the implications of a failure to include a proper copyright notice on published copies or phonorecords can, at times, be less severe under the 1976 Act than under the prior law, notice of copyright still

¹⁷ The Copyright Act of March, 4, 1909, as amended, is referred to as the "1909 Act."

¹⁸ 1909 Act §10; *see also* §19.

¹⁹ The © symbol is used on phonorecords. 17 U.S.C. §402.

²⁰ 1909 Act §10.

retains great importance. Divestment of copyright can occur if "all publicly distributed copies of phonorecords"²¹ do not contain the statutory notice.²²

The United States is the world's leading exponent of copyright formalities such as notice. In order to comport with United States law, the Universal Copyright Convention²³ states that an adhering nation

which, under its domestic law, requires as a condition of copyright, formalities such as . . . notice. . . , shall regard these requirements as satisfied with respect to all works protected in accordance with this Convention and first published outside its territory and author of which is not one of its nations, if from the time of the first publication all the copies of the work published with the authority of the author or other copyright proprietor bear the symbol © accompanied by the name of the copyright proprietor and the year of first publication placed in such manner and location as to give reasonable notice of claim of copyright.²⁴

Therefore, under the Universal Copyright Convention, nations are not required to link copyright protection to publication of a copyright notice, but notice requirements under national law are specifically permitted and a nation (i.e., the United States) requiring notice must regard the publication of the "three-element" copyright notice as sufficient to protect works published in other adhering nations.

The Buenos Aires Convention, a multilateral copyright treaty to which the United States and seventeen Central and South American nations are signatories, offers reciprocal protection "provided always there shall appear in the work a statement that indicates the reservation of the property right."²⁵ This treaty appears to be the origin of the familiar "All rights reserved" notice which so frequently trails the copyright notice.²⁶

²¹ 17 U.S.C. §401. See also 17 U.S.C. §§402, 404, 405.

²² No copyright notice is required for unpublished works. See M. NIMMER, NIMMER ON COPYRIGHT, §7.12[A], pp. 7-17-72 (hereinafter cited as "Nimmer").

²³ As revised at Paris on July 24, 1971.

²⁴ Universal Copyright Convention, art. III, para. 1. See also paragraphs 2-5 of art. III.

²⁵ Buenos Aires Convention, art. 3. The Copyright Office does not accept the Buenos Aires notice as sufficient for United States copyright protection. See COMPENDIUM OF COPYRIGHT OFFICE PRACTICES (II) §1005.01(b) and PATRY, LATMAN'S THE COPYRIGHT LAW 307 (6th ed. 1986).

²⁶ With greater adherence to the Universal Copyright Convention and

The three-element United States statutory copyright notice, the Universal Copyright Convention discretionary notice, and the "Buenos Aires" reservation of rights statement are, apparently, the only three copyright notices for affixation on works directly required or suggested under laws or treaties of the United States.²⁷ Other restrictive notices are used in the discretion of the copyright owner, not under statutory guidance.²⁸

IV. ENFORCEABILITY OF RESTRICTIVE NOTICES UNDER COPYRIGHT LAW PRINCIPLES

A. *Bobbs-Merrill Co. v. Straus*²⁹

The leading copyright case considering the enforceability of a restrictive notice, *Bobbs-Merrill Co. v. Straus*, was decided by the Supreme Court in 1908. Book publisher Bobbs-Merrill sought to restrain book retailers from discounting copies of a novel, entitled "The Castaway". Printed immediately below the copyright notice was the following:

The price of this book at retail is one dollar net. No dealer is licensed to sell it a less price, and a sale at a less price will be treated as an infringement of the copyright.

THE BOBBS-MERRILL COMPANY³⁰

bilateral copyright relations between the United States and Latin American nations, the Buenos Aires Convention's direct practical impact on the United States is not substantial today.

²⁷ The recently enacted Semiconductor Chip Protection Act, 17 U.S.C. §901, *et seq.* (perhaps somewhere in between copyright and patent law in concept, despite its location in Title 17, the Copyright Act) provides that a semiconductor chip "product" owner may surmount certain defenses by placing on the work a notice comprising "*M*" (or "Mask Work" or $\text{\textcircled{M}}$) and the name of the owner of the mask work. 17 U.S.C. §909. But notice is not a condition of protection.

²⁸ "The Copyright Office will generally disregard and refrain from commenting upon copyright notices having no relationship to the claim for which registration is being made." COMPENDIUM OF COPYRIGHT OFFICE PRACTICES (II) §1020.

²⁹ 210 U.S. 339 (1908).

³⁰ *Id.* at 341. See also Colby, *The First Sale Doctrine – The Defense That Never Was?* 32 J. COPR. SOC'Y 77, 90, n. 32 (1984), for the text of an English throwback to the Bobbs-Merrill notice: "The English treatise, *International Copyright and Neighbouring Rights*, by Stephen M. Stewart (Butterworth & Co. London 1983) contains the following notice on the same page as its copyright notice: This book is sold subject to the Standard Conditions of Sale of Net Books and may not be re-sold in the UK below the net price fixed by Butterworths for the book in our current catalogue."

Copies of "The Castaway" were purchased by defendants, owner of R.H. Macy & Company, from wholesale dealers. It was stipulated that "Defendants, at the time of their purchase of copies of the book, knew that it was a copyrighted book and were familiar with the terms of the notice printed in each copy thereof. . .and knew that this notice was printed in every copy of the book purchased by them."³¹

Bobbs-Merrill disclaimed "relief because of any contract," and relied "solely upon the copyright statutes."³² With contractual and restraint of trade claims bypassed,³³ the Court could squarely address the copyright claim -- and it did.

There is no claim in this case of contract limitation, nor license agreement controlling the subsequent sales of the book.

In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract. . . .The owner of the copyright in this case did sell copies of the book in quantities and at a price satisfactory to it. It has exercised the right to vend. What the com-

³¹ 210 U.S. at 342.

³² 210 U.S. at 346.

³³ The Second Circuit below in *Bobbs-Merrill* did review contract law possibilities under equitable principles and stated that "the disposition of the questions raised in the present case depends upon the effect to be given to the terms of the printed notice. Its language may be fairly interpreted as though it read as follows:

'The Bobbs-Merrill Co. hereby gives notice that it has licensed dealers to sell this book at the net retail price of \$1, and not at any less price, and that the penalties which will be imposed for sale by a dealer at a less price will be those provided in case of infringement of copyright.'

"It will be observed that this statement is a notice, not a contract. *** [The plaintiff] has failed to show that defendants have themselves violated any contract, or have persuaded any other persons to violate any contract with complainant. It does not appear that any purchaser assented to the terms of the notice or agreed that the absolute title acquired by a sale should be converted into a qualified or restricted title." 147 Fed. 15, 27 (2d Cir. 1906).

In *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191, 197, n.4 (1931), the Court said that the rule of *Bobbs-Merrill* "is applicable only where there is no relation between the manufacturer of the copy and the purchaser which might make the latter liable as a contributory infringer."

plainant contends for embraces not only the right to sell the copies, but to qualify the title of a future purchaser by the reservation of the right to have the remedies of the statute against an infringer because of the printed notice of its purpose so to do unless the purchaser sells at a price fixed in the notice. To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute, and, in our view, extend its operation, by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative intent in its enactment.³⁴

Bobbs-Merrill, for purposes of considering restrictive notices, should be read to support two copyright principles. First, the "first sale" doctrine, although not labeled as such by the Court in 1908, cuts off the copyright owner's ability to control, through copyright, subsequent distribution of the tangible objects embodying the copyrighted work after a lawful sale is made.³⁵

Second, although less clearly drawn out in the pre-1909 Act opinion than the first principle, restrictive notices which claim to enlarge upon the various rights in the work protected by copyright³⁶ are not enforceable under copyright, absent statutory authority, because such notices "would give a right not included in the terms of the statute."³⁷ The

³⁴ 210 U.S. at 350-351.

³⁵ 17 U.S.C. § 109 provides:

(a) Notwithstanding the provisions of section 106(3) [the exclusive right of distribution of copies], 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.

(b) Notwithstanding the provisions of section 106(5) [the exclusive right to display certain works], the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy 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.

(c) The privileges prescribed by subsections (a) and (b) do not, unless authorized by the copyright owner, extend to any person who has acquired possession of the copy or phonorecord from the copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it.

³⁶ Under 17 U.S.C. § 106 of the 1976 Act, the five "exclusive rights" of an owner of copyright are reproduction, preparation of derivative works, distribution, public performance, and public display.

³⁷ See also *Straus and Straus v. American Publishers' Association*, 231 U.S. 222 (1913), where the Court found agreements among book publishers and retailers violative of the Sherman Act.

copyright statute, for its part, sets limits on the monopoly it grants and these limits cannot be transcended by notice under a claim of copyright.³⁸

B. Attempts to Surmount the First Sale Doctrine

The first sale doctrine has proved stronger than the restrictive notices placed on copyrighted works which purport to restrict redistribution. A case preceding *Bobbs-Merrill, Harrison v. Maynard, Merrill & Co.*,³⁹ is a useful illustration of the general application of the doctrine. Defendant Harrison was a dealer in secondhand books who sold books which had been earlier transferred to an intermediate dealer for purposes of scrap. Plaintiff had transferred the books with the contractual requirement that "all books to be sold as paper stock only, and not placed on the market as anything else."⁴⁰ The court held that

the right to restrain the sale of a particular copy of the book by virtue of the copyright statutes has gone when the owner of the copyright and of that copy has parted with all his title to it, and has conferred an absolute title to the copy upon a purchaser, although with an agreement for a restricted use. The exclusive right to vend the particular copy no longer remains in the owner of the copyright by the copyright statutes. The new purchaser cannot reprint the copy. He cannot print or publish a new edition of the book; but, the copy having been absolutely sold to him, the ordinary incidents of ownership in personal property, among which is the right of alienation, attach to it.⁴¹

In *Independent News Co. v. Williams*,⁴² a 1961 opinion of the Third Circuit, the copyright owner of comic books tried to prevent sale of coverless copies of its publications by secondhand periodical dealers. The plaintiff publisher in *Independent News* printed this restriction in each comic book:

³⁸ The possible route to enforceability is through contract law. See *infra* text accompanying notes 116-45.

³⁹ 61 Fed. 689 (2d Cir. 1894).

⁴⁰ 61 Fed. at 689.

⁴¹ 61 Fed. 689, 691. Cf., *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847 (2d Cir. 1963), on the application of the first sale doctrine under the 1909 Act.

⁴² 293 F.2d 510 (3d Cir. 1961).

This periodical may not be sold except by authorized dealers and is sold subject to the conditions that it shall not be sold or distributed with any part of its cover or markings removed, nor in a mutilated condition, nor affixed to, nor as part of any advertising, literary or pictorial matter whatsoever.⁴³

In the comic book trade, described in the case, covers of unsold comics were removed by retailers and returned to the publishers for credit. The copyright owner required subsequent purchasers (such as wholesalers and retailers but not ordinary consumers) to enter into agreements restricting what they could do with the copies. Citing *Harrison*,⁴⁴ the court found the contractual restriction to be unenforceable under copyright against strangers to the contract.⁴⁵

The court declined to enforce the restrictive notice, stating, "Clearly under the Copyright Act, since there is no privity of contract between the parties the legend is unenforceable. *Bobbs-Merrill Co. v. Straus*. * * *⁴⁶ Similar attempts, before⁴⁷ and after⁴⁸ *Bobbs-Merrill*, to evade the reach of the first sale doctrine by notice have failed.⁴⁹

⁴³ 293 F.2d 510, 518-519.

⁴⁴ 293 F.2d 510, 516.

⁴⁵ See *Stone, The Equitable Rights and Liabilities of Strangers to a Contract*, 18 COLUM. L. REV. 291 (1918).

⁴⁶ 293 F.2d 510, 518, n. 4. Where the knowledge of a purported restriction on copies is obtained other than through a published restrictive notice, that knowledge is similarly insufficient to make the limitation binding upon third parties to the contract. See *Burke v. Van Heusen, Inc. & Arrow Drug, Inc.*, 233 F. Supp. 881 (E.D.Pa. 1964). See generally, *American International Pictures, Inc. v. Foreman*, 576 F.2d 661 (5th Cir. 1978). Cf. *Jeweler's Circular Pub. Co. v. Keystone Pub. Co.*, 281 Fed. 83, 84 (2d Cir. 1922).

⁴⁷ *Ladd v. Oxnard*, 75 Fed. 703 (C.C.D.Mass. 1896) (book of credit ratings of persons in the marble, granite, and stone trade restricted by subscription agreements); *Larrowe-Loisette v. O'Loughlin*, 88 Fed. 896 (C.C.S.D.N.Y. 1898) (memory improvement guides bearing notice, "Printed solely for the pupils of A. Loisette"); *Jewelers' Mercantile Agency v. Jewelers' Publishing Co.*, 155 N.Y. 241, 248 (1898) (language in a book contending that "This is the property of The Jewelers' Mercantile Agency, Limited. Confidential Reference Book").

⁴⁸ *Universal Film Mfg. Co. v. Copperman*, 218 Fed. 577, 578 (2d Cir. 1914) (uncopyrighted motion pictures distributed originally in Europe with a stipulation "on the bill rendered, that it was a condition of sale that the film should not be resold or hired out for use, except in the country in which it was bought, nor exported, nor sold for export").

⁴⁹ Cf. *Henry Bill Publishing Co. v. Smythe*, 27 Fed. 914 (C.C.S.D. Ohio 1886). See *Stone, The Equitable Rights and Liabilities of Strangers to a Contract*, 18 COLUM. L. REV. 291, 309-310 (1918) on early English and United States cases. A few of the English cases have upheld covenants against

C. *Chattel Restraints and Copyright*

Typically, a copy of a copyrighted work made available for sale embodies a reproducible version of the protected work. For example, a book contains the contents of the underlying manuscript, a compact disc carries sound recordings. Access to the copy can be roughly equivalent to access to the original.⁵⁰ It is the nature of a copyright, an intangible right, that it is part of each of the millions of distributed copies of

third parties; see *Exchange Tel. Co., Ltd. v. Central News, Ltd.* [1897] 2 Ch. 48.

The link between the first sale doctrine and restrictive notices has also arisen in the context of criminal copyright. In *United States v. Wells*, 176 F. Supp. 630 (S.D. Tex. 1959), the defendant was indicted on criminal copyright charges of having infringed the copyrights in a map. The copyright proprietor produced "negatives" of its map, which it delivered to 107 contract customers. Each negative bore, accompanying the copyright notice, a license grant to the customer permitting limited use "only for the reproduction of maps for its own use, for such time as it deems fit. No right of sale or transfer of either this license, negative or maps reproduced therefrom, is given, except as to the foregoing license. The right to use or reproduce, or to allow others to use or reproduce this map, is reserved exclusively to the undersigned. Maps reproduced from this negative shall show our copyright." [176 F. Supp. at 632.]

The court held that the government did not prove that the map copies sold were made by the defendant or under his control, partly because licensees were permitted to make copies. The defendant was acquitted. Defendant's copies were, arguably, noninfringing "first sale" copies. Primarily at issue in *Wells* were restrictions on subsequent use of the maps created by use of the negatives, rather than what may have been a license-grant notice. Finding *Wells* to be "substantially parallel" to *Bobbs-Merrill*, the court wrote,

In the present case one additional factor is added to the fact situation of the *Bobbs-Merrill* case. . . and that is the fact that the purchaser of the copyrighted material is licensed to reproduce it. It logically follows that such reproduced or multiplied copies in the hands of the licensee are lawfully acquired by it and that they are of no different status than a copy purchased from the copyright proprietor. The contractual restriction in the license in the present case prohibits any sale at all, while in the *Bobbs-Merrill* case. . . the restriction is to sale at a certain price. Both restrictions apply to transfer, and no legal difference is apparent insofar as the reasoning of the Supreme Court is concerned. [176 F. Supp. at 634.]

⁵⁰ Important exceptions exist, sometimes out of deliberate acts of the copyright proprietors or because of technological limitations. Computer software purchasers typically acquire executable object code versions of software; the computer program source code (a copy of a program that reveals, to a capable programmer, how a program operates) is often not publicly distributed. Access to a videocassette copy of a motion picture enables one to make copies adequate for some viewing purposes, but not for theatrical exhibition. Com-

copyrighted works. But possession of the physical object embodying the copyrighted work is distinct from the right to reproduce that work.⁵¹ The first sale doctrine terminates the copyright owner's control over the copy, once the lawfully made copy has been distributed, but does not terminate the owner's dominion over the copyrighted work.⁵²

Copies of copyrighted works are not the only personal property to be subject to attempted alienations on subsequent use and resale, but they seem peculiarly susceptible to claimed chattel restraints⁵³ because of their large numbers and the easily appropriated intangible rights they contain.⁵⁴ That an owner of personal property cannot enforce conditions -- equitable servitudes on chattels -- on a subpurchaser is the general rule.⁵⁵

However, if the copyright owner truly maintains ownership of the copy and merely gives a licensee *possession* of the copy, neither the first sale doctrine nor courts' disfavor toward equitable restraints against

compact disc "digital-to-digital" audiotape (called "DAT") reproduction is not widely available as of this writing, temporarily precluding very high fidelity duplication of compact disc copies of sound recordings. A variety of copy-protection schemes have been incorporated into computer software programs and videocassettes; but marketing and technical barriers have not yet been surmounted.

⁵¹ 17 U.S.C. §109.

⁵² See generally, Nimmer, §8.12.

⁵³ See *supra* text accompanying note 15.

⁵⁴ But intangible rights have not always been the primary focus of restrictive notices. The notice in *Bobbs-Merrill* was an attempt to use the copyright laws to impose a resale price restriction.

⁵⁵ See generally, Chafee, *Equitable Servitudes on Chattels*, 41 HARV. L. REV. 945, 999-1005 (1928); Chafee, *The Music Goes Round and Round: Equitable Servitudes and Chattels*, 69 HARV. L. REV. 1250 (1956). See also, *Apollinaris Co., Ltd. v. Scherer*, 27 Fed. 18 (C.C.S.D.N.Y. 1886) (labels on mineral water suggesting a prohibition against exportation -- held unenforceable); *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659 (1895) (legally made patented goods may be freely resold absent special contracts binding the purchasers); *National Skee-Ball Co., Inc. v. Seyfried*, 158 A. 736 (N.J.Ch. 1932); *United States v. Masonite Corp.*, 316 U.S. 265, 277-278 (1942), *reh'g denied*, 316 U.S. 713. Occasionally trademark owners have been able to restrict resale of chattels on the basis of unfair competition theories. See generally, *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947) (sale of reconditioned spark plugs, if properly labeled as such, would not be infringement of original manufacturer's trademark); *Clairol, Inc. v. Boston Discount Center of Berkley, Inc.*, 608 F.2d 1114 (6th Cir. 1979) (resale of hair dye bottles, intended for the professional hairdressing salon market, under plaintiff's trademark to consumers by discount stores was prohibited by Michigan's unfair competition law, where federally mandated consumer warnings were not imprinted); *General Foods Corp. v. Mellis*,

chattels will play a role.⁵⁶ Often it seems that the retained ownership is more a matter of labeling than of reality. Professed retained ownership of chattels -- in transactions that otherwise appear in all substantive respects to be sales -- are utilized in attempts to transcend these barriers against control over property in the hands of subpurchasers.

Examples of chattel-restraint notices are found on promotional copies of phonograph records and computer software. The style and text of these notices vary, partially because the record industry and software companies have somewhat different motives for their respective notices.

The symbiotic relationship of record companies and radio stations -- increased airplay often translates into dramatically increased record sales -- leads the record companies to provide the stations with free copies of records. Sometimes radio station personnel and others with access to promotional copies sell these copies to record stores. Ordinary record retailers, who buy product at customary wholesale rates, are displeased with such resale practices because retail prices can be undercut. In order to claim control and limit resale, some record companies assert retained ownership in the records.⁵⁷ These notices appear to be essentially of the *in terrorem* variety; cutting off the "promo" supply of a radio station caught reselling the products would be punishment enough.⁵⁸

Computer software -- so easily and pervasively reproduced -- sometimes is distributed with chattel restraints. An example can be found in the text of the Microsoft License Agreement, *supra*, which says "This License is not a sale of the original SOFTWARE or any copy." Although this document makes a distinction between the software and the physical medium on which the software is embodied, the license would act as a chattel restraint because the end user's first sale copy obviously must include both the software and the diskette.⁵⁹

203 U.S.P.Q. 261 (S.D.N.Y. 1979). Cf. *P. Lorillard Co. v. Weingarden*, 280 Fed. 238 (W.D.N.Y. 1922).

⁵⁶ The first sale doctrine's end-user privileges do not "extend to any person who has acquired possession of the copy or phonorecord from the copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it." 17 U.S.C. §109(d).

⁵⁷ Unlike most restrictive notices, the phonograph record chattel-restraint notices are conspicuous. See *supra* the notices at note 15 and accompanying text.

⁵⁸ Both the station and the record company may suffer a loss under this penalty, and it is rarely invoked.

⁵⁹ See *supra* text accompanying note 12. (The Microsoft Software License, Paragraph 2, "Ownership of Software"). Two recent state laws would hold such retentions of title by license agreements as valid. Louisiana Computer Software Protection Act, La. Rev. Stat. 51-1961-1966, 1984 La. Acts 744

But in the absence of signed agreements or specific laws, where the transaction is obviously a gift (as with promotional records and other paraphernalia) or a sale (as with much software) under strong trade customs, a product label professing retained ownership should be held invalid where a true manifestation of contractual assent to the claimed nature of the transaction (*i.e.*, a loan or a license of the property) cannot be established.⁶⁰

D. Attempted Expansions of Intangible Rights and Common-Law Protection

1. *Waring and Whiteman*—Broadcast of Recorded Performances

Where protection for the intangible rights typically protected by a copyright is doubtful or absent, enterprising would-be proprietors have tried to assert protection through restrictive notices. The attempts have almost always failed.⁶¹

Precursors of contemporary restrictive notices, which deal with newer technologies such as videocassettes, are found in the development of radio and phonograph records. By the 1930s, radio had become an

(§1964 states "Terms of which shall be deemed to have been accepted under R.S. 51:1963, if included in an accompanying license agreement which conforms to the provisions of R.S. 51:1965, may include any or all of the following: (1) Provisions for the retention by the licensor of title to the copy of the computer software") and the Illinois Software License Enforcement Act, Ill. S.H.A., Ch.29, §§801-808 (Section 4(1) provides that "Provisions for the retention of title to the copy of computer software by a person other than the person acquiring the software" are enforceable if the license agreement conforms to the requirements of the statute). See *infra* text accompanying notes 139-45.

⁶⁰ See discussion of contract law and restrictive notices, *infra* text accompanying notes 116-45. In *United States v. Wise*, 550 F.2d 1180, 1190-1194 (9th Cir. 1977) the court closely examined whether transactions involving motion picture prints were licenses or sales for purposes of determining whether the first sale doctrine would apply. In *Henry Bill Publishing Co. v. Smythe*, 27 Fed. 914 (C.C.S.D. Ohio 1886), the court found that copies of the book, *Twenty Years of Congress*, sold by subscription through agents under contract, were, in effect, purchased directly by the subscribers and an injunction was granted against defendant's resale of surreptitiously obtained - but legally printed - copies. Cf. *Clemens v. Estes*, 22 Fed. 899 (C.C.D.Mass. 1885).

⁶¹ In *International News Service v. The Associated Press*, 248 U.S. 215, 256 (1918), Justice Brandeis stated, in his dissent, that implied restrictions on the use of news should not be enforced and that with respect to publication operating as a divestment of common-law copyright, "it is also well settled that where the publication is in fact a general one, even express

important medium of expression.⁶² Then, as now, recorded music was sought after as radio programming fodder. Copyright did not give artists and record companies the right to control radio airplay of the recorded performances,⁶³ and restrictive notices were placed on recordings in attempts to transcend the limitations of copyright. *Waring v. WDAS Broadcasting Station, Inc.*⁶⁴ and *RCA Mfg. Co., Inc. v. Whiteman*⁶⁵ are the important examples of such attempts.

As described in *Waring*, "Plaintiff [well-known bandleader Fred Waring], foreseeing the likelihood of the records being used by broadcasting companies for reproduction⁶⁶ over the radio, discussed the matter with the Talking Machine Company [the record label], and, as a result, it was agreed between them that a label should be placed upon the records reading: 'Not licensed for radio broadcast.'"⁶⁷

Defendant radio station played the recordings on the air despite the restrictive notice and Waring instituted litigation. Distinguishing the case from those involving restrictions on alienation of chattels, the Pennsylvania Supreme Court held that the restrictive notices were enforceable, saying "It. . . appears that no valid reason exists why the restriction attached to the manufacture and sale of the records in this case should not be enforced in equity," and the "notice used was fairly and reasonably sufficient to make purchasers realize the existence and

words of restriction upon use are inoperative. In other words, a general publication is effective to dedicate literary property to the public, regardless of the actual intent of its owner." See generally, on the relationship of notices and divestment of common-law copyright, *Wagner v. Conreid*, 125 Fed. 798 (C.C.S.D.N.Y. 1903), *Savage v. Hoffman*, 159 Fed. 584 (C.C.S.D.N.Y. 1908), *Bobbs-Merrill Co. v. Straus*, 147 Fed. 15, 19 (2d Cir. 1906), *aff'd*, 210 U.S. 339 (1908).

⁶² See E. BARNOUW, *THE GOLDEN WEB: A HISTORY OF BROADCASTING IN THE UNITED STATES, Vol. II - 1933 to 1953* (1968).

⁶³ The same situation exists today with respect to the performances embodied within sound recordings. 17 U.S.C. §114(a)-(b). Cf. the exclusive rights protected with regard to the underlying musical compositions. 17 U.S.C. §114(c).

⁶⁴ 194 A. 631 (Pa. 1937). See also *Waring v. Dunlea*, 26 F. Supp 338 (E.D.N.C. 1939).

⁶⁵ 114 F.2d 86 (2d Cir. 1940).

⁶⁶ In contemporary terminology, the works were "transmitted." See 17 U.S.C. §101's definition of "transmit." See also *Grove Press, Inc. v. Greenleaf Publishing Company*, 247 F. Supp. 518, 527 (E.D.N.Y. 1965).

⁶⁷ 194 A. 631, 633. The license granted to the record company from the music publishers, who owned musical compositions contained in the phonorecords, also expressly required inclusion of such a notice. 194 A. 631, 633, n. 1. Radio stations in 1937, as today, needed public performance licenses from the copyright owners in the compositions. These licenses are almost always

extent of the restriction imposed upon their use of the records.⁶⁸ In affirming an injunction against the radio station, the court found that Waring had common-law⁶⁹ rights of property in his orchestra's renditions of musical compositions and that defendant's use of Waring's performances constituted unfair competition.⁷⁰

In *Whiteman*, the Second Circuit reached a different conclusion than had the Pennsylvania Supreme Court. Bandleader Paul Whiteman claimed that radio station airplay of his performances violated his right to control radio airplay of his recorded performances. For about five years, all copies of his recordings bore the legend: "Not licensed for Radio Broadcast."⁷¹ In 1937, the notice was changed to read: "Licensed by Mfr. under U.S. Pats. 1625705, 1637544, RE. 16588 (& other Pats. Pending) Only For Non-Commercial Use on Phonographs in Homes. Mfr. & Original Purchaser Have Agreed This Record Shall Not Be Resold Or Used For Any Other Purpose. See Detailed Notice on Envelope."⁷² And, for even greater effect, "These later records were inclosed [sic] in envelopes which even more clearly gave notice of the same limitations."⁷³

Judge Learned Hand wrote the opinion of the court. As did the *Waring* court, he considered the possibility that such restrictive notices would be unenforceable restraints upon chattels, stating: "Restrictions upon the uses of chattels once absolutely sold are at least prima facie invalid; they must be justified for some exceptional reason, normally they are 'repugnant' to the transfer of title."⁷⁴ He went on to find that the distribution of the recordings constituted a "publication" divesting common-law rights and that

obtained through a performing rights society (e.g., the American Society of Composers, Authors and Publishers -- ASCAP) and defendant WDAS had an ASCAP license.

⁶⁸ 194 A. 631, 638.

⁶⁹ Prior to January 1, 1978 -- the effective date of the 1976 Act -- copyright protection was provided under state common law for many kinds of unpublished works and under federal law for published works.

⁷⁰ The *Waring* court cited the leading "misappropriation" opinion, *International News Service v. Associated Press*, 248 U.S. 215 (1918) for this aspect of the case. 194 A. 631, 638.

⁷¹ 114 F.2d 86, 87.

⁷² *Id.*

⁷³ *Id.* This may be one of the first reported uses of a wrapping license similar to that of the "shrink-wrap" license so commonly found today with computer software programs. See *infra* text accompanying notes 139-45.

⁷⁴ 114 F.2d 86, 89.

"we see no reason why the same acts that unconditionally dedicate the common-law copyright in works copyrightable under the act, should not do the same in the case of works not copyrightable. Otherwise it would be possible, at least pro tanto, to have the advantage of dissemination of the work at large, and to retain a perpetual though partial, monopoly in it."⁷⁵

The advent of federal copyright's clear preemption of state law and its expansion of coverage to include sound recordings has made the sometimes strained distinctions between published and unpublished works irrelevant in terms of deciding whether federal copyright law applies for newly created sound recordings.⁷⁶ Copyright for sound recordings -- and all other works of authorship fixed in a tangible medium of expression -- is no longer dependent upon a determination of whether publication has occurred.⁷⁷ Under the 1976 Act,

all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.⁷⁸

With federal preemption of sound recording copyright, a state's attempt to enforce a restrictive notice purporting to prohibit public performance of such works may fail because the state would be granting rights to copyright owners equivalent to copyright that Congress had

⁷⁵ *Id.* Judge Hand thus anticipated broad federal preemption in the field of copyright. 17 U.S.C. §301(a) now provides that "all legal or equitable rights that are equivalent to any of the exclusive rights under copyright" are preempted by federal law. *See also*, *Goldstein v. California*, 412 U.S. 546 (1973). Until February 15, 2047, state law may continue to protect sound recordings fixed before February 15, 1972. 17 U.S.C. §301(c).

⁷⁶ Sound recordings were first protected by federal copyright by the Sound Recording Amendment of 1971, which became effective February 15, 1972.

⁷⁷ However, in contrast to the rights granted with respect to literal reproduction of published and unpublished sound recordings alike, copyright does not include any right of performance in sound recordings under the 1976 Act, 17 U.S.C. §114(a).

⁷⁸ 17 U.S.C. §301(c).

explicitly excluded from copyright's monopolies.⁷⁹ However, it has been advocated that states should be permitted "to extend protection to works of authorship which Congress could have but chose not to extend copyright to, where protection of such works will not conflict with rights granted under the Copyright Act or other important objectives (e.g., permitting copying of works in the public domain)."⁸⁰ Because Congress set clear limits on the extent of protection of sound recordings, preemption would be more likely to occur with respect to sound recordings than to works of authorship that are seemingly outside of current copyright law such as typeface designs.

2. *Estate of Hemingway v. Random House* and Oral Works.⁸¹

Common-law copyright survives in at least one area -- unfixed, oral comments. Works of authorship, unfixed in any tangible means of expression, are probably outside the scope of "Writings" in the Copyright Clause of the Constitution. Therefore, unfixed oral works almost certainly still remain protectible under state copyright law.⁸²

Common-law protection for oral works may be the only area in the copyright field where a court has suggested that a version of a nonstatutory restrictive notice is necessary, or at least appropriate, in order to retain rights.⁸³ In *Estate of Hemingway v. Random House*, Judge Fuld wrote that a speaker might "indicate that he intended to mark off the utterance in question from the ordinary stream of speech, that he meant to adopt it as a unique statement and that he wished to exercise control

⁷⁹ But a state may govern how contracts relating to transfer of copies are enforced. See *infra* text accompanying notes 142-43.

⁸⁰ W. PATRY, *LATMAN'S THE COPYRIGHT LAW* 79 (6th ed. 1986).

⁸¹ 23 N.Y.2d 341, 296 N.Y.S.2d 771, 244 N.E.2d 250 (Ct.App. 1968).

⁸² "Although there are no decisions directly so holding, it would seem that in order for a work to constitute a writing it must be embodied in some tangible form." Nimmer, §1.08[C], p. 1-49. Cf. *Falwell v. Penthouse International*, 521 F. Supp. 1204 (W.D. Va. 1981).

⁸³ Restrictive notices can be valuable in maintaining -- and proving -- trade secret rights. See, e.g., *Koch Engineering Co., Inc. v. Faulconer*, 610 P.2d 1094, 1099 (Kan. 1980) (documents bearing "restrictive notices of confidentiality" such as "This report is confidential! It must never leave the premises of the company and is to be kept under lock. If you advise customers, do not tell all the reasons why."); *Amoco Production Co. v. Lindley*, 609 P.2d 733, 743 (Okla. 1980) (discussion of effect of stamping user's manuals as "confidential"); *J.T. Healy & Son, Inc. v. James A. Murphy & Son, Inc.*, 260 N.E.2d 723 (Mass. 1970) (no trade secret where, *inter alia*, no written notice to employees of claimed trade secrets had been undertaken).

Other state statutory or common-law rights analogous to copyright, but not equivalent to it, such as the rights of publicity and privacy, are not linked to publication of notices.

over its publication."⁸⁴ The inherent difficulties in proving that a speaker had properly marked off which comments were protected -- indeed, whether the speaker had done so at all -- make the suggestion impractical. Professor Nimmer observed, ". . . to require that the speaker 'indicate' that he claims copyright is to create the need for a kind of oral copyright notice that is difficult to justify."⁸⁵

E. License-Grant Notices

License-grant notices⁸⁶ typically are not restrictive notices, as the term is used in this article, because they usually utilize the notice technique for the purpose of granting certain rights under copyright, not to expand them beyond copyright.⁸⁷ But license-grant notices are similar to restrictive notices because they purport to establish by means of a notice the legal ground rules between copyright owner and copyright user. Finding a means of maintaining copyright while giving some rights away to a selected class of persons is the problem for drafters of license-grant notices.

Litigation in these circumstances appears to be rare. Speculatively, this infrequency of litigation could be caused by (i) the relative rarity of license-grant use, (ii) the possibility that a copyright owner would be

⁸⁴ 23 N.Y.2d 341, 349, 296 N.Y.S.2d 771, 779, 24 N.E.2d 250, 256 (Ct.App. 1968).

⁸⁵ Nimmer, §2.02, p. 2-21.

⁸⁶ See *supra* text accompanying note 16.

⁸⁷ A notice similar to a license-grant notice is found in copies of the JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A.: "Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by the Copyright Society of the U.S.A. for users registered with the Copyright Clearance Center (CCC) Transactional Reporting Service, provided that the base fee of \$2.00 per article is paid directly to CCC, 27 Congress St., Salem, MA 01970." The CCC collects money from photocopyists for the benefit of copyright holders. However, the requirements of user and publisher registration significantly distinguish this notice from license-grants directed at persons who have made no contractual commitment to the license terms. Establishing a payment relationship between photocopyists and publishers is a difficult task and some unauthorized photocopying is justified under fair use. As of this writing, litigation is in progress between the CCC and Texaco in which underreporting of photocopying is alleged. See *American Geophysical Union v. Texaco, Inc.* (S.D.N.Y.), 32 BNA PAT. TRADEMARK & COPYRIGHT J. 197 (June 19, 1986).

held to have waived the right to assert some claims,⁸⁸ (iii) persons publishing license grants being unlikely to bring infringement actions, or (iv) a high level of compliance with the license grants (although the incidence of this factor seems most improbable). However, license-grant notices have been highlighted in a few cases and their use by copyright owners continues.

1. *Diamond v. Am-Law Publishing Corp.*⁸⁹

John Diamond, an attorney, demanded that *The American Lawyer*, a monthly magazine of legal affairs, print a retraction and an apology for statements the publication had made about him. *The American Lawyer's* editor invited Diamond to write a letter for publication. In the first paragraph of a nine-paragraph letter, Diamond wrote, "You are authorized to publish this letter but only in its entirety."⁹⁰ Nevertheless, the publication printed only excerpts from Diamond's letter. Diamond sued the publication for copyright infringement and various state law claims.⁹¹

The trial court wrote, "Although plaintiff purported to set forth the condition in his letter that only the entire letter could be published, it would appear clear that plaintiff had no right to impose such a condition."⁹²

In an opinion limited to the federal copyright question, the Second Circuit held that the publication had a fair use right to publish the letter, largely because of the news value of Diamond's comments. In reviewing the 1976 Act's third fair use factor enumerated in Section 107, "the amount and substantiality of the portion used,"⁹³ the court noted that "because Diamond claims too little of his letter was published. . ." the case "differs from the typical copyright case in which the plaintiff claims

⁸⁸ See *infra* text accompanying notes 98-101.

⁸⁹ 745 F.2d 142 (2d Cir. 1984).

⁹⁰ *Id.* at 145-146.

⁹¹ The state law claims included the torts of injury to professional reputation and invasion of privacy.

⁹² ¶25,627, C.C.H. COPR. L. DEC. 18,823, 18,825 (S.D.N.Y. 1984).

⁹³ 17 U.S.C. §107(3). The other statutory factors are (1) "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes," (2) "the nature of the copyrighted work," and (4) "the effect of the use upon the potential market for or value of the copyrighted work." Other factors have been considered by the courts, including a first publication right (*Harper & Row v. The Nation*, 105 S.Ct. 2218 (1985)) and good faith (*Fisher v. Dees*, 794 F.2d 432 (9th Cir. 1986); *Roy Export Co. v. Columbia Broadcasting System, Inc.*, 503 F. Supp. 1137 (S.D.N.Y. 1980); *aff'd*, 672 F.2d 1095 (2d Cir. 1982); *cert. denied*, 459 U.S. 826 (1982)).

infringement because too much was reproduced." Without dealing with the impact of Diamond's restrictive notice in detail, the court implicitly found it to have no effect in the face of a valid fair use claim. Because restrictive notices so often purport to prohibit copying in all circumstances, the fair use right could cease to exist if restrictive notices were held to transcend its application.⁹⁴

2. *Public Affairs Associates, Inc. v. Rickover*⁹⁵

Admiral Hyman G. Rickover distributed copies of his speeches to the press and others. Copies of certain early speeches were distributed without restriction. "There is no effort shown to protect the author's private right in any way, no limitation upon who might obtain copies. That these speeches were open to the entire world could not have been more clearly manifested unless the author had printed upon the copies, 'All claims to copyright waived.'"⁹⁶

But copies of later speeches "bore this sort of notice: 'Copyright 1958, H.G. Rickover. No permission needed for contemporaneous press use. Above copyright notice to be used if most of speech reprinted.'"⁹⁷

The copyright notice segment of the notice text was held to be valid. The publisher in the case (who had brought a declaratory judgment action to establish its unrestricted right to publish the admiral's speeches) claimed that the terms of the additional restrictive notice were vague, "particularly 'contemporaneous' and 'press', and for this reason the entire copyright is invalid." However, the court wrote,

⁹⁴ In Yankwich, *What Is Fair Use?*, 22 U. CHI. L. REV. 203 (1954), it was argued, at a time when fair use was a judicial doctrine and not part of the 1909 Act, that "writers in the fields of ideas -- political, social, scientific and other -- have been cowed into the belief that a reasonable use of copyrighted materials of others in the same field is not safe without permission from the owners of copyright. . . . The condition has been aided by the policy adopted by publishers of inserting, after the copyright notice, statements in substance as follows: 'All rights in this book are reserved. No part of the book may be used or reproduced in any manner whatsoever without written permission except in the case of brief quotations embodied in critical articles and reviews.'" [At 203.] Judge Yankwich later stated, at 214, "The publisher cannot, either by the type of notice which has been reproduced [see above]. . . , or by others which limit quotations in reviews to 250 or 500 words, delimit the scope of use to be made. What is 'fair use' is to be determined by judicial criteria, not by copyright owner's fiat."

⁹⁵ 284 F.2d 262 (D.C.Cir. 1960), *judgment vacated and further proceedings directed*, 369 U.S. 111 (1962), *on remand*, 268 F. Supp. 444 (D.D.C. 1967).

⁹⁶ 284 F.2d 262, 271.

⁹⁷ *Id.*

No authority is cited for these contentions. The argument fails to distinguish between a valid and sufficient notice followed by additional, perhaps questionable, limitations and a notice which fails to comply with the specific requirements of §19. There is not much merit to appellant's contention that the condition is vague or improper, but in any event the existence of the admittedly valid notice preserves all rights and the contemporaneous granting of limited permission to use the work, whether valid or not, has no effect on the validity of the underlying and fully preserved right.⁹⁸

Therefore, the enforceability of the restrictive notice was not directly tested and rights not involving "contemporaneous press use" were reserved under copyright. A loosely worded license-grant notice, it seems, is not fatal to copyright in areas safely away from the zone of the license grant.

In this context, Professor Nimmer commented on

the more difficult question as to whether a statement unconditionally granting the right to exercise all rights under the Copyright Act will invalidate the copyright notwithstanding the presence of a proper copyright notice. There is the further question as to whether a conditional consent is binding upon the copyright owner with respect to such uses as come within the scope of the consent. It would seem that such consents (either conditional or unconditional) would in no event invalidate the copyright, but that the proprietor would be estopped from obtaining a judgment against any person who reasonably relied upon such a statement of consent.⁹⁹

Under this reasoning, an end user may rely on the notice he or she reads -- this seems only fair -- and the license-grant publisher runs the

⁹⁸ 284 F.2d 262, 272.

⁹⁹ Nimmer, §7.15, at 7-110.

¹⁰⁰ Some license-grant notices are exceedingly broad. The computer software trade organization, ADAPSO, distributes a flyer entitled "Thou Shalt Not Dupe" which says "Copyright © ADAPSO, 1984. We encourage you to reproduce and distribute copies of this brochure."

No mechanism exists under the Copyright Act by which works can immediately and definitively enter the public domain. Finding a work that lacks a copyright notice does not insure that a potential republisher can rely upon that work being within the public domain because 17 U.S.C. §405(a) establishes three situations in which the omission of a copyright

risk of losing the ability to assert successfully claims for copyright infringement in borderline cases.¹⁰⁰ Having prepared the license grant, it is fitting for the publisher to bear the burden of poor draftsmanship.¹⁰¹

3. Shareware

Computers linked by modems and telephone lines constitute a new and valuable means of disseminating information and computer programs. Some program copyright owners prefer to distribute their works via computer networks where their programs are stored in central computers. Users can "download" the software, capturing the works on their own diskettes.

In addition to paying the computer network service that provides the central computer and linkup, the end user is often asked to pay a separate "shareware" fee directly to the program's copyright owner. The request for payment appears at the start-up of the program.

Red Ryder, a popular communications program, includes this gentle, cajoling appeal to the end user:

(c) Copyright 1985, The FreeSoft Company, Version 5.00 March 15, 1985. This program is distributed with the following user-supported philosophy:

- A) That the value and utility of software is best assessed by the user on his/her own system.
- B) That the creation of quality personal computer software can and should be supported honestly by the computing community.
- C) That copying of programs should be encouraged rather than restricted so that the best programs will survive and their authors prosper purely on the basis of their quality and usefulness.

If you find this program useful and would like to encourage this method of commercial distribution, please register this copy by sending a check or money

notice does not invalidate the copyright in a work (where "the notice has been omitted from no more than a relatively small number of copies or phonorecords distributed to the public"; where "registration for the work has been made before or within five years after publication without notice, and a reasonable effort is made to add notice to all copies or phonorecords that are distributed to the public after the omission has been discovered"; or where "the notice has been omitted in violation of an express requirement in writing that, as a condition of the copyright owner's authorization of the public distribution of copies or phonorecords, they bear the prescribed notice").

¹⁰¹ See generally, *Cardinal Industries, Inc. v. Anderson Parrish Associates, Inc.*, 125,946 C.C.H. COPR. L. DEC. (M.D. Fla. 1986), where a copyright owner's "active persuasion" of defendant to use architectural plans was held to constitute estoppel of later copyright infringement claim.

order for \$40 to: The FreeSoft Company, 10828 Lacklink, St. Louis, MO 63114. You will receive the latest version of this program as well as all new utilities and documentation, and future notice of all updates and enhancements to RED RYDER.

"Shareware" notices seem analogous to "offers for unilateral contracts,"¹⁰² e.g., offers of rewards or prizes. These license-grant notices should be considered binding upon the party publishing them. An end user should be able to invoke the defense of estoppel where the end user relies on the notice and the copyright owner, perhaps churlishly, objects.¹⁰³

Online shareware is, in a sense, distributed directly from the copyright holder to the end user because the network does not physically possess the "copies" that the end-user obtains (just the copy stored in the central computer) and privity between the parties conceivably could be found. Unlike the situation with respect to mass-marketed software -- where the copies are prepared by authority of the copyright owner -- the first sale doctrine should not be a barrier to enforceability of online shareware licenses because the creation of a copy and whether it is "lawfully made"¹⁰⁴ at the moment of creation are controlled by compliance with the contract between the copyright owner and the end-user.¹⁰⁵ Nonetheless, on a practical level, end-user compliance with the shareware system is truly based on the honor system because detection and enforcement of breached shareware terms would be prohibitively expensive in many cases.

F. Claims of Noninfringement

If a copyright owner cannot expand his or her rights by means of a restrictive notice, it would be ironic and unfair if an infringer could

¹⁰² See generally *Wachtel v. National Alfalfa Journal Co.*, 190 Iowa 1293, 176 N.W. 801 (1920); RESTATEMENT (SECOND) OF CONTRACTS, §45 (Option Contract Created by Part Performance or Tender). Cf. *id.* §90 (Promise Reasonably Inducing Action or Forbearance).

¹⁰³ On estoppel in copyright cases generally, see *Nimmer*, §13.07, at 13-133-135.

¹⁰⁴ See 17 U.S.C. §109(a) at note 35, *supra*. But much shareware is distributed on floppy magnetic disks and not online.

¹⁰⁵ Manifestation of assent could be established with respect to shareware, particularly if the end user has actual knowledge of the notice before obtaining the program. Policy considerations favor this efficient and trusting method of distribution. See *infra* text accompanying notes 116-45 on questions relating to enforceability of contract terms. See also *Henry Bill Publishing Co. v. Smythe*, 27 Fed. 914 (C.C.S.D. Ohio 1886) concerning the applicability of the first sale doctrine where agents -- rather than wholesalers and retailers -- were employed to sell the copies.

escape or diminish a claim of infringement by using that technique. Nonetheless, one case contained facts suggesting that a kind of mirror-image restrictive notice could have that effect.

In *United States v. Wise*,¹⁰⁶ defendant Wise, operator of the Hollywood Film Exchange, sold used motion picture prints to collectors and was found guilty with respect to those prints which had not been subject to a "first sale." Without further analysis on the point, in describing defendant's advertisements of motion pictures offered for sale, the court wrote: "Use of the films was restricted to home use in accordance with a provision on each list. '16 and 35 mm. used film for sale. Sold from one private collector to another for home showings only. No rights given or implied'."¹⁰⁷

Although an infringer's notice might conceivably be considered by a court in order to determine willfulness,¹⁰⁸ there is no clear authority known to this writer for the notion that an infringer can control use of infringing copies by means of restrictive notices or that infringement could thereby be excused.

G. *Limits of Copyright and Restrictive Notices*

If the rights of a copyright owner could be unilaterally enlarged by so simple a device as the restrictive notice, the copyright statute would cease to have meaningful limits. Could not a copyright owner effectively extend a copyright's duration to the life of the author plus one hundred and fifty years,¹⁰⁹ or proclaim that a work's ideas as well as its expression were protected?

The quid pro quo of copyright protection, as with patents, is that a copyright owner must accept the bargain -- copyright protection is inherently and fittingly tied to its limitations. Fair use, copyright dura-

¹⁰⁶ 550 F.2d 1180 (9th Cir. 1977), *cert. denied*, 434 U.S. 929 (1977).

¹⁰⁷ *Id.* at 1184. This kind of notice is still commonly seen in advertisements for motion picture collectors in publications such as *The Big Reel*. The defendant in *Wise* avoided criminal liability for infringement of copyrights in motion pictures where a valid first sale existed, but was guilty where certain motion pictures were merely loaned.

¹⁰⁸ 17 U.S.C. §506 states that "Any person who infringes a copyright willfully and for purposes of commercial advantage or private gain. . ." has committed an act of criminal copyright infringement and 17 U.S.C. §504(c)(2) permits an increased award of statutory damages in a case where the court finds that the "infringement was committed willfully."

¹⁰⁹ Under the 1976 Act, duration of copyright is generally the life of the author plus fifty years. See 17 U.S.C. §§302-305.

tion, and phonorecord and cable television compulsory licenses are among the conspicuous examples of copyright's boundaries.¹¹⁰

In the patent law, a patentee may be found guilty of "patent misuse" or illegal extension of the patent right where a patent is improperly used -- as in tying use of the patented invention to purchases of unpatented articles.¹¹¹ Patent cases also hold that license agreements resting solely on patents rather than trade secrets -- and obligations to pay royalties -- terminate upon expiration of the patents.¹¹²

As *Bobbs-Merrill*¹¹³ illustrated, the copyright monopoly does not permit an owner to exaggerate the zone of copyright ownership by utilizing restrictive notices. Although copyright grants proprietors the power to control certain uses of their works of authorship, this leverage cannot be used in order to self-extend the limits of copyright.¹¹⁴ Ultimately, a limited monopoly is just that.

¹¹⁰ See *April Productions v. G. Schirmer, Inc.*, 308 N.E.2d 283, 287 (N.Y. 1955), which held that the obligation to pay copyright royalties on use of musical compositions terminated with the expiration of the underlying copyrights.

¹¹¹ On the doctrine of patent misuse, see generally *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917); *Dawson Chemical Co. v. Rohm and Haas Co.*, 448 U.S. 176 (1980). 35 U.S.C. §271(d) describes certain situations in which the patent owner shall not be denied relief or deemed guilty "of misuse or illegal extension of the patent right." Misuse and illegal extension of the patent right are, therefore, implicitly recognized in the statute although not defined. See also *Automatic Radio Mfg. Inc. v. Hazeltine Research, Inc.*, 339 U.S. 827, 835 (1950).

¹¹² *Brulotte v. Thys Co.*, 379 U.S. 29, 32-33 (1964), the Court concluded "that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*. If that device were available to patentees, the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there". See also *Petersen v. Fee International, Ltd.* 381 F. Supp. 1071 (W.D.Okla. 1974).

"In the absence of anything to the contrary, a license under a patent is implicitly coextensive in time and territory with the patent." *DELLER'S WALKER ON PATENTS*, §410, at 644 (2d ed.). See also *Graham v. John Deere Co.*, 383 U.S. 1, 5-10 on Article 1, Section 8's limited grant of power to Congress with respect to patents.

¹¹³ See *supra* text accompanying notes 29-38. Note also *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191, 197 (1931), "It is true that control of the sale of copies is not permitted by the Act, but a monopoly is expressly granted of all public performances for profit." Copyright's limitations are part of the monopoly.

¹¹⁴ In the case of negotiated and signed agreements, many restrictions beyond those of copyright are commonplace. Examples abound. Many record company contracts for established artists contain provisions on advertising commitments, prominence of performers' names on record jackets, selection of record producer, artistic control over the production, title of the album,

The limits of copyright still leave open one possibility for enforcing restrictive notices -- they could be enforceable where their terms do not directly conflict with the terms of the copyright statute and where the claimed legal obligation is based on contract rather than copyright. Under this theory, a restrictive notice purporting to extend the duration of copyright would be invalid, but a notice provision prohibiting destruction of the copy by the end user might, arguably, be enforceable. The issue was left unanswered by *Bobbs-Merrill*. Would a *Bobbs-Merrill* price restriction on copies be enforceable under a contract theory?¹¹⁵ Suspending consideration of the implications of a division between the overt copyright aspects and the more subtle ones, for the enforceability of such provisions one must look to contract principles.

V. OBLIGATIONS AND RIGHTS—CONTRACT AND OTHER LAWS

A. "Notices of Adhesion"

In a society filled with signs, warnings, form contracts, and notices of a seemingly endless variety, the restrictive notices on copyrighted works hardly stand out. Indeed, consumer product warnings as to use or ingredients are familiar sights.¹¹⁶

One motivation for warning notices is, without doubt, the desire of product manufacturers to avoid tort claims.¹¹⁷ Dean Prosser wrote, "The seller is entitled to have his due warnings and instructions followed; and when they are disregarded, and injury results, he is not liable."¹¹⁸

In common practice, warning notices are often of an advisory nature (e.g., "KEEP OUT OF REACH OF CHILDREN" on drug bottles).

etc. Whether justified on the basis of the performers' services being provided under contract or the copyright interests in the recordings, parties are free to negotiate additional conditions as part of the bargain involving assignments, licenses, or work-made-for-hire.

¹¹⁵ If one assumes that antitrust and fair trade laws were not applicable.

¹¹⁶ Cigarette advertisements perhaps best illustrate the incongruity of warnings and salesmanship. All cigarette advertisements in the United States carry, along with the pictures of robust cowboys or glamorous women, one of a series of warnings such as "SURGEON GENERAL'S WARNING: Smoking Causes Lung Cancer, Heart Disease, Emphysema, and May Complicate Pregnancy" and "SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide."

¹¹⁷ See, among numerous examples, *Watson v. Uniden Corporation of America*, 775 F.2d 1514 (11th Cir. 1985). See also *National Republican Congressional Committee v. Legi-Tech Corp.*, 795 F.2d 190 (D.C. Cir. 1986).

¹¹⁸ W. PROSSER, *HANDBOOK OF THE LAW OF TORTS* §102 at 669 (4th ed. 1971).

Sometimes they may state legal rights accurately (e.g., "NO HUNTING" and "NO TRESPASSING").¹¹⁹

If restrictive notices were merely warnings or advisories of tort risks or potential liabilities, we need not consider their enforceability under contract principles. The consumer may disregard the warning to keep drugs away from children. The consequence of violating the warning may be physical injury, but not breach of a consumer's contractual obligation to the manufacturer.

But some of the statements of rights¹²⁰ and all of the license agreements¹²¹ purport -- some by express terms, some by implication -- to have legal effect and they order the copyright consumer to behave in certain ways. Unlike the drug bottle warning above, many restrictive notices contain detailed instructions and suggest legal liability if the instructions are not followed.

A videocassette goes a step beyond mere warning when it says "ANY UNAUTHORISED COPYING. . . IS STRICTLY PROHIBITED." And a computer software program license agreement which begins with "This legal document is an agreement between you, the end user, and Microsoft Corporation"¹²² leaves nothing to the imagination about the notice writer's intentions and the end user's supposed obligations.

Because there is rarely any manifestation of end-user assent and never any negotiations regarding the text of restrictive notices, such notices should be regarded as even less enforceable than contracts of adhesion. These notices of adhesion¹²³ satisfy all but one of the seven characteristics which define a contract of adhesion, as set forth by Professor Rakoff:

- (1) The document whose legal validity is at issue is a printed form that contains many terms and clearly purports to be a contract.

¹¹⁹ Sometimes these two styles of warning notices -- advice and statements of legal rights -- can be mixed. An aphorism about drivers in the author's home state of Massachusetts says that the yellow traffic light means to speed up and red is merely an advisory.

¹²⁰ See *supra* text accompanying notes 7-11.

¹²¹ See *supra* text accompanying notes 12-14.

¹²² See *supra* text accompanying notes 12-13 (the Microsoft License Agreement preamble).

¹²³ A line between restrictive notice categories of statements of rights and license agreements is not always easily drawn. Many statements of rights are truly closer to warnings than they are to contracts; some are more like contracts in structure. But in the interest of simpler terminology, the term "license agreement" is used occasionally in this Section V to identify the intended contractual nature of some restrictive notices, even if a particular notice is arguably a statement of rights.

- 2) The form has been drafted by, or on behalf of, one party to the transaction.
- (3) The drafting party participates in numerous transactions of the type represented by the form and enters into these transactions as a matter of routine.
- (4) The form is presented to the adhering party with the representation that, except perhaps for a few identified items (such as the price term), the drafting party will enter into the transaction only on the terms contained in the document. This representation may be explicit or may be implicit in the situation, but it is understood by the adherent.
- (5) After the parties have dickered over whatever terms are open to bargaining, the document is signed by the adherent.
- (6) The adhering party enters into few transactions of the type represented by the form -- few, at least, in comparison with the drafting party.
- (7) The principal obligation of the adhering party in the transaction considered as a whole is the payment of money.¹²⁴

Contracts of adhesion are sometimes considered suspect because of the gross inequality of the bargaining positions of the contract drafter and the "adhering party."¹²⁵ Except for the fact that the end user is not asked to indicate his or her assent to the terms of a restrictive notice¹²⁶ -- and this should lessen any legal obligation -- Professor Rakoff's list well suits restrictive notice/license agreements.

It is a basic tenet of contract law that a party must assent to a con-

¹²⁴ Rakoff, *Contracts of Adhesion: An Essay in Reconstruction*, 96 HARV. L. REV. 1174, 1177 (1983). See also Kessler, *Contracts of Adhesion - Some Thoughts About Freedom of Contract*, 43 COLUM. L. REV. 629 (1943).

¹²⁵ Professor Rakoff goes a step further than many commentators by writing, "quite contrary to 'ordinary' contract law, the form terms present in contracts of adhesion ought to be considered presumptively (although not absolutely) unenforceable." 96 HARV. L. REV. 1174, 1176. See generally, Kessler, *Contracts of Adhesion - Some Thoughts About Freedom of Contract*, 43 COLUM. L. REV. 629 (1943); Slawson, *Standard Form Contracts and Democratic Control of Lawmaking Power*, 84 HARV. L. REV. 529 (1971); LLEWELLYN, *THE COMMON LAW TRADITION: DECIDING APPEALS* 362-371 (1960).

¹²⁶ Some "shrink-wrap" licenses purport to convert an action that the end-user would do anyway (opening the package) into an indication of contractual assent. Some license agreements are printed on envelopes bearing adhesive seals which relate to the much longer text of the license agreements, as in one example, "By opening this packet, you indicate your acceptance of the Microsoft License Agreement."

tract in order to be bound by it. Except under special circumstances, "the formation of a contract requires a bargain in which there is a manifestation of mutual assent to the exchange and a consideration."¹²⁷

Conduct can be a manifestation of assent, according to Section 19 of the Restatement (Second) of Contracts:

(1) The manifestation of assent may be made wholly or partly by written words or spoken words or by other acts or by failure to act.

(2) The conduct of a party is not effective as a manifestation of his assent unless he intends to engage in the conduct and knows or has reason to know that the other party may infer from his conduct that he assents.

(3) The conduct of a party may manifest assent even though he does not in fact assent. In such cases a resulting contract may be voidable because of fraud, duress, mistake, or other invalidating cause.

With the possible exception of the act of opening a software shrink-wrap package,¹²⁸ the typical copyright consumer does not manifest assent to the license agreement contained with the work through either signing or conduct.¹²⁹ The sale of the copyrighted work is nearly always made -- whether in a store, by mail order, or otherwise -- without the

¹²⁷ RESTATEMENT (SECOND) OF CONTRACTS, §17. The exceptions, which seem inapplicable to restrictive notices, are the "special rules applicable to formal contracts or under the rules stated in §§82-94."

¹²⁸ See note 126, *supra*.

¹²⁹ With respect to "Standardized Agreements" the RESTATEMENT (SECOND) OF CONTRACTS, §211, states:

(1) Except as stated in Subsection (3), where a party to an agreement signs or otherwise manifests assent to a writing and has reason to believe that like writings are regularly used to embody terms of agreements of the same type, he adopts the writing as an integrated agreement with respect to the terms included in the writing. [Emphasis added].

(2) Such a writing is interpreted wherever reasonable as treating alike all those similarly situated, without regard to their knowledge or understanding of the standard terms of the writing.

(3) Where the other party has reason to believe that the party manifesting such assent would not do so if he knew that the writing contained a particular term, the term is not part of the agreement.

Illustration 2 in the Comments to the Second Restatement is applicable to the restrictive notice situation:

A pays ten cents and checks a parcel in a parcel room in a bus terminal, and receives a parcel check three inches long and two and one-half

purchaser seeing a restrictive notice prior to the transaction.¹³⁰ Therefore, restrictive notice license agreements as defined herein should not be held enforceable under contract law.

Shareware license agreements still would be valid under this analysis, so long as the notice is conspicuous and the license deals with the cost and method of rightfully acquiring a copy of the program. The consumer has a reasonable expectation of paying a fee in this situation; the copyright proprietor is entitled to payment.

Even if the contract formation issues relating to restrictive notice/license agreements were contracts and assent were somehow overcome -- and a contractual relation established -- they should be held unenforceable on the basis of public policy. To encumber the vast number of copyright consumers -- who purchase so many millions of books, recordings, videocassettes, magazines, and other products of the copyright industries -- with special conditions imposed, in effect, arbitrarily and unilaterally by copyright owners and dealers of copyrighted works would improperly and unnecessarily restrict reasonable consumer expectations toward use of copyrighted works.¹³¹ Where the contract conditions con-

inches wide. The check bears an identifying number and the word "contract", both conspicuous, and contractual terms in fine print, but A does not read it or know of the terms until later. The terms are not part of the checking agreement.

The broadness of §211, and the limited exception, is questionable to those who favor limiting the enforceability of contracts of adhesion. See Slawson, *The New Meaning of Contract: The Transformation of Contracts Law By Standard Forms*, 46 U. PITT. L. REV. 21, 60-64 (1984).

¹³⁰ WILLISTON ON CONTRACTS (3d ed.) §90E, says:

Attempts have been made by manufacturers to apply. . . [the binding notice] principle to sales of merchandise so as to bind any purchaser by some sort of contract. As between the original parties to a sale and in the absence of statutes [citing *Bobbs-Merrill v. Straus*], this seems possible. Thus, if the terms of an agreement with the seller are plainly stamped on a machine, a contract between the buyer and seller to observe those terms may arise, when the buyer accepts delivery of the machine.

Whether a statement so printed upon a machine or book can create a contract between any subsequent purchaser of the article and the original seller seems very doubtful. There would seem, however, no difficulty in the seller's making a general offer to all the world in this way, to be accepted by taking ownership in the property, provided consideration could be found for the promise of the purchaser, and also such communication to the promisee as is necessary for a contract. . . [B]ut if the ultimate buyer has no reason to suppose that his seller has any interest in the words stamped or printed by the original seller, there seems little reason to infer that an offer is either made or accepted.

¹³¹ See *supra* text accompanying note 1 for the text of a book's notice illustrating some of the problems in drafting restrictive notices.

cern the rights granted by copyright, it is the copyright law, not hidden or inconspicuous restrictive notice "contracts," which should mark the boundaries of consumer copyright use.

B. *Shrink-Wrap License Agreements*

Merely labeling a restrictive notice a "license agreement" and embellishing its details should not make it binding upon end users. However, in the computer industry, many software proprietors include shrink-wrap licenses which would, by their terms, so obligate end users. The doubtful enforceability of these license agreements has been discussed by several commentators.¹³²

The doubts center on (i) a failure of contract formation (the claimed assent by breaking the seal occurs after the transaction is complete¹³³ -- a condition subsequent), (ii) applicability of the first sale doctrine (a software program typically is sold -- or "licensed" in computer software parlance -- to a wholesaler and/or dealer who in turn sells/licenses the software to the end user and this transaction, if indeed a sale, may cut off privity in contract and, therefore, the copyright holder's ability to impose license conditions¹³⁴), and (iii) the notion that they are contracts of adhesion and unconscionable.¹³⁵

It has been suggested that these license agreements could be enforceable if, notwithstanding their drafters' characterization of such transactions as licenses,¹³⁶ courts were to apply Article 2 of the

¹³² See Einhorn, *The Enforceability of "Tear-Me-Open" Software License Agreements*, 67 J. PAT. AND TRADEMARK OFF. SOC'Y 509 (1985); Bahler, *Shrink-Wrapped Software Agreements*, 8 LICENSING L. AND BUS. REP. 37 (Nov.-Dec. 1985); Davidson, *"Box-top" Software Licenses*, 41 BENCH & BAR OF MINN. 9 (1984).

¹³³ See generally, bailment ticket cases, *Healy v. New York Central & H.R.R. Co.*, 153 App. Div. 516, 138 N.Y.S. 287; *aff'd per curiam*, 210 N.Y. 646, 105 N.E. 1086 (1914); *Klar v. H&M Parcel Room, Inc.*, 270 App. Div. 538, 61 N.Y.S.2d 285 (1946), *aff'd*, 296 N.Y.S.2d 1044, 73 N.E.2d 912 (1947).

¹³⁴ See Einhorn, note 132, *supra*, at 520 and the discussion of the first sale doctrine *supra* text accompanying notes 35-49. *Cf. Murphy v. Christian Press Ass'n Pub. Co.*, 38 App. Div. 426, 56 N.Y.S. 597 (1899); *Clemens v. Estes*, 22 Fed. 899 (C.C.D. Mass. 1885).

¹³⁵ Product warranty *exclusions* are usually and properly made by notice, not by signed contracts.

In *Vault Corp. v. Quaid Software Ltd.*, not yet reported (E.D. Pa. 1987), the shrink-wrap license being considered in the case--a license not atypical of the genre--was "a contract of adhesion which could only be enforceable if the Louisiana Software License Enforcement Act ... is a valid and enforceable statute." See note 142, *infra*.

¹³⁶ Many of the shrink-wrap licenses try to have it both ways and are titled "License Agreements."

Uniform Commercial Code relating to sales. U.C.C. §2-204 states that "A contract for sale of goods may be made in any manner sufficient to show agreement, including conduct by both parties." Unconscionability under U.C.C. §2-302 applies to all U.C.C. contracts.¹³⁷ "If the court finds as a matter of law the contract or any clause of the contract to have been unconscionable at the time it was made the court may refuse to enforce the contract. . . ." ¹³⁸

A more likely, but still not certain, route to enforceability may be through state statute. Two states, Louisiana¹³⁹ and Illinois,¹⁴⁰ have enacted laws which intend to give legal effect to shrink-wrap license agreements. To the extent that such statutes provide perpetual copyright or patent-like protection -- the Louisiana law says that "prohibitions on translating, reverse engineering, decompiling, disassembling, and/or creating derivative works" are enforceable under shrink-wrap licenses -- very significant preemption problems exist with these laws fashioned for the benefit of computer software owners.¹⁴¹

Without dissecting in detail the drafting flaws of these first two state forays into the field, it is reasonable to conclude that a state should be able to escape federal preemption with carefully drawn statutes that are clearly limited to contractual dealings and which do not impinge on copyright and patent areas.¹⁴² A state may establish rules, by

¹³⁷ The Official Comment to §2-302 adds "The basic test [of unconscionability] is whether, in the light of the general commercial background and the commercial needs of the particular trade or case, the clauses involved are so one-sided as to be unconscionable." The Comment goes on to say, "The principle is one of the prevention of oppression and unfair surprise. . . and not disturbance of allocation of risks because of superior bargaining power."

¹³⁸ Cf. *Davenport Peters Co. v. Royal Globe Ins. Co.*, 490 F. Supp. 286, 291 (D. Mass. 1980) on the emerging contract doctrine of "honoring reasonable expectations."

¹³⁹ The Louisiana Computer Software Protection Act, La. Rev. Stat. 51-1961-1966, 1984 La. Acts 744.

¹⁴⁰ Software License Enforcement Act, effective July 1, 1986, Ill. S.H.A. Ch. 29, §§801-808.

¹⁴¹ See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964); 17 U.S.C. §301.

¹⁴² See generally, *Associated Film Distribution Corp. v. Thornburgh*, 683 F.2d 808 (3d Cir. 1982), *on remand*, 614 F. Supp. 1100 (E.D. Pa. 1985), *aff'd* 726,018 C.C.H. Copr. L. Dec. (3d Cir. 1986); Abrams, *Copyright, Misappropriation, and Preemption: Constitutional Statutory Limits of State Law Protection*, 1983 SUP. CT. REV. 509. The above-cited passage from the Louisiana law appears to provide perpetual state protection over the creation of derivative works based upon underlying copyrighted works. This provision was properly viewed as impermissibly invasive of the federal law under ART. 1, §8 and 17 U.S.C. §301 in *Vault Corp. v. Quaid Software Ltd.*

statute or under the common law, controlling how tangible copies of copyrighted works may be sold and what constitutes a contract, so long as these rules are not "equivalent to any of the exclusive rights within the general scope of copyright." For example, state contract law determines the enforceability of retail book sales -- under the Uniform Commercial Code and other laws governing sales.¹⁴³

Helpfully, both the Louisiana and the Illinois laws provide that a license agreement, in order to be legally binding, must be "prominently"¹⁴⁴ or "conspicuously"¹⁴⁵ called a "license," alone or in combination with other words. Confusion, at least on the part of the well-informed end user, as to which kinds of restrictive notices applied to software are enforceable, is thereby minimized.

C. *Unfair or Deceptive Acts and Practices*

If restrictive notices are, in the absence of special circumstances, unenforceable and they typically overstate the rights granted under copyright, can they constitute unfair trade practices because they may mislead consumers? At least two cases have held that misleading information contained within copyright notices violated the Lanham Act's Section 43(a),¹⁴⁶ which grants a cause of action to "any person who believes that he is or is likely to be damaged by the use of" any "false designation of origin" or "false description or representation."

In *Eden Toys v. Florelee Undergarment Co.*,¹⁴⁷ the defendant affixed

not yet reported (E.D. Pa. 1987). The Louisiana software law as held unenforceable on the basis of federal preemption, in part, because the law (i) "prohibits copying," (ii) "creates a perpetual bar against copying any computer program licensed pursuant to its provisions," and (iii) impinges on the derivative work rights dealt with by copyright. Under 17 U.S.C. §106(a) the owner of a copyright has the exclusive right, subject to certain conditions, "to prepare derivative works based upon the copyrighted work."

¹⁴³ 17 U.S.C. §301(c). The Illinois law says that "Nothing in this Act shall be construed to affect or alter any existing individual or business rights granted by the copyright laws of the United States, as now or hereafter amended, that such individual or business would have were such individual or business a purchaser of a copy of the computer software that is the subject of the license agreement." Ill. S.H.A., Ch.29, §807. More conventionally, whether possession of a copyrighted work occurs through loan or outright sale makes a considerable difference. See, e.g., 17 U.S.C. §109 and *supra* note 35 and text accompanying notes 50-60.

¹⁴⁴ §1962(2) of the Louisiana law.

¹⁴⁵ §2 of the Illinois law.

¹⁴⁶ 15 U.S.C. 1125(a).

¹⁴⁷ 697 F.2d 27 (2d Cir. 1982), *aff'g in part, rev'g & remanding in part*, 526 F. Supp. 1187 (S.D.N.Y. 1981), *on remand*, 125,626 C.C.H. COPR. L. DEC. (S.D.N.Y. 1984).

the copyright notice "© Fred Original" on its infringing products. The district court wrote, "There is no doubt about the falsity of Florelee's copyright notice. The defendant claims, through its copyright notice, that the design on its shirts is an original, copyrighted creation of an entity named 'Fred.' The image, however, is neither original nor copyrightable. This deception can mislead consumers into believing that the clothing they purchased is a unique novelty instead of a common copy."¹⁴⁸ The district court's language suggests that the incorrect copyright notice as well as the use of the word "original" would mislead consumers and violate Section 43(a). If so, the holding would be an unusual amalgam of copyright and trademark law—a Lanham Act violation for an infringer's false copyright notice.¹⁴⁹

However, the Second Circuit, in affirming the Section 43(a) claim, appears to have based its conclusion on falsely asserted originality only, "since Florelee's claim of originality clearly concerned its own product, the district court's finding of liability is affirmed."¹⁵⁰

A similar copyright notice was involved in *Greeff Fabrics, Inc. v. Spectrum Fabrics Corp.*,¹⁵¹ where a fabric design infringer published a selvaige notice reading: "An Exclusive Screen Print © 1981 by Atelier Originals, Inc. Vat Colors Scotchgard®."¹⁵² Saying the "designations of 'original' and 'exclusive' have a clear tendency to deceive", the court concluded that "consumers, in buying specified swatches, also see and may be deceived by the false legend."¹⁵³

¹⁴⁸ 526 F. Supp. 1187, 1193-94.

¹⁴⁹ Professor McCarthy commented on *Eden Toys*, "It has been indicated, albeit not with great clarity, that one who reproduces copyrighted materials without permission and substitutes defendant's name, is falsely identifying itself as the source or owner of the copyrighted material." J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION, §27:8, at 373 (2d ed.) [hereinafter "McCarthy"]. Cf. 17 U.S.C. §506(c) ("Any person who, with fraudulent intent, places on any article a notice of copyright or words of the same purport that such person knows to be false, or who, with fraudulent intent publicly distributes any article bearing such notice or words that such person knows to be false, shall be fined not more than \$2500.") Perhaps a particular restrictive notice would qualify as "words of the same purport" as a copyright notice. If the person publishing the notice knows it to be false, criminal liability is a possible result. See also 35 U.S.C. §292 which prohibits "false marking" of articles as being patented or subject to pending patent applications.

¹⁵⁰ 697 F.2d 27, 37.

¹⁵¹ 217 U.S.P.Q. 499 (S.D.N.Y. 1981).

¹⁵² *Id.* at 500.

¹⁵³ *Id.*

Though the flexible nature of Section 43(a) enables it to apply to a wide variety of situations,¹⁵⁴ it appears unlikely that a publisher would ordinarily be held liable for a restrictive notice which overstates the rights of the copyright proprietor because of barriers to standing in Section 43(a) cases. The plaintiff must show "he is or is likely to be damaged by use" of the false representation.¹⁵⁵ The inaccuracy of the notice does not seem to give the notice maker any particular competitive advantage in selling its product and a Section 43(a) claim would seem likely to be defeated, even though the notice is a "false representation".¹⁵⁶ It has also been suggested that a false assertion of a copyright may constitute a copyright misuse or business tort, but authority for the proposition is limited.¹⁵⁷

¹⁵⁴ *McCarthy*, §27:2C. Among the increasing number of cases, *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14 (2d Cir. 1976) and *Smith v. Montoro*, 648 F.2d 602 (9th Cir. 1981), help illustrate the applicability of Section 43(a) to copyright proprietors.

¹⁵⁵ See generally, *Kuddle Toy, Inc. v. Pussycat-Toy Co., Inc.*, 183 U.S.P.Q. 642 (E.D.N.Y. 1974); *Pignons S.A. de Mecanique de Precision v. Polaroid Corp.*, 657 F.2d 482 (1st Cir. 1981), *second lawsuit barred by collateral estoppel*, 701 F.2d 1 (1st Cir. 1983). Cf. *Johnson & Johnson v. Carter-Wallace Inc.*, 631 F.2d 186 (2d Cir. 1980). See also *Colligan v. Activities Club of New York, Ltd.*, 442 F.2d 686 (2d Cir. 1971), on barriers to consumer standing in Section 43(a) cases.

¹⁵⁶ Perhaps, at an extreme, a cautious potential fair user/second publisher who obeys a statement of rights in a restrictive notice which falsely claims to prohibit reproducing a work "in any form or by any means" and is thereby prevented from taking advantage of a meritorious fair use opportunity, could attempt to invoke Section 43(a).

¹⁵⁷ In *Vogue Ring Creations, Inc. v. Hardman*, 410 F. Supp. 609 (D.R.I. 1976), plaintiff published the following statement of rights in a newspaper:

"WARNING!"

To those who may copy our copyright designs, there is now pending in the U.S. DISTRICT COURT, a suit against two companies of Rhode Island for alleged infringement of copyright! The statutory penalty under the U.S. CODE TITLE #17 is under Chapter 2, #101, the first, Ten Dollars, and under the second, One Dollar for each copyrighted ring made, or sold by, or found in the possession of the infringer or his agents or employees!! The infringer is also liable for court costs and attorneys fees. We will invoke this law to its utmost!

DAVID SORGMAN, President
Vogue Ring Creations, Inc."

In considering the allegation of copyright misuse, the court found that "the warning is false and misleading in that it implies that the statutory penalty

Other state and federal laws could apply to the contractual aspects of misleading restrictive notices, assuming federal preemption did not preclude their applicability. Several states have enacted statutes based on the Uniform Deceptive Trade Practices Act.¹⁵⁸ The UDTPA prohibits its various kinds of deceptive and misleading commercial conduct.¹⁵⁹

Almost twenty states¹⁶⁰ have enacted versions of a "little Federal Trade Commission Act." Like the FTC Act, they typically broadly prohibit "unfair or deceptive acts or practices."¹⁶¹ In contrast to the FTC Act, private parties generally have the right to initiate actions under the "little FTC Acts."¹⁶²

The paradox of typical *in terrorem* restrictive notices is that, despite the terror they may be designed to invoke, they are often routinely and unthinkingly applied—and there is a low level of expected end-user adherence. Actual injury may be slight or speculative, especially if readers of restrictive notices were to obtain legal advice as to the

is mandatory, whereas it is discretionary with the court; neglects to mention the statutory limitations on such damages, 17 U.S.C. §101; and falsely states, in mandatory language, that 'The infringer is also liable for court costs and attorney's fees', which, to the contrary, are within the court's discretion. 17 U.S.C. §116. Such a misstatement standing alone, may not be sufficient to support a complaint of unclean hands. However, it may be considered in conjunction with the other allegations...." 410 F. Supp. at 616. In *Granada Television, International, Ltd. v. Lorindy Pictures International, Inc.*, 606 F. Supp. 68 (S.D.N.Y. 1984), the plaintiffs claimed that "it is a business tort to knowingly claim a copyright which does not exist. Defendants argue that no such tort exists." 606 F. Supp. at 70. The opinion does not answer the questions posed, being limited to the jurisdictional issues.

¹⁵⁸ See HANDBOOK OF THE NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS, 131-132 (1964), revised at 306-315 (1966).

¹⁵⁹ Section 2 of UDTPA provides that "A person engages in a deceptive trade practice when, in the course of his business, vocation, or occupation, he: . . . (12) engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding." A later proposal, in 1967, would broaden the UDTPA's scope to prohibit, at a state's option, either i) "unfair methods of competition and unfair or deceptive acts or practices," ii) "false, misleading, or deceptive acts or practices in the conduct of any trade or commerce," or iii) "any other act or practice which is unfair or deceptive to the consumer." Council of State Governments, 26 Suggested State Legislation, 141-52 (1970).

¹⁶⁰ McCarthy, §27.9, p. 378.

¹⁶¹ 15 U.S.C. §45(a)(1); Massachusetts Gen. Laws Ch. 93A:2(a).

¹⁶² McCarthy, §27:10, p. 381.

extent of their obligations under restrictive notices. Individual consumer action is, therefore, probably unlikely for practical reasons. Federal government action, as of this writing, may be even less likely.

It is possible to write accurate statements of rights which avoid the flaws of restrictive notices and take into account fair use, possible partial public domain status, and a work's noncopyrightable elements. For publishers who desire it, some degree of *in terrorem* effect may be retained. Here is a revised version of the restrictive notice appearing at the outset of this article:

© 1986 Protective Publisher, Inc. All rights reserved. Except as may be permitted by Sections 107–118 of the United States Copyright Act (including the “fair use” provisions) and other applicable laws, no part of the copyrighted contents of this work may be reproduced, distributed, or transmitted in any form or by any means—graphic, electronic, or mechanical, including photocopying, taping, or information storage and retrieval systems now known or as may be hereafter developed—without prior written permission of the publisher.

Numerous other equally accurate and more or less verbose variations are, of course, possible.

VI. CONCLUSIONS

What is a copyright owner to say? What is an end user to do and not to do? In the absence of a constitutional state statute expressly validating a particular form of restrictive notice on the basis of contract law, copyright owners should not be able to enforce restrictive notices.

For the benefit of copyright owners, a copyright law should meet the needs of its time and technology; protection should be comprehensive in scope and reliable.¹⁶³ And end users deserve an understandable, consistent, and practical copyright law comprised of rules that, realistically, can be followed.

¹⁶³ Professor Chafee wrote that a copyright law should seek to attain “so far as practicable. . . six ideals”. These are “complete coverage for all intellectual and artistic creations reduced to permanence; a monopoly against all forms of reproduction; international protection; absence of excessive protection for the monopoly; refusal to stifle independent creation; and legal rules convenient to handle.” Chafee, *Reflections on the Law of Copyright*, 45 COLUM L. REV. 503–29, 719–38, at 515 (1945).

Restrictive notices tend to obfuscate. To the extent that the intangible rights protected by copyright rely on public support,¹⁶⁴ unrealistic and overreaching restrictive notices can only contribute to an undermining of the public's compliance with copyright. If copyright is perceived as a set of overly complex and unenforceable rules, disrespect for copyright is a likely result.

End users have obtained a new degree of control over use of copyrighted works—and copyright owners need to encourage development of a new end-user copyright sensibility. Restrictive notices, in a small way, impede that endeavor. Copyright proprietors who wish to protect and reserve any possible rights beyond copyright may find the simple, succinct “all rights reserved” notice as neither a misstatement nor an overstatement of rights.

Although easy to publish, nonstatutory restrictive notices are not enforceable within a copyright law that ultimately determines the limits of control for copyright owners and copyright consumers. It is within copyright, not beyond it, that this control is properly apportioned.

¹⁶⁴ See Stewart, *International Copyright in the 1980s*, 28 BULL. COPR. SOC'Y 351 (1981).

120. THE SHRINK-WRAP LICENSE: Old Problems In A New Wrapper

By DAVID W. MAHER*

... (must it be our ideal to have everything wrapped in cellophane)?

Ludwig Wittgenstein:

*Remarks On the Foundations
Of Mathematics*, Rev. Ed., III, 81

I. INTRODUCTION

The "shrink-wrap" license is an intriguing development in the rapidly changing field of computer law. The use of these licenses in connection with the distribution of software has been hailed by some as a fresh solution to the problem of piratical copying of computer programs. In fact, the shrink-wrap license is simply a new version of an old approach to problems that have plagued the business world for many years.

The shrink-wrap license typically is a contract of adhesion printed in reasonably legible type on the outer wrapper of a package for a computer program that is stored on magnetic media, usually floppy disks. The license (and the package itself) however, are covered by a transparent "shrink-wrap" which allows the potential purchaser to see and read the terms of the license before purchase, or at least before removal of the outer transparent wrapping. The license states that opening the shrink-wrap will be deemed an acceptance of the terms of the license. In some cases, the purchaser may be able to remove one layer of wrapping in order to peruse the terms of the license, and is then given the opportunity to return an inner-wrapped package for a full refund if the terms of the license are not acceptable. The obligations imposed by the license typically include: no copying (or one copy only for back-up purposes), use of the program only on one device, nontransferability, and no right to disassemble or decompile the program. Disclaimers of warranties are often added.

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Two states, Louisiana and Illinois, have passed statutes which purport to legitimize and allow enforcement of the terms of shrink-wrap licenses.¹ Bills are pending at the date of writing of this article in California, Arizona, and Hawaii. The specific terms of the statutes differ, but the general thrust is as described above.

This article will examine the validity of the statutes that purport to make shrink-wrap licenses enforceable. Part II will examine the legitimacy of shrink-wrap licenses in the context of the law of equitable servitudes as it has developed in connection with chattels. Part III will consider shrink-wrap licenses within copyright law, focusing in particular on potential pre-emption of state shrink-wrap statutes, in whole or in part, by federal copyright law.²

¹ The Louisiana statute is already being tested in court. The case, *Vault Corp. v. Quaid Software, Ltd.*, CA85-2283 (E.D.La. 1985), was filed in the Federal District Court for the Eastern District of Louisiana in May 1985. A preliminary decision dismissing the suit for lack of personal jurisdiction was reversed by the Fifth Circuit. The case addresses some of the fundamental issues involved in the enforcement of shrink-wrap license legislation. The plaintiff, Vault Corporation, makes a copy protection system for software known as "Prolok." Quaid Software, Ltd., the defendant, a company in Toronto, Canada, publishes a program which defeats the copy protection systems used in several different kinds of popular software available to consumers. The lawsuit alleges that Quaid decompiled the "Prolok" program in order to produce a program called "CopyWrite," which is advertised to defeat "Prolok." A trial was held on plaintiff's motion for a preliminary injunction in April, 1986; on February 11, 1987, the District Court denied the motion on the ground that the Louisiana statute was pre-empted by federal copyright law.

² This article will not attempt to explore the impact of trade secret law on shrink-wrap licenses, a subject which has already been examined in other articles. See, e.g., Rice, *Trade Secret Clauses in Shrink-Wrap Licenses*, 2 COMP. L. 17 (1985). Also, the article will not attempt to deal extensively with the impact of the Uniform Commercial Code.

Section 2-204 of the Uniform Commercial Code will undoubtedly be appealed to as support for the validity of shrink-wrap licenses, whether under state statutes specifically providing for their validity, or under general principles of commercial law. Section 2-204 provides:

- (1) A contract for sale of goods may be made in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of such a contract.
- (2) An agreement sufficient to constitute a contract for sale may be found even though the moment of its making is undetermined.
- (3) Even though one or more terms are left open a contract for sale does not fail for indefiniteness if the parties have intended to make a contract and there is a reasonably certain basis for giving an appropriate remedy.

By its terms, section 2-204 supports the validity of shrink-wrap licenses. But the issue becomes less clear when the cases on contracts of adhesion are examined. The UCC requires that there be "conduct by both parties

II. *EQUITABLE SERVITUDES*

Almost sixty years ago, Zechariah Chafee, Jr., wrote the last word on equitable servitudes on chattels.³ Chafee's article dealt exhaustively with the efforts of the "commercial classes" to establish a marketing system in which the manufacturer could reach down to the ultimate consumer and control the use of goods, even though legal title had passed through several intervening hands. Chafee wrote that "[j]ust as sellers of land [desire] to limit its use by remote owners, sellers of chattels and other kinds of personal property [wish] to impose restrictions on these while in the hands of subsequent purchasers."⁴ Chafee analogized to the "triumphant development"⁵ of the law of unfair competition, which, in the Twenties, was "still rapidly developing through injunctions with almost no help from damage suits."⁶ Chafee pointed out that "equity has responded admirably to the wishes of participants in modern business transactions, although at times imposing limitations on relief because of considerations which were not recognized by the desires of the commercial classes."⁷

Chafee found the analogy with unfair competition useful, and pointed out that the marketer intends that its advertising and promotional efforts will establish a direct relationship between the manufacturer and consumer, notwithstanding the intervening transfers of legal title to wholesalers, distributors, dealers and retailers. From our vantage point in the second half of the 1980's, we note how times have changed, as we read of Chafee's sympathy for the manufacturer, who, but for the law of unfair competition

"finds himself helpless to stop vague but fatal and rapidly spreading rumors that some packages of his dentifrice have failed to prevent pyorrhea; or that a smoker has actually coughed after lighting one of his cigarettes; or that his automobile is so unsuccessful, that he is glad to have occasional dealers sell his new model at a twenty percent discount in order to get rid of his stock."⁸

which recognizes the existence" of the contract. The line of authority in the adhesion cases protects the person whose conduct may be ambiguous when a contract is thrust upon him on a take-it-or-leave-it basis, as are shrink-wrap licenses.

³ Chafee, *Equitable Servitudes on Chattels*, 41 HARV. L. REV. 945 (1928).

⁴ *Id.* at 946.

⁵ *Id.*

⁶ *Id.* at 945.

⁷ *Id.*

⁸ *Id.* at 946-47.

Chafee went on to analyze attempts to extend the powers of equity in the field of servitudes on chattels. He mentioned restrictions on resale prices, territorial restrictions, restrictions on the form in which an article may be resold, restrictions on the use of the chattel itself, and tying restrictions. He discussed methods of binding sub-purchasers, such as by subcontracts, by notice or by equitable servitude, and he also reviewed extensively the judicial attitude toward these efforts. Chafee's review of the cases pointed out that the courts have not dealt analytically with the fundamental question whether the equitable theory of a covenant running with the land can be extended to an equitable servitude on chattels. Chafee concluded that "[a]t the close of my inquiry it must be admitted that I am much less convinced of the desirability of equitable servitudes on chattels than when I began"⁹ But he went on to say that "[s]ervitudes on chattels still seem possible and reasonable, although my long investigation has not disclosed a single square decision establishing such a conception in a court of last resort."¹⁰ On a note that will appeal to the more technically inclined computer programmer, Chafee concludes:

I must end by echoing the frankness of the mathematician who, knowing that there is no upper limit for prime factors, was nevertheless obliged to conclude his search for new examples with the statement: "This result represents the sixth attempt and failure to discover a larger prime than $2^{127}-1$ found by Lucas in 1877."¹¹

The passage of 57 years has not dimmed the desires of today's commercial classes to achieve a similar goal in the marketing of software for computers; the so-called "shrink-wrap" license is the equitable servitude of the computer age.

If the problem of equitable servitudes was a complex one in 1928, it is no more simple in 1987. Shrink-wrap licenses (sometimes called box top, or tear-open licenses) are now widely in use as an attempt to prevent the two greatest evils perceived by developers of computer software -- unauthorized copying and reverse-engineering accomplished by disassembly or decompilation of the object code that can be read from the magnetic media. Copy protection schemes engineered into the programs have their following, but many of these are technically unsound

⁹ *Id.* at 1013.

¹⁰ *Id.*

¹¹ *Id.* (citation omitted).

for various reasons. Copy protection, for example, may prevent the consumer from making a perfectly legitimate backup copy to protect the consumer's investment, or may make a floppy disk unsuitable for use with the user's hard disk drive in the computer.

The shrink-wrap license typically is a forthright effort to use the power of the law to reach down to the ultimate program consumer and impose upon him or her a list of contractual obligations. The question whether the law of equitable servitudes will support this effort is complex. There has not been much case law or commentary on equitable servitudes since 1928, when Chafee wrote his article.

One type of equitable servitude, price maintenance schemes, has not fared well in the courts. Beginning with the Supreme Court's decision in *Straus v. Victor Talking Machine Co.*,¹² and continuing with two more recent cases involving Clairol products, *Clairol, Inc. v. Cosmetics Plus*¹³ and *Clairol, Inc. v. Cody's Cosmetics, Inc.*,¹⁴ manufacturers' attempts to sell the same product through retail and professional channels and enforce different price levels have been unsuccessful. In the *Clairol* cases, the courts allowed jobbers to break up packages marked "For Professional Use Only" and sell them at retail. In two other state court cases, *Fleischer v. W.P.I.X., Inc.*,¹⁵ and *Nadell & Co. v. Grasso*,¹⁶ equitable servitudes were upheld where the purchasers of chattels were third parties who had notice of contractual obligations between the sellers and prior owners of the chattels. In the federal courts, cases invoking the doctrine of equitable servitudes have upheld the binding effect of contractual obligations on third party purchasers of chattels with notice.¹⁷ In another case, *Independent News Co. v. Williams*,¹⁸ a legend on comic books, restricting sales for reading purposes to authorized dealers, was not effective to prevent a waste paper dealer from reselling the comic books for reading purposes.

Two cases involving the sale of phonograph records labelled "Not Licensed For Radio Broadcast" came to directly contradictory results in the late 1930's. The two cases, *Waring v. WDAS Broadcasting*

¹² 243 U.S. 488 (1917).

¹³ 130 N.J. Super. 81, 325 A.2d 505, 184 U.S.P.Q. 234 (1974).

¹⁴ 353 Mass. 385, 231 N.E.2d 912 (Mass. Supr. Jud. Ct. 1967).

¹⁵ 30 Misc. 2d 17, 213 N.Y.S. 2d 632 (Supr. 1961).

¹⁶ 175 Cal. App. 2d 420, 346 P.2d 505 (1959).

¹⁷ See *American Bell Inc. v. Federation of Tel. Workers of Pa.*, 736 F.2d 879 (3d Cir. 1984); *Kenyon v. Automatic Instrument Co.*, 160 F.2d 878 (6th Cir. 1947); *In re Waterson, Berline & Snyder Co.*, 48 F.2d 704 (2d Cir. 1931).

¹⁸ 293 F.2d 510 (3d Cir. 1961).

Station, Inc.,¹⁹ and *RCA Manufacturing Co. v. Whiteman*,²⁰ are discussed extensively below from the perspective of copyright law. They may also be analyzed, however, from the standpoint of equitable servitudes. The *Waring* case upheld the validity of the restriction and barred a radio station from broadcasting the music on the phonograph record without the consent of the orchestra leader. The *RCA* case came to a diametrically opposite conclusion and is good law today. Broadcast stations do not operate under any equitable servitudes with respect to recorded music.

Analysis of the equitable servitude cases cited above shows that manufacturers have had success only in the cases where purchasers of chattels had prior notice of pre-existing contractual obligations affecting the chattels. In the cases involving price maintenance or "legends" or both, with the single exception of *Waring*, the equitable servitude has not been upheld. The conclusion is inescapable that the law of equitable servitudes does not provide strong support for the enforceability of shrink-wrap licenses. We turn now to the question of the effect of federal copyright law.

III. COPYRIGHT

Computer programs today are generally protected by copyright. There may be some remaining areas of uncertainty, but the principle is now clearly established that protection under the Copyright Act of 1976²¹ is available for computer programs, and there is no question that literal copying of a program by an unauthorized copier constitutes infringement.

One might well question why shrink-wrap licensing is necessary if federal copyright protection is clearly available.

Copyright protection is limited. For example, current law may not protect a copyright owner from the expert engineer who legally purchases a copy of a program and decompiles, disassembles, or otherwise reverse-engineers the program to see how it works.²² The knowledge gained by such an effort can then be used in some cases to create a

¹⁹ 327 Pa. 433, 194 A. 631 (1937). Cf. *Waring v. Dunlea*, 26 F. Supp. 338 (D.N.C. 1939).

²⁰ 114 F.2d 86 (2d Cir.), cert. denied, 311 U.S. 712 (1940).

²¹ 17 U.S.C. §§101-810 (1978) (hereinafter cited as 1976 Act).

²² This may be because it is impossible, from a practical standpoint, to detect such activities performed in private; or it may be that some court will hold someday that such activities are not within the scope of "copying" that is prohibited by the 1976 Act; or, if they are within the scope of the copyright owner's rights, it is a fair use.

program which may appear to be totally different from the original, but which makes use of underlying concepts or techniques which were not apparent before the reverse-engineering. Whether the new program created in this manner infringes the original, and what the tests are for determining such infringement, is the subject of current litigation and extensive discussion.²³

Shrink-wrap licensing is an attempt to give the owner of the copyright in the program additional protection that is either not available under copyright law as it is presently interpreted or that might not be available at all under any scheme of copyright within the constraints of the U.S. Constitution. The conclusion of Part III of this article is that the attempt is doomed to failure, because the shrink-wrap licenses, and the shrink-wrap statutes that purport to legitimize the licenses, are nothing more than attempts to take copyright beyond its constitutionally permissible bounds.

The Copyright Act of 1976 recognizes that there are rights akin but not equivalent to copyright that are not protected by the Act and may be protected by state law. Section 301 of the 1976 Act provides that the Act exclusively governs "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright. . ." provided that the works to be protected are "fixed in a tangible medium of expression" and "come within the subject matter of copyright. . ." ²⁴ The section then notes that nothing in the 1976 Act "annuls or limits any rights or remedies under common law or [state statutory law] with respect to [material outside] the subject matter of copyright [or] rights that are not equivalent to [copyright] rights."²⁵

The *Vault Corporation v. Quaid Software* case²⁶ provides an example of an attempt to use a shrink-wrap license statute to reach an activity that may not be prohibited by federal copyright law. Plaintiff in that case has asserted that defendant would not have been able to learn the secret of its protection system without violating the terms of the Louisiana statute which prohibits the disassembly of plaintiff's software by an owner of a copy of that software.²⁷

²³ Cf. *Q-Co. Industries, Inc. v. Hoffman*, 625 F. Supp. 608 (S.D.N.Y. 1985) with *E.F. Johnson Co. v. Uniden Corp. of America*, 623 F. Supp. 1485 (D. Minn. 1985) and *Whelan Associates v. Jaslow Dental Laboratory*, 797 F.2d 1222 (3d Cir. 1986).

²⁴ 17 U.S.C. §301(a).

²⁵ 17 U.S.C. §301(b).

²⁶ See note 1, *supra*.

²⁷ Since this article does not focus on trade secret law (see note 2, *supra*), it will not pursue the interesting inquiry whether shrink-wrap licensing protects

Shrink-wrap statutes, such as the one passed recently in Illinois,²⁸ allow the licensor of software to retain ownership of each "copy of computer software"²⁹ acquired by a consumer-user. If title has been retained, then the licensor may also enforce provisions prohibiting the modification or adaptation of the copy of the software, including without limitation prohibitions on translation, decompiling, disassembling, or creating derivative works based on the software.³⁰ The licensor may also prohibit further transfer, assignment, rental, or sale of that copy or any other copies made.³¹ The licensor may prohibit use of the copy on more than one computer at the same time or use by more than one individual user at the same time.³² The rights of a licensor are limited, however; section 7 of the Illinois Statute provides that nothing in the statute

"shall be construed to affect or alter any existing individual or business rights granted by the copyright laws of the United States, as now or hereafter amended, that such individual or business would have were such individual or business a purchaser of a copy of the computer software that is the subject of the license agreement."³³

Conflicts between the Illinois Statute and federal copyright law are immediately apparent. While the Illinois Statute purports to enable a prohibition on the making of copies, section 117 of the 1976 Act provides that the "owner of a copy of a computer program" may make another copy or adaptation of the program, provided that the new copy

a "trade secret," as the "Prolok" software was alleged to be. This inquiry would lead to a review of the impact of Section 301 of the 1976 Act on state trade secret law.

²⁸ For convenience, this article will focus on one state's statute, the Illinois shrink-wrap statute (hereinafter cited as Illinois Statute). The complete text of the statute is set forth in the Appendix.

²⁹ Ill. Rev. Stat. ch. 29, §3.

³⁰ Ill. Rev. Stat. ch. 29, §4(3).

³¹ Ill. Rev. Stat. ch. 29, §4(4).

³² Ill. Rev. Stat. ch. 29, §4(5).

³³ Ill. Rev. Stat. ch. 29, §7. The Illinois legislature appears to have been concerned that some provisions of the Illinois Statute might be pre-empted by the 1976 Act, but the author of section 7 of the Illinois Statute has said, "My intention was to gut the bill" and "I don't think we have a law at this point. It's so internally contradictory I don't think it's worth the paper it's written on." 2 Computer People Monthly 1 (May 1968) (quoting State Rep. Ellis Levin).

or adaptation is an essential step in utilization of the program, or the new copy or adaptation is for archival purposes.³⁴ Since section 7 of the Illinois Statute gives a person acquiring a copy of software the rights of a "purchaser of a copy" under federal law, its effect is to incorporate by reference rights under federal law that would otherwise be denied by the Illinois Statute.

Other interesting issues are raised by the Illinois Statute's prohibition on the rental of any copy and the prohibition on reverse-engineering. There is a considerable amount of law in the copyright field on the attempted prohibition of copyright-related activities that are not clearly prohibited by copyright law. Some of this law is not, on its face, analogous to the legal issues presented here, but a careful analysis will show that the analogies bear significantly on the issues at stake here and must be considered. As a result of such consideration, the conclusion of this article is that the shrink-wrap laws cannot be validly enforced.

The Illinois legislature has attempted to define as a license a transaction that would otherwise be viewed as a sale, as the word "sale" is normally used in American law. (In Illinois, it is worth noting that a person acquiring a copy of software in the usual kind of retail transaction does not pay the tax that applies to sales, but also does not pay the tax that applies to leases.) The Illinois legislature could also have attempted to treat this kind of transaction as one subject to a contract of adhesion, so that the person acquiring a copy of software is bound by the terms of the "license" (*supra*, note 2). The difficulty that the legislature has got itself into is that at least some of the rights affected are rights equivalent to the "exclusive rights within the general scope of copyright", and the result is that section 301 of the 1976 Act must be allowed its preemptive force. In addition, the legislature has become inextricably tangled in the constitutional limits on the federal scheme of copyright. No matter what the legislature may say it is doing, it is in fact interfering with both statutory and constitutional limits on its powers with respect to that form of "Writing" known as software.

From the standpoint of copyright law analysis, the prohibitions of the Illinois Statute can be divided into two areas -- first, the sections that are clearly preempted by the 1976 Act and, second, the prohibitions that attempt to govern the grey area of activities not preempted on their face by federal copyright law, which are perhaps subject to the control of state law. These are analyzed below.

³⁴ 17 U.S.C. §117 (Supp. 1986) (emphasis added).

A. Preemption by the 1976 Act

First, to the extent that the prohibition against copying in section 4(2) of the Illinois Statute tracks the provisions of the 1976 Act which give copyright owners the exclusive right to "reproduce the copyrighted work in copies,"³⁵ the shrink-wrap law is clearly preempted by the effect of section 301 of the 1976 Act. Since the author's right is effectively protected, however, the question is probably moot. Section 117 of the 1976 Act, which gives the "owner" of a copy of a software program the right to make an additional archival copy, must also be considered. Section 7 of the Illinois Statute, which gives the Illinois user the rights of a "purchaser of a copy" under federal law, seems to allow section 117 its preemptive effect, and, again, this question appears mooted. Second, the prohibition against "adaptation" in section 4(3) is contradicted by section 117 of the 1976 Act, which also permits the making of an adaptation, but once more, section 7 of the Illinois Statute saves the day by giving the Illinois user the rights extended by federal law to the "purchaser of a copy." Third, the prohibition against creation of derivative works in section 4(3) also seems to track the prohibition in section 106(2) of the 1976 Act against the preparation of derivative works based upon the copyrighted work. It is difficult to see how a successful argument could be made that the Illinois Statute is not preempted by federal law with these three prohibitions.

The fourth issue, the prohibition against modification of a copy of computer software in section 4(3), raises more difficult questions. If the owner of a copy of software wishes to modify a copyrighted program for the owner's own private purposes, there is no readily apparent provision of federal copyright law which prohibits such an activity, and indeed section 117 of the 1976 Act permits the making of an adaptation, which may be the same thing.³⁶ There is nothing in copyright law to prevent the owner of a single copy of a book, for example, from physically rearranging its pages if it suits the reader's convenience, nor is there anything to prevent the owner of a copy of copyrighted sheet music from making personal modifications either by marking the copy or in the course of private performances.³⁷ The question then arises whether

³⁵ 17 U.S.C. §106(1).

³⁶ Of course, if a user were to modify a program and distribute or sell copies of the resulting new program, the exclusive rights protected by the 1976 Act would clearly be violated and the Illinois Statute would equally clearly be preempted by Section 301 of the 1976 Act.

³⁷ *But see* WGN v. United Video, 693 F.2d 622 (7th Cir. 1982). In that case, the 1976 Act was construed to prohibit modification of a television signal by a satellite carrier which otherwise had the legal right to transmit the signal to its customers.

Illinois law can prohibit modification of software in light of the preemption language in section 301 of the 1976 Act. To the extent that any modifications are made by private users for private purposes, this prohibition will probably never be the subject of litigation. Illinois law attempts to reach this activity by labelling the sale of the copy of software a "license" and then authorizing restrictive terms by the licensor. As stated earlier, it is the conclusion of this article that such attempt fails.

An interesting case can be conceived, however. Suppose a user finds a bug or develops an improvement in a program subject to the Illinois statutes and publishes information about the modification or improvement. If the information suggests that program users go into the machine language of the program to make the modification, there could be an interesting question of the applicability of section 4(3) of the Illinois Statute, because the suggestion would involve a breach of a license term purportedly authorized by the Statute.

Finally, the prohibition against multiple uses in section 4(5), such as the use of shrink-wrap license protected software in more than one computer, or by more than one user, also raises an intriguing issue of preemption. Whether use of a single software program in a network of interconnected computers constitutes an infringement of the copyright protected right to "copy" is an issue of current concern. If a company operates its computers in a network consisting of a mainframe and "dumb terminals," may it buy one copy of a database or spreadsheet program and make the program available to all terminals? Does the result change if the user of the program has a network of personal computers interconnected and exchanging data between them although the program itself is resident only on one personal computer? If, of course, the 1976 Act applies to prohibit such copying, then again the Illinois Statute is preempted. At this time, it appears to be another fertile source of litigation.

B. Extension of a Licensor's Rights beyond Copyright - The Constitutional Issues Raised by State Legislation Inhibiting the Dissemination of Ideas

1. The Prohibitions against Reverse-Engineering and Transfer of Copies

Although preemption raises serious questions, the Illinois Statute would not have been passed if the legislature merely intended to offer parallel protection under state law of monopoly rights already protected by federal law. The Illinois Statute purports to extend the monopoly powers of distributors of software by granting rights that are not embodied

in the federal copyright scheme. These areas of extension include the prohibition against reverse-engineering in section 4(3) and the prohibition against transfer of a copy of a software program in section 4(4).³⁸

In one sense, the prohibition against reverse engineering is a trade secret issue; it is an attempt to preserve the secret or confidential status of information embodied in the magnetically coded signals or magnetic media, which cannot readily be translated into information directly perceivable by human beings. The trade secret aspects of this question will not be pursued here.³⁹ From a copyright standpoint, however, the prohibition against reverse-engineering is an attempt to limit the dissemination of ideas, and as argued more fully below, therefore runs afoul of traditional limitations built into the federal constitutional and statutory copyright scheme.

The prohibition against transfer of a copy of a software program is also an attempt to extend the software distributors' monopoly position beyond the protection afforded by the copyright laws and suffers from the same infirmities as the prohibition against reverse engineering. Sections 109 and 202 of the 1976 Act articulate the traditional distinction between ownership of copyright and ownership of the material object embodying a copyrighted work and give the owner of the material object certain rights under copyright law. Specifically, section 109(b) of the 1976 Act provides that the "owner of a particular copy lawfully made" is entitled to sell or otherwise dispose of the possession of that copy. Section 109(c) states that these privileges do not extend to any person who has acquired "possession of the copy" "by rental, lease, loan or otherwise without acquiring ownership of it." The Illinois Statute obviously is drafted so as to attempt to slip under the quoted language of section 109(c); it provides in section 4(1) that ownership of "title" in the material object may be retained by the licensor. But what about section 7? It gives the Illinois "licensee" the rights that a "purchaser of a copy" would have under federal law. State Representative Levin, its author, was probably right when he stated, "My intention was to gut the bill."⁴⁰ It appears that, notwithstanding section 4(4), a person acquiring a copy of software in Illinois, subject to a license authorized by the Illinois Statute, may still sell or dispose of possession of the copy.

³⁸ If section 7 were not part of the Illinois Statute, several other provisions would also represent extensions of the monopoly power of the software distributor.

³⁹ See Rice, *supra* note 2 at 20, concluding that similar provisions in the Louisiana shrink-wrap license law are invalid. His conclusions apply with equal force to the Illinois Statute.

⁴⁰ See note 23, *supra*.

2. The Copyright Background -- The Question of Publication

The attempts to prohibit reverse-engineering and the transfer of a material object embodying intellectual property (the disk containing a program) run into further problems with respect to federal law. There is an interesting analogy under federal copyright law with regard to the treatment of certain expressions of ideas that have been widely distributed. The touchstone of copyright treatment of the mass distribution of a work has been the question whether such distribution constitutes "general publication" so as to place the work in the public domain. The heart of the issue is that of access to ideas. The copyright cases dealing with this subject are relevant to the legitimacy of the state shrink-wrap statutes because such statutes attempt to restrain access. The sensitivity of courts to this issue in the publication cases provides the best support for the argument that statutes like the Illinois statute go too far in restricting access. The cases cited below show that there comes a point where some forms of mass distribution deprive the copyright owner of the power to control some (but perhaps not all) aspects of the use of the copyrighted work.

In *King v. Mister Maestro, Inc.*,⁴¹ the publication issue was raised by the famous 1963 "I Have a Dream" speech of the Rev. Martin Luther King, Jr. The speech was delivered to an audience estimated at over two hundred thousand persons and was also disseminated by radio and television broadcasts, theatrical newsreel coverage, and extensive newspaper coverage. Notwithstanding this dissemination, the court held that there was no "general publication," and King was able to enjoin the sale of phonograph records of the speech as a copyright infringement.

On the other hand, consider the performers' or record manufacturers' contribution to recorded versions of music that are sold to the public in copies. (It is irrelevant that the music may or may not itself be the subject of copyright.) The same question of "general publication" is involved, and a short digression into the history of this aspect of copyright law may be useful.

Under the provisions of the Copyright Act of 1909,⁴² phonograph records (as opposed to the music contained on the records) were not protected by federal law against copying, until February 15, 1972. This was the effective date of Public Law 92-140⁴³, which added section 1(f) to the 1909 Act. Prior to that date, numerous attempts were made under state law to prohibit such copying; these attempts were finally successful when the United States Supreme Court upheld the constitutionality of

⁴¹ 224 F. Supp. 101, 106 (S.D.N.Y. 1963).

⁴² 17 U.S.C. §§1-65 (hereinafter referred to as 1909 Act).

⁴³ 85 Stat. 391 (1971).

the California anti-piracy statute in *Goldstein v. California*.⁴⁴ Although the case was decided two years after the passage of the federal anti-piracy provision in section 1(f), the decision is still important because it allows state law to protect phonograph records produced prior to February 15, 1972 against piratical copying.

Under the 1976 Act, the copying of phonograph records is prohibited in §106(4). The 1976 Act (as amended in 1984) also provides special treatment for phonograph records, or "phonorecords," as they are referred to in section 101. Owners of phonorecords may not "for purposes of direct or indirect commercial advantage" dispose of a phonorecord by rental, lease or lending.⁴⁵ This is an example of an area where Congress could constitutionally extend the protection of copyright law so as to prohibit previously lawful conduct, and did so.

The prohibition on lending provides an interest parallel to the prohibition in the Illinois statute against the transfer of a software program. Congress has allowed the owners of a material object embodying a copyrighted work, other than a phonorecord, to transfer that material object; thus, it has established a special category of treatment for the owners of phonorecords. Obviously, Congress could amend the 1976 Act so as to prohibit the transfer of copies of software programs. It would preempt the Illinois Act by doing so. Since Congress has not taken any such action, the Illinois Statute, prohibiting the transfer of a copy of software, falls in a limbo area similar to that of state statutes concerning sound recordings under the old copyright law before 1972.

Without further analysis, *Goldstein* could be cited to support the proposition that the Illinois statute is valid until specifically preempted. Some older law on the question of "general publication" and its application to phonograph records indicates that the courts might not stretch the reasoning of *Goldstein* to that extent.

In *Ferris v. Frohman*,⁴⁶ the Supreme Court held that public performance of a play, which had neither been printed nor distributed in written form, did not dedicate the play to the public domain. It remained "unpublished." In the broadcast field, this rule was extended in *Uproar v. NBC*,⁴⁷ to cover original material broadcast by radio. Since 1936, it has been generally assumed that broadcasting does not constitute such publication as to divest common law copyright. Likewise, public exhibition of a motion picture film for profit, leased for that purpose by the

⁴⁴ 412 U.S. 546 (1973).

⁴⁵ 17 U.S.C. §109(b).

⁴⁶ 223 U.S. 424 (1912).

⁴⁷ 8 F. Supp. 358 (D. Mass. 1934), *modified*, 81 F.2d 373 (1st Cir. 1935), *cert. denied*, 298 U.S. 670 (1936).

copyright proprietor, generally does not dedicate.⁴⁸

There is also a division of authority on the question whether sale of phonograph records dedicates the music contained thereon. Judge Igoe of the Northern District of Illinois once overruled a motion for new trial on a copyright infringement case by saying that plaintiff dedicated his composition by permitting the sale of records. Plaintiff had previously lost on the grounds that he was not the original composer of the music in question.⁴⁹ Whether Judge Igoe's statement is a holding or not is unclear. The matter is further confused by the fact that he cited *RCA Mfg. Co. v. Whiteman*,⁵⁰ a case which probably has been overruled with respect to its holding on the New York law concerning dedication. In the latter case, it was held that a record manufacturer and a performer on a phonograph record could not restrain a radio station from broadcasting the recorded music even though the record bore a restrictive legend, "Not Licensed for Radio Broadcast." In the opinion, Judge Learned Hand stated that any rights possessed by the manufacturer and performer were divested when the first record was sold. This was a diversity case, but Judge Hand never mentioned New York law. As noted above it is in direct conflict with a case decided by the Pennsylvania Supreme Court, *Waring v. W.D.A.S. Broadcasting Station, Inc.*⁵¹

A subsequent case in the New York state courts, *Metropolitan Opera Ass'n., Inc. v. Wagner-Nichols Recorder Corp.*,⁵² practically ignored the fact that the Metropolitan Opera was authorizing the sale of recorded versions of its operas, while holding that the sale of records made from Met radio broadcasts, without authorization, was an infringement of the Met's property rights in its radio broadcasts. The court held that the radio broadcasts did not dedicate.

When this same issue returned to the Second Circuit, in *Capitol Records, Inc. v. Mercury Records Corp.*,⁵³ the majority held that New York law now required, in a diversity case, the holding that the sale of records does not dedicate the performance thereon. Judge Hand

⁴⁸ *DeMille Co. v. Casey*, 121 Misc. 78, 201 N.Y.S. 20 (Sup. Ct. 1923). However, *Blanc v. Lantz*, 83 U.S.P.Q. 137 (Cal. Super. Ct. 1949) holds that distribution (by lease) of cartoon films dedicated plaintiff's original "Woody Woodpecker" laugh.

⁴⁹ *Shapiro, Bernstein & Co., Inc. v. Miracle Record Co., Inc.*, 91 F. Supp. 473 (N.D. Ill. 1950).

⁵⁰ 114 F.2d 86 (2d Cir. 1940). See also notes 19-20, *supra* and accompanying text, discussing equitable servitudes.

⁵¹ 327 Pa. 433, 194 A. 631 (1937). See also notes 19-20, *supra*, and accompanying text.

⁵² 199 Misc. 786, 101 N.Y.S. 2d 483 (1950).

⁵³ 221 F.2d 657 (2d Cir. 1955).

dissented. In a previous case, he had pointed out that the *Metropolitan* decision is not one in which the New York courts take any position on the question whether sale of *phonograph records* dedicates, but rather is a holding that radio broadcasts do not dedicate.⁵⁴ Judge Hand went on to state that all questions of what constitutes publication of material which is constitutionally capable of federal copyright must, under the federal Constitution, be decided by federal law.⁵⁵

RCA Mfg. Co. v. Whiteman is still considered good law in the broadcast industry for the proposition that a restrictive legend on a phonograph record is inoperative to prevent subsequent broadcast of the music on the record. This is true despite *Waring's* decision to the contrary. *Waring* has no practical effect today, even in Pennsylvania, so far as radio and television stations are concerned.

At this juncture, the state of the law regarding general publication does not provide much guidance on the question whether the Illinois Statute's attempt to keep title in the owner-developer of a software program will be successful to allow the owner-developer to acquire rights not extended by the federal copyright law. Judge Hand's dissent in *Capitol Records*, asserting the preemptive effect of federal copyright law even where the statute itself is silent, however, anticipated the next significant treatment by the courts of the question of publication and pre-emption.

3. The Constitutional Limits Applied

In *Sears, Roebuck & Co. v. Stiffel Co.*,⁵⁶ and *Compco Corp. v. Day-Brite Lighting, Inc.*,⁵⁷ the United States Supreme Court held that the state courts could not, under "unfair competition" principles, prohibit copying of the design of functional objects, where the objects were incapable of meeting the standards of design patent law or other federal statutory protection.⁵⁸ The Court concluded that the state statute involved was preempted by the federal exercise of power under Article I, Section 8 of the U.S. Constitution and the implementing federal patent and copyright statutes.

⁵⁴ *G. Ricordi & Co. v. Haendler*, 194 F.2d 914 (2d Cir. 1952).

⁵⁵ Although Judge Hand made it clear that he considered the sale of phonograph records to dedicate the recorded material, as a matter of federal law, he did not state a position on whether a broadcast dedicates the material.

⁵⁶ 376 U.S. 225 (1964).

⁵⁷ 376 U.S. 234 (1964).

⁵⁸ The objects in question probably could not have been protected by copyright.

The *Sears* and *Compco* decisions would appear to vindicate Judge Hand and provide strong support for the argument that a state law like the Illinois Statute cannot pass constitutional muster because the monopoly power of the licensor (the power to prohibit the transfer of a copy of a copyrighted software program) could be established by federal law, but is not. That argument, however, would now come up against the decision in *Goldstein v. California*, in which the California statute prohibiting piratical copying of phonograph records was upheld. In *Goldstein*, the Supreme Court held that California could prohibit the duplication of phonograph records containing material then unprotected by federal copyright, namely, the performers' performances and the manufacturer's contribution to the production of the records. The Court held that federal copyright law had *not* preempted the field at the time in issue.

Distinguishing *Sears* and *Compco* from *Goldstein* is difficult, if not impossible. The Supreme Court discussion is not of much help. It contains a long discussion of the distinction between types of materials protected and standards for protectability, but this appears to be a distinction without much difference.⁵⁹ The *Goldstein* decision, however, has two premises – a major premise that the validity of a state monopoly-subsidy system is to be “measured by each system's own lights in terms of the balance it strikes between private incentive and public access,”⁶⁰ in other words, an empirical test.⁶¹ The minor premise of *Goldstein* purports to apply the empirical test. In each case, the courts must balance the monopoly rights that protect authors on the one hand with public access to ideas on the other. Another way to put it is that the legislature and courts must determine how best to advance competition in a presumed “market-place” of ideas. The *Goldstein* decision says that the federal courts should defer to state legislative action in this area and suggests that there must be some exploration of the extent of the monopoly in terms of time and area. In the *Goldstein* decision, the fact that the state-created monopoly was perpetual, and the fact that it was limited to the state of California, were both discussed.⁶² The questions of

⁵⁹ The best discussion of the decision is Goldstein, ‘Inconsistent Premises’ and the ‘Acceptable Middle Ground.’ *A Comment on Goldstein v. California*, 24 BULL. COPR. SOC'Y 25 (1973). (The author of the article is not related to the party in the case.)

⁶⁰ *Id.* at 36.

⁶¹ It should be noted that one of the *Goldstein* dissenters said that *Sears* and *Compco* created a *per se* test and that there should be no empirical question involved.

⁶² Under the tests suggested by the *Goldstein* decision, the perpetual duration of the protection afforded by the statutes to shrink-wrap licensors is not

access to ideas and the limitations on access imposed by state shrink-wrap statutes are of much greater concern. In *Goldstein*, the Court concluded, "[n]o restraint has been placed on the use of an idea or concept; rather, petitioners and other individuals remain free to record the same composition in precisely the same manner and with the same personnel as appeared on the original recording."⁶³ The shrink-wrap statutes extend the monopoly power of software distributors by prohibiting reverse-engineering and the transfer of copies of software, activities which would be legitimate under the federal copyright scheme.⁶⁴ These inhibitions on the dissemination of ideas are the most significant weakness of the statute under the *Goldstein* decision and the constitutional principles embodied in *Goldstein*.

IV. CONCLUSION

Whether viewed from the standpoint of equitable servitudes or copyright, the Illinois legislature's attempt to legitimize the shrink-wrap license appears doomed to failure. There is little or no support for the Illinois Statute in the law of equitable servitudes as it has developed since Professor Chafee's article in June 1928. And, with or without the ambiguous help of section 7 of the Statute, the Statute does not meet the most significant of the tests articulated by the *Goldstein* decision, the test of public access to ideas.

There is much debate about the kind of legal protection that should be afforded to the developers of software, and there is no question that technological developments may require creative legislative enactments to keep pace with new structures of ideas, expressions, and copying. The conclusion of this analysis of Illinois' attempt to extend protection afforded to software developers is that the attempt has failed; the subject matter of the Illinois Statute is an area best left to Congress, within the Constitutional framework of the patent and copyright statutes.

necessarily fatal; there is still an open question as to the territorial impact of the state statutes. The latter question may be decided by *Vault Corp. v. Quaid Software, Ltd.* See note 1, *supra*.

⁶³ 412 U.S. at 571 (1973).

⁶⁴ At the time this article was written, legislation has been introduced in Congress, the Software Rental Act of 1986, HR 4949, which would prohibit the rental of computer software without the permission of the publisher, paralleling the prohibitions in the 1976 Act prohibiting the unauthorized rental of phonorecords.

APPENDIX

Section 1. Title. This Act shall be known and may be cited as the Software License Enforcement Act.

Section 2. Definitions. For purposes of this Act the following terms shall have the meanings set forth below, unless the context clearly requires otherwise.

"Computer software" means a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result in any form in which such statements or instructions may be embodied, transmitted or fixed, by any method now known or hereafter developed, regardless of whether such statements or instructions are capable of being perceived by or communicated to humans, and includes associated documentation and materials, if any.

"License agreement" means a written document on which the word "license", either alone or in combination with other words, appears conspicuously at or near the top so as to be readily noticeable to a person viewing the document.

"Reverse engineering, decompiling or disassembling" means a process by which computer software is converted from one form to another form which is more readily understandable by human beings, including without limitation decoding or decrypting computer software which has been encoded or encrypted in any manner.

Section 3. Requirements for enforceability. A person who acquires a copy of computer software will be conclusively deemed to have accepted and agreed to those provisions of the license agreement accompanying the copy which are described in Section 4 below, if:

(1) A written legend or notice is affixed to or packaged with the copy of computer software and states clearly that use of the copy of computer software will constitute acceptance of the terms of the accompanying license agreement, or that the opening of a sealed package, envelope or container in which the copy of computer software is contained will constitute acceptance of the terms of the accompanying license agreement; and

(2) The legend or notice is affixed to or packaged with the copy of computer software in such a manner that the legend or notice is clearly and conspicuously visible so as to be readily noticeable to a person viewing the copy of software and related packaging; and

(3) The legend or notice is prominently displayed in all capital letters and in language which is readily understandable; and

(4) The legend or notice states clearly that a person who receives the copy of computer software and does not accept and agree to the terms of the accompanying license agreement may, within a reasonable time,

return the unused, unopened copy of computer software to the party from whom it was acquired, or to some other identified party, for a full refund of any money paid for the copy; and

(5) The terms of the accompanying license agreement must be clearly and conspicuously stated in the license agreement in language which is readily understandable, and the license agreement must be attached to or packaged with the computer software or copy thereof in such a manner that the terms are readily noticeable before the act which is deemed to constitute acceptance occurs; and

(6) The person acquiring the copy of computer software takes such action as is stated in the legend or notice to constitute acceptance of and agreement to the terms of the accompanying license agreement; and

(7) No agreement relating to the use, return, resale, copying, decompiling, disassembly or other right related to the computer software has been entered into between the person acquiring the computer software and the person holding title thereto; and

(8) The computer software has not been developed according to the acquirer's specifications or otherwise custom-made either by an outside vendor or an internal department of the acquirer.

Section 4. Terms deemed accepted. The following provisions will be deemed to have been accepted under Section 3 above if the provisions are included in a license agreement which conforms to the provisions of Section 3:

(1) Provisions for the retention of title to the copy of computer software by a person other than the person acquiring the software.

(2) If title to the copy of computer software has been retained, provisions for the prohibition of any copying of the copy of computer software for any purpose, limitations on the purposes for which copies of the computer software can be made, or limitations on the number of copies of the computer software which can be made.

(3) If title to the copy of computer software has been retained, provisions for the prohibition or limitation of rights to modify or adapt the copy of the computer software in any way, including without limitation prohibitions on translating, decompiling, disassembling, or creating derivative works based on the computer software.

(4) If title to the copy of computer software has been retained, provisions for prohibitions on further transfer, assignment, rental, sale or other disposition of that copy or any other copies made from that copy of the computer software.

(5) If title to the copy of computer software has been retained, provisions for prohibition on the use of the copy of computer software on more than one computer at the same time or use of the copy of computer software by more than one individual user at the same time.

(6) Provisions for the automatic termination without notice of the license agreement if one of the foregoing provisions of the license agreement is breached.

(7) Provisions for award of reasonable attorneys' fees and court costs to the prevailing party in any action or proceeding brought in connection with an alleged breach of one of the foregoing provisions of the license agreement.

Section 5. Enforceability. The provisions of this Act will not limit in any manner the effectiveness or enforceability of any of the other provisions of a license agreement accompanying computer software under other provisions of the laws of this State, whether statutory or common law. The provisions of this Act and the enforceability of a license agreement will not be nullified, curtailed or limited by the manner in which the ownership rights are held in the medium on which the computer software is embedded.

Section 6. Nothing in this Act shall be construed to alter any rulings of the Illinois Department of Revenue on the taxable status of computer software under the "Use Tax Act", approved July 14, 1955, as amended, the "Service Use Tax Act", approved July 10, 1961, as amended, the "Service Occupation Tax Act", approved July 10, 1961, as amended, or the "Retailers' Occupation Tax Act", approved June 28, 1933, as amended, or any of their related Acts.

Section 7. Nothing in this Act shall be construed to affect or alter any existing individual or business rights granted by the copyright laws of the United States, as now or hereafter amended, that such individual or business would have were such individual or business a purchaser of a copy of the computer software that is the subject of the license agreement.

Section 8. Nothing in this Act shall be construed to alter or amend any provision of the Consumer Fraud and Deceptive Business Practices Act.

Section 9. This shall take effect July 1, 1986.

PART II**LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS****1. United States of America and Territories****121. U.S. CONGRESS. HOUSE.**

H.R. 5571. A bill to establish a commission to study and make recommendations on the desirability and feasibility of amending the copyright laws to compensate authors for the not-for-profit lending of their works. Introduced by Mr. Kastenmeier on Sept. 22, 1986; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

This bill would create a "National Commission on the Lending of Authors' Works" to study the feasibility of compensating authors for the nonprofit lending of their works. The commission would consist of eleven members, including the Librarian of Congress, and ten others appointed by the President, representing authors, publishers, librarians and readers. Two years after formation, the Commission would report to the President and Congress, and will provide recommendations on procedures to carry out a plan of financial compensation.

122. U.S. CONGRESS. HOUSE.

H.R. 5572. A bill to amend Title 17, United States Code, relating to copyrights to provide for the temporary compulsory licensing of the secondary transmission by satellite carriers of superstations for private viewing by earth station owners. Introduced by Mr. Kastenmeier on Sept. 22, 1986; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

This bill would add a new Section 119 to the Copyright Act to create a temporary compulsory license for satellite retransmissions of superstations for private viewing. The bill provides for either a fixed statutory royalty rate, a rate set by voluntary negotiation among the parties, or a rate set by an arbitration panel, whose determination would be subject to approval by the Copyright Royalty Tribunal. The distribution of royalties would also be administered by the Copyright Royalty Tribunal.

123. U.S. CONGRESS. SENATE.

S. 2796. A bill to amend the copyright law to secure the rights of artists of pictorial, graphic, or sculptural works to prevent the distortion, mutilation, or other alteration of such works, to provide for resale royalties, and for other purposes. Introduced by Senator Kennedy on Sept. 9, 1986; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

Entitled the "Visual Artists Rights Amendment of 1986," this bill consists of three major components:

Notice: For works of fine art, deletes the requirement in the current copyright law that a copyright notice appear on all works for which copyright is claimed.

Artistic Rights: Prohibits intentional distortion, mutilation, or destruction of works of art. Allows artists to claim authorship of their works, or disclaim authorship if the works have been distorted.

Resale Royalties: Requires payment to the artist of 7% of the difference between the purchase price and the selling price of a work of art which is resold. Royalty rates are applicable to sales in excess of \$500 and when the value of the work appreciates by at least 120% during the lifetime of the artist and within 50 years of his death. In addition, artists seeking royalties must register with the Copyright Office. Where an artist cannot be located or is deceased, the royalties are to be paid to the National Endowment for the Arts, Visual Artists Program.

124. U.S. CONGRESS. SENATE.

S. 2823. A bill to amend the Communications Act of 1934 to provide for security and fair marketing practices for certain encrypted satellite communications. Introduced by Mr. Gore on Sept. 16, 1986; and referred to the Committee on Commerce, Science, and Transportation. (99th Cong., 2d Sess.).

Cited as the "Satellite Television Security and Fair Marketing Act of 1986," this bill would provide satellite dish owners the opportunity to continue to receive satellite transmitted programming on fair and equitable terms. It would promote an open and competitive marketplace whereby programmers, cable distributors, satellite dish owners and dish retailers can work out the best way to provide service to consumers who are willing to pay a fair price for what they receive. This bill would also allow the FCC to establish a single technical standard for signal decoders. [Similar to S. 2702.]

125. U.S. CONGRESS. SENATE.

S. 2842. A bill to encourage the use of copy-code scanners on digital audio tape recording machines. Introduced by Mr. Danforth on Sept. 19, 1986; and referred to the Committee on Finance. (99th Cong., 2d Sess.).

Entitled the "Digital Audio Tape Tariff Act of 1986," this bill would impose a 35-percent duty on DAT machines not equipped with copy-scanners and maintain the current tariff of 4.1 percent on DAT machines that are equipped with scanners to protect unauthorized copying of copyrighted recordings. DAT machines are new digital audio tape recorders manufactured in Japan that allow the duplication of sound recordings on blank tapes with almost perfect reproduction.

126. U.S. CONGRESS. SENATE.

S. 2904. A bill to amend Title 17 of the United States Code to implement the Berne Convention for the Protection of Literary and Artistic Works, and for other purposes. Introduced on Oct. 1, 1986 by Mr. Mathias; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

Entitled the "Berne Convention Implementation Act of 1986," this is the legislation to implement the adherence of the United States to the Berne Convention. Senator Mathias articulated the principles underlying the bill as follows: 1) It seeks to make only the minimal changes to existing law required to ensure compliance with Berne obligations, while recognizing that other changes may be needed after our entry into the Berne Union. 2) This bill does not make distinctions -- which the convention permits -- between works of foreign and domestic origin. (Berne only requires that works of foreign origin from Berne states need be accorded minimum rights.)

127. U.S. COPYRIGHT OFFICE.

37 CFR 201. Compulsory license for cable systems; interim rule. Interim regulation. *Federal Register*, vol. 51, no. 164 (Aug. 25, 1986), pp. 30214-16.

Pending a final decision in a lawsuit challenging its interpretation of gross receipts under Section 201.17(b)(1) of its rules, the Copyright Office has adopted interim regulations establishing new reporting requirements for the filing of Statements of Account by cable systems. The new rules require that a cable system filing a Statement of Account for the first accounting period of

1986 and henceforth must declare to the Office whether it allocated gross receipts in calculating its royalty fee for the relevant accounting period, and if it has allocated, must also report the figure for gross receipts as calculated under the Office's definition in 37 C.F.R. 201.17(b)(1). A cable system that allocates gross receipts is required to maintain a record of the method it used to compute the gross receipts reported in the Statement of Account as well as a written explanation of the method of allocation used. If 37 C.F.R. 201.17(b)(1) is finally held to be invalid, the Office will make a commitment to waive the 60-day deadline for filing refund requests under Section 201.17(j)(3)(i) for cable systems that request funds based upon allocation of gross receipts.

128. U.S. COPYRIGHT OFFICE.

37 CFR 201. General provisions; information given by the Copyright Office. Final regulation. *Federal Register*, vol. 51, no. 163 (Aug. 22, 1986), pp. 30061-62.

The Copyright Office has amended its regulations to permit direct public access via computer terminals to limited information -- title, date of receipt, remitter's name, claimant's name, etc. -- in the in-process files. The amendments also allow inspection and copying of portions of correspondence relating to rejected applications for registration and documents for which recordation was refused.

129. U.S. COPYRIGHT OFFICE.

37 CFR 201. Recordation of transfers and other documents. Proposed regulations. *Federal Register*, vol. 51, no. 191 (Oct. 2, 1986), pp. 35244-45.

The Copyright Office has proposed to amend its regulations to delete the requirement that a reproduction of a signed document filed for recordation be accompanied by a sworn certification signed by at least one of the persons who originally signed the document, or by an authorized representative of that person. The amendment is intended to relieve problems that journal publishers have in complying with the recordation requirement when attempting to record reproductions of transfer documents. The proposed language would allow the required sworn certification to be signed by a party to a document of transfer, regardless of whether that person actually signed the document.

130. U.S. COPYRIGHT OFFICE.

37 C.F.R. 202. Notice of inquiry. Copyrightability of digitized typefaces. *Federal Register*, vol. 51, no. 197 (Oct. 10, 1986), pp. 36410-12.

The receipt of claims to copyright digitized information or material that represents typeface designs used to print text has led the Copyright Office to commence a public inquiry into the matter. In general, comments are being sought on the copyrightability of digitized typeface apart from the uncopyrightable typeface design itself. The Office is also asking that submissions address specific questions concerning idea/expression, copyrightable elements, nature and extent of copyright claim, and terminology.

131. U.S. COPYRIGHT OFFICE.

37 CFR 202. Registration of claims to copyright. Deposit requirements for computer programs containing trade secrets. Advance notice of proposed rulemaking. *Federal Register*, vol. 51, no. 189 (Sept. 30, 1986) pp. 34667-69.

Concern about the disclosure of trade secrets in computer programs through the public inspection of copies deposited for copyright registration has prompted the Copyright Office to initiate a rulemaking to consider amendment of its deposit requirements for registration of computer programs. The amendment that the Office is proposing would modify Section 202.20 of its regulations to include the three alternative deposits in currently suggested Section 324.05(a) of Compendium II of Copyright Office Practices. A fourth alternative which specifically addresses small computer programs of twenty-five pages or less also is being proposed. As part of this rulemaking, the Office is additionally "considering changes in the procedures for processing secure tests and in the nature of 'sufficient portions, description, or the like . . . to constitute a sufficient archival record of the deposit' which must be deposited for retention by the Office."

132. U.S. COPYRIGHT OFFICE.

37 CFR 202. Registration of claims to copyright. Notice of inquiry - colorization of motion pictures. Notice of inquiry. *Federal Register*, vol. 51, no. 178 (Sept. 15, 1986), pp. 32665-67.

The Copyright Office is seeking public comment on the issue of the copyright registrability of colorization of black and white motion pictures. The Office is particularly interested in comments regarding the extent of creative human authorship in the coloriza-

tion process, identification of the authors of the copyrightable elements in colorized films, the role of computer programs in colorization and the feasibility of applying the process to 35mm prints as well as videotapes. The comments will be used to help the Office develop practices concerning colorization and possibly formulate proposals to amend relevant regulations.

133. U.S. COPYRIGHT OFFICE.

Change in procedure regarding filing of notifications (17 U.S.C. 508 filings). Notice of change in procedure. *Federal Register*, vol. 51, no. 162 (Aug. 21, 1986), p. 29973.

The Copyright Office has revised its procedure for handling notifications of filing and determinations of court actions under 17 U.S.C. 508. Under the new procedure, the documents will be received and retained in the Certifications and Document Section until enough have accumulated to fill a reel of microfilm. Then they will be microfilmed alphabetically under the plaintiff's name.

134. U.S. COPYRIGHT OFFICE.

Policy decisions regarding searches of certain in-process materials and telephone requests for searches of Copyright Office records. Notice of policy decisions. *Federal Register*, vol. 51, no. 165 (Aug. 26, 1986), p. 30450.

The Copyright Office has discontinued the practice of providing free searches to ascertain the status of certain free service requests that are in process and that have been in the Office less than six weeks. Free expedited service to telephone requests for searches of the Office's records also has been halted. Effective immediately, a fee will be charged for all of the time expended in making such searches and providing reports thereon.

135. U.S. COPYRIGHT ROYALTY TRIBUNAL.

37 CFR 306. Cost of living adjustment of the royalty rate for performance of musical compositions on coin-operated phonorecord players. Final rule. *Federal Register*, vol. 51, no. 148 (Aug. 1, 1986), p. 27537.

The Copyright Royalty Tribunal has amended its rules to reflect a cost of living adjustment to the jukebox compulsory license fee. The adjustment increases the fee from \$50 to \$63 annually.

136. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Cable royalty fees; termination of proceeding. Notice. *Federal Register*, vol. 51 no. 156 (Aug. 13, 1986), p. 28973.

The Copyright Royalty Tribunal has terminated the cable rate adjustment proceeding commenced at the behest of Turner Broadcasting Systems, Inc. (TBS). The termination was requested by TBS.

137. U.S. INTERNATIONAL TRADE COMMISSION.

Certain soft sculpture dolls popularly known as "Cabbage Patch Kids" . . . ; Commission decision to review portions of an initial determination finding a violation of Section 337 of the Tariff Act of 1930. *Federal Register*, vol. 51, no. 171 (Sept. 4, 1986), pp. 31731-32.

In the matter of the investigation of alleged importation violations concerning certain Cabbage Patch Kids dolls, the administrative law judge (ALJ) found a violation of section 337 of the Tariff Act of 1930. The U.S. International Trade Commission has decided to review that portion of the ALJ's determinations regarding the country of origin marking requirements, the scope of the domestic industry, and injury to that industry.

138. U.S. PATENT AND TRADEMARK OFFICE.

Interim protection for mask works of foreign nationals. Extension and issuance of interim orders. *Federal Register*, vol. 51, no. 167 (Aug. 28, 1986), pp. 30690-91.

The Patent and Trademark Office has extended until November 8, 1987, the interim orders for protection for mask works of foreign nationals of the following countries: Japan, Sweden, Australia, Canada, Belgium, Denmark, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, and the Netherlands. Additionally, the Office has issued interim orders for Spain and Portugal. The termination date of the latter two orders is also November 8, 1987.

PART IV

JUDICIAL DEVELOPMENTS IN LITERARY
AND ARTISTIC PROPERTY

A. DECISIONS OF FOREIGN COURTS

1. Canada

By ANDREA F. RUSH*

139. DORAL BOATS LTD. v. BAYLINER MARINE CORPORATION

A recent Federal Court of Appeal decision is very significant to Canadian copyright lawyers because it clarifies somewhat the murky dividing line between what can be protected by the Canadian Copyright Act and what must be registered for protection under Canadian law as an industrial design. The result of the Court of Appeal decision in *Doral Boats Ltd. v. Bayliner Marine Corporation*¹ is that copyright and industrial design are now clearly mutually exclusive forms of protection in Canada. The scope of protection for three-dimensional functional works depicted in copyrighted plans or drawings, however, is left unclear.

The plaintiff, Bayliner Marine Corporation ("Bayliner"), a boat manufacturer, claimed that its copyrights in plans for the fibreglass hull and deck of two boat models was infringed when the defendant, Doral Boats Ltd. ("Doral"), purchased two Bayliner boats, a runabout and a cabin cruiser and (admittedly) stripped them down to produce a plug from which moulds could be made. By reverse-engineering, directly moulding from Bayliner's boat hulls, Doral was spared the time and expense of producing its own engineering plans.

The Federal Court Trial Division ordered recovery in damages for copyright infringement of one of the plaintiff's boats. The Federal Court

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¹ This was a unanimous judgement by Urie, Mahoney and Stone JJ, in the Federal Court of Appeal, June 13, 1986 (unreported), overturning *Bayliner Marine Corporation v. Doral Boats Ltd.* (1985) 5 C.P.R. (3d) 289 (F.C.T.D.). Bayliner is a United States manufacturer. Section 4(2) of the Canadian Copyright Act extends protection to United States citizens by a notice published in the Canadian Gazette dated December 29, 1923, at p.2157, effective from January 1, 1924.

The Supreme Court of Canada dismissed (without reasons) an application for leave to appeal from the decision of the Federal Court of Appeal. The order, by Judges Estey, McIntyre and Wilson, is dated Dec. 18, 1986.

of Appeal reversed and held that mass-produced articles having ornamental features are not protected by copyright and must be registered as industrial designs for protection in Canada.

Discussion

The *Bayliner* case is an attempt by a manufacturer to assert that copyright in drawings prohibits the reverse-engineering and manufacture of a three-dimensional mass-produced object made in accordance with the drawings. Plans are protected under the Canadian Copyright Act² as "literary"³ or "artistic works"⁴ which cannot be copied in "any form whatever."⁵ Registration of copyright is not required in Canada, unlike in the United States, where it is prerequisite to instituting legal proceedings.⁶

Interlocutory injunctions, in the past, have restrained mass-production of three-dimensional articles, because of plaintiff's artistic copyright.⁷ Section 46 of the Canadian Copyright Act provides, however,

² R.S., c. 55, s. 1, as amended.

³ *Id.*, section 2.

⁴ *Id.*

⁵ *Id.*, section 3.

⁶ This is because of Canada's treaty obligations under the Berne Copyright Convention (1887) 91 Parl. Papers 297 (c. 5167). (Canada has ratified the Rome text.) However, there is an optional registration mechanism which is advantageous in the event of litigation, because it creates legal presumptions that the work is protected by copyright, which is owned by the person(s) named in the registration certificate. *Supra* note 2, section 36. There is no time limit to apply for registration, and a certificate of copyright registration will usually issue on an accelerated basis (within two weeks) if there is reasonable cause.

⁷ In *American Greetings Corp. v. Oshawa Group Ltd.* (1983) 69 C.P.R. (2d) 238 (F.C.T.D.), copyright was asserted in the drawings of dolls, the package of dolls and a Strawberry Shortcake logo. The defendants argued the wares should have been registered as industrial designs and, therefore, copyright did not subsist in the drawings. Although Walsh, J. said they had an "arguable defence", the balance of convenience favoured the plaintiffs. In *Universal City Studios, Inc. et al v. Zellers Inc.* (1983) 73 C.P.R. (2d) 1 (F.C.T.D.), the plaintiff successfully relied on its copyright in the sculpture of E.T. and the motion picture "E.T. The Extra-Terrestrial" to enjoin the defendants from selling E.T. dolls and credit card key chains and related packaging and advertising material. In *Duomo Inc. v. Giftcraft Ltd.* (1985) 1 C.P.R. (3d) 165 (F.C.T.D.), the plaintiff registered copyright in a photograph of His Holiness, Pope John Paul II, and on the balance of convenience, obtained an interim injunction to restrain the defendant from applying the photograph to china for sale. On an interlocutory application, the courts will generally accede to the presumption of validity created by a copyright registration certificate. In each of the above-cited cases, the plaintiff's initial intention was not ostensibly to create the works for mass-production.

that copyright does not protect designs "capable of registration" under the Industrial Design Act,⁸ i.e. ornamental patterns or representations which are used or intended to be reproduced more than fifty times and applied by an industrial process.⁹ This section has given rise to much debate as to what is a "design," probably because protection by copyright is preferable to industrial design protection for two reasons. First, unlike copyright, registration as an industrial design is mandatory for

⁸ R.S., c. 150, s. 1. Although the Act does not define design, the following judicial definition is widely accepted: "A design is . . . a pattern or representation which the eye can see and which can be applied to a manufactured article," *Clatworthy & Son Ltd. v. Dale Display Fixtures Ltd.* (1929) S.C.R. 424, per Lamont J.

⁹ Section 46 of the Copyright Act reads as follows:

- 46 (1) This Act does not apply to designs capable of being registered under the Industrial Design Act, except designs that, though capable of being so registered, are not used or intended to be used as models or patterns to be multiplied by an industrial process.
- 46 (2) General rules, under the Industrial Design Act, may be made for determining the conditions under which a design shall be deemed to be used for such purposes as aforesaid.

The section operates in conjunction with Rule 11 of the Industrial Design Act, which reads as follows:

- 11 (1) A design shall be deemed to be used as a model or pattern to be multiplied by an industrial process within the meaning of Section 46 of the Copyright Act,
- (a) where the design is reproduced or is intended to be reproduced in more than fifty single articles, unless all the articles in which the design is reproduced or is intended to be reproduced together form only a single set as defined in subsection 2; and
- (b) where the design is to be applied to
- (i) printed paper hangings,
 - (ii) carpets, floor cloths, or oil cloths manufactured or sold in lengths or pieces,
 - (iii) textile piece goods, or textile goods manufactured or sold in lengths or pieces, and
 - (iv) lace, not hand made

Three recent Federal Court trial decisions would have suggested that Bayliner's boats were not registrable as industrial designs because of an interpretation of Rule 11 of the Industrial Design Act which would restrict application of the Industrial Design Act to wallpaper, carpets, textiles and lace. *Royal Doulton v. Cassidy's* (1984) 1 C.P.R. (3d) 214, (F.C.T.D.) *Interlego AG et al v. Irwin Toy Ltd. et al* (1985) 3 C.P.R. (3d) 476, (F.C.T.D.), *Jeffrey Rogers Knitwear Productions Ltd. et al v. R. D. International Style Collections Ltd.* (1985) 6 C.P.R. (3d) 409 (F.C.T.D.). The trilogy was not approved by the Federal Court of Appeal in the *Bayliner* decision which interpreted "and" in Rule 11 to mean "or", relying on E.A. DRIEDGER, CONSTRUCTION OF STATUTES, 15, 16 (2d Ed. 1983).

protection under that Act. Second, the industrial design monopoly is for a maximum of ten years,¹⁰ unlike copyright which prohibits copying a work (but not independent creation of an identical work) for the life of its author plus fifty years.¹¹

Bayliner had not applied for registration of its boats as industrial designs and, therefore, contended that copyright in plans afforded the right to prevent the reproduction of the plans in three-dimensional form i.e. as boats.¹² The evidence was clear that when the plans were created, Bayliner intended to mass-produce the boats in question. Bayliner argued, nevertheless, that industrial design registration was unnecessary to protect the boats.

Throughout the trial and appeal Doral admitted copying Bayliner's boats. Its defence was that copying was not prohibited by either the Copyright Act or the Industrial Design Act, and that unfair competition and issues of commercial morality were irrelevant considerations in the case as framed by the pleadings.¹³ The boats were "capable of registration as industrial designs," having been intended for mass-production, and were not protected as industrial designs because they had not been so registered.¹⁴ Furthermore, copyright in the plans could not prevent Doral from manufacturing its boats since the plans were merely a set of directions and, as such, could not serve to monopolize a method of construction.¹⁵

¹⁰ *Supra* note 8, section 10.

¹¹ *Supra* note 2, section 5. A corporation which is first "author," however, has protection only for fifty years.

¹² Bayliner also asserted copyright in its boats as "architectural works." This argument was rejected at trial and not reconsidered on appeal.

¹³ The South African case of *Butt v. Schultz* (1984) S.A.L.R. 568 (ECD), involving substantially identical facts, was decided in favour of the plaintiff on the main basis of unfair competition. The plaintiffs succeeded, as well, on their secondary claim of copyright infringement of an "artistic work of craftsmanship," s. 1 of the South African Copyright Act 98 of 1978 as amended by s. 1 (a) of Act 66 of 1983.

¹⁴ *Supra* note 8, section 14. This section requires that a registration certificate be obtained within one year of publication of the design in Canada.

¹⁵ The defendant cited the leading authority in Canada which highlights the "idea-expression" dichotomy: *Cuisenaire v. South West Imports*, [1968] 1 Ex.C.R. 493 aff'd [1969] S.C.R. 208. The Supreme Court of Canada decided that a book describing a method of teaching arithmetic could be protected as a literary work of copyright. Three-dimensional rods made in conformity with the method, however, were not "works" of copyright. Therefore, anyone could make use of the ideas contained in the book to manufacture rods.

Trial

Mr. Justice Walsh of the Federal Court Trial Division found copyright infringement of the plans for one boat, a runabout. The infringement was the result of indirect copying: Doral had never seen Bayliner's boat drawings. Plans for a second boat, a cabin cruiser, were not substantially copied and, therefore, copyright was not infringed. The court accepted that the designs for the boats need not have been registered as industrial designs since the plaintiff did not intend to reproduce the two-dimensional *plans* more than fifty times. Bayliner was entitled to damages or to an accounting of profits accruing after Doral was notified that the boat drawings for the runabout model were protected by copyright.

The practical effect of the trial decision upholding three-dimensional infringement of copyright was that the scope of protection was perhaps unduly broadened. By virtue of that decision, unauthorized manufacture of any three-dimensional object could be an infringement of the Copyright Act, on the basis of copyright in the drawings depicting the object. From a policy viewpoint, what is the rationale for protecting articles intended for mass-production by the law pertaining to copyright in "literary" or "artistic" works simply because drawings have been initially created? Fearful of the English experience, practitioners questioned whether copyright in exhaust pipes would detrimentally affect competition in the spare parts industry.¹⁶ For that matter, should the Copyright Act be used to circumvent the stiffer requirements of originality and registration under the Industrial Design Act¹⁷ or under the

¹⁶ In *British Leyland v. Armstrong Patents* (1986) 12 F.S.R. 221 (H.L.), three-dimensional copyright protection for exhaust pipes by reference to the two-dimensional artistic drawings thereof was limited by the doctrine of "implied licence" which permitted the defendant to reverse-engineer and manufacture spare parts without the permission of the owner of copyright in the drawings. The Canadian Copyright Act is modelled on the British Copyright Act of 1911, and British authorities are frequently cited in Canadian courts. The British Copyright Act was amended in 1956, however, and the late Mr. Justice Pigeon of the Supreme Court of Canada has expressed the need to exercise "strong caution" with respect to giving undue weight to United Kingdom cases because of the differences between the Canadian and British Copyright statutes: Pigeon, L.P. reviewing *COPINGER AND SKONE JAMES ON COPYRIGHT* (12th ed.) in [1981] *OTTAWA L. REV.* 438.

¹⁷ *Bata Industries Ltd. v. Warrington Inc.* (1985) 5 C.P.R. (3d) 339, 347 (F.C.T.D.) per Reed, J.: Jurisprudence under the Industrial Design Act "demands a higher degree of originality than is required with regard to copyright. It seems to involve at least a spark of inspiration on the part of the designer either in creating an entirely new design or in hitting upon

Patent Act?¹⁸ Would copyright survive the expiry of industrial design or patent protection?¹⁹

Appeal

In the Federal Court of Appeal, Doral repeated its argument that Bayliner had not demonstrated any legal basis to prevent copying of its runabout. Bayliner cross-appealed that the three-dimensional copyright in plans for its second model, the cabin cruiser, was also infringed.

The Federal Court of Appeal found for the defendant and held that neither of Bayliner's boats was protected by copyright since the boats were, indeed, the subject matter of the Industrial Design Act. The court in effect confirmed that copyright and industrial design protection are mutually exclusive.²⁰ Although the general shape of the boat was determined by functional considerations, the details which distinguished one boat shape from another were ornamental. Furthermore Bayliner intended to produce more than fifty *boats* in accordance with each plan. (The test as to *what* was being reproduced more than fifty times differed in the two court levels.)

The implication was clearly that registration under the Industrial Design Act should at least have been attempted. Registrability of designs being a matter for the determination of the Registrar of Industrial Designs, the court refused to support the plaintiff's position that a design is necessarily copyrightable if there has been neglect or deliberate omission to apply diligently for industrial design protection.

a new use for an old one". *Semble, Kilvington Bros. v. Goldberg* (1957) 28 C.P.R. 13, 17 (O.H.C.).

¹⁸ R.S. c. 203, s. 1, section 2. The monopoly is for seventeen years.

¹⁹ In *The Rucker Company et al v. Gavel's Vulcanizing Ltd.* (1986) 7 C.P.R. (3d) 294 (F.C.T.D.), Judge Walsh, held that copyright did not protect engineering drawings relating to the subject matter of a patent for spherical rubber packing elements intended for use in spherical blowout preventers. This case was decided after the *Bayliner* trial decision was reported, and before the appeal was argued.

²⁰ The Federal Court of Appeal's holding that what is registrable under the Industrial Design Act is not capable of protection under the Copyright Act, is consistent with older cases - *Eldon Industries Inc. v. Reliable Toy Co. Ltd.* (1967) 48 C.P.R. 109 (O.C.A.), *Guy Vidal et al v. Artcheck Inc. et al* (1976) Que. S.C. 1155, and *Mighty Star v. Paul Sicard et al* (1985) 5 C.P.R. (3d) 490 (Que. S.C.).

Result of Decision

As a result of the *Bayliner* case, manufacturers of mass-produced industrial articles with ornamental features will appreciate the necessity of registration of their designs in Canada under the Industrial Design Act. For the sake of caution, until our courts consider this matter further, it is recommended that a broad view be taken of "ornamentation." For example, a new shape for a telephone would normally be registrable because shape is an ornamental feature which appeals to the eye. The design of a hanger, however, has not been considered ornamental, since significant design features are hidden and not intended to be admired by the public.²¹ An unanswered question is whether a car's exhaust pipe would be "ornamental" in some cases but not in others—depending upon whether its design features were actually exposed to the eye.

The Federal Court of Appeal specifically declined to resolve the three-dimensional issue, whether copyright in a two-dimensional plan of a *purely functional object* is infringed by the making in three dimensions of an article according to the plan. Unfortunately, the appellate decision does not conclude with a statement as to whether copyright is a basis for protecting mass-produced articles displaying no ornamentation.

140. THE RUCKER COMPANY V. GAVEL'S VULCANIZING LTD.
Federal Court (Trial Division), 25 Nov. 1985. *EIPR*, vol. 8, no. 2 (Feb. 1986), p. D-32.

The plaintiff, the Rucker Company, sued for infringement of its patent of "an oil well blowout preventor." The plaintiff also sued for infringement of its copyrighted drawings of the patented oil well blowout preventor. The court held that there is no copyright protection "for any drawing of a patentee whose patent covers the object shown in the drawings."

²¹ *Mainetti S.P.A. v. E.R.A. Display Co. Ltd.* (1984) 80 C.P.R. (2d) 206, 226 (F.C.T.D.).

PART V

BIBLIOGRAPHY

A. BOOKS, TREATISES AND CASSETTES

1. United States Publications

a. Book Review

By RALPH OMAN*

141. STERN, RICHARD H. *Semiconductor Chip Protection*. Law & Business, Clifton, N.J. (1986), 690 p.

Back in 1982, when I was Chief Counsel of the newly recreated Senate Subcommittee on Patents, Copyrights and Trademarks, Dick Stern, my old friend from the Antitrust Division, came in to see me. He wanted to know if Senator Mathias would have any interest in legislation that would protect semiconductor chips. At the time, I had no idea that our initial conversation would lead to a milestone in the development of intellectual property law. Under the leadership of Senator Mathias and Chairman Kastenmeier, Dick Stein's modest proposal became the Semiconductor Chip Protection Act of 1984.

For a variety of reasons, Congress concluded that patents and copyrights—the existing intellectual property system—did not provide adequate protection for the topology or layout of semiconductor chip products.

The text that finally emerged establishes a complex legal system carefully designed to meet the difficulties faced by the semiconductor industry, while taking into account such desirable industry practices as reverse engineering.

For the first time, rather than trying to squeeze a new category of work into a pigeonhole in the existing system, Congress decided to craft from scratch a legal structure that would accommodate the unique characteristics of semiconductor chips. In doing so, Congress admittedly relied on basic concepts from the copyright law, but the new regime stands very much on its own.

*Mr. Oman is the United States Register of Copyrights.

Since the Act plows new ground in the area of intellectual property law, the construction given this new legislation by the courts will play an important role in its evolution. Microchip producers must also draft contracts to cover transactions based on these new rights, and they would welcome guidance through this legal thicket. Mr. Stern's treatise, a scholarly and practical analysis of the new law, should prove invaluable to people called upon to give sound, practical advice about protection of mask works.

Obviously, attorneys will find it helpful, but it has a much broader potential readership. Law professors, judges, students, and microchip industry technocrats would all have an interest in Mr. Stern's careful analysis. I know it will be widely read, often cited, and heavily relied on. It is the microchip law bible.

B. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

1. United States

142. CAUDLE, SHEILA. Copyright and commercial exploitation: the need for a "hot news" exception in the information age. *Communications Lawyer*, vol. 4, no. 3 (Summer 1986), pp. 3-6.

This article examines the conflict between private proprietary rights and First Amendment rights as they relate to the dissemination of "hot," hard news information captured in audiovisual works and photographs. The author gives examples of what she considers to be "hot" news. She then states that "when copyright restrictions conflict with the public's right to timely access to information because of the immediacy and importance of the 'hot' news embedded in the copyrighted work, the First Amendment must prevail." She suggests achieving this by amending the fair use provisions of the Copyright Act to include an exemption for such news items.

143. CHRISTOL, CARL Q. Prospects for an international legal regime for direct television broadcasting. *International and Comparative Law Quarterly*, vol. 34, part 1 (Jan. 1985), pp. 142-159.

This article investigates the direct broadcast satellite regime and the legal problems involved in international broadcasting. The author addresses the issue of sharing resources and reviews

the 1967 Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space.

144. COGDELL, ANDREW. Copyright protection for computer programs in object code in ROM. *North Carolina Journal of International Law and Commercial Regulation*, vol 10, no. 3 (Summer 1985), pp. 667-701.

The author studies the creation of a computer program -- its flow chart source code, object code and object form and source language. Section III is devoted to the recent revisions of the Copyright Act dealing with computer programs and analyzes the case of *White-Smith Publishing Co. v. Apollo*. Section IV discusses recent developments in copyright case law including *Data Cash Systems, Inc. v. JS&A Group, Inc.* and *Stern Electronics Inc. v. Kaufman*.

145. FINE, FRANK L. A case for the federal protection of television formats: testing the limit of expression. *Pacific Law Journal*, vol. 17, no. 1 (Oct. 1985), pp. 49-77.

Before the federal copyright statute was enacted, it was unclear if T.V. formats were eligible for federal copyright protection under the Copyright Act of 1909. Section III speaks about protection provided under the 1976 Act, and the liberalization of judicial attitudes. Section IV is devoted to the "expression" of television formats, for example, video game formats as works of authorship. Also discussed is the framework necessary for the protection of a television format.

146. GERSHEN, ELANA L. The works made for hire doctrine of the 1976 Copyright Act after *Aldon Accessories Ltd. v. Spiegel, Inc. Cardozo Arts & Entertainment Law Journal*, vol. 5, no. 1 (1986), pp. 265-288.

In this comment, Ms. Gershen provides a history of the "work made for hire" doctrine under the 1909 Act and the 1976 Act. The author discusses the legal issue of whether an individual is an employee or independent contractor under copyright law, and analyzes the case of *Aldon Accessories Ltd. v. Spiegel, Inc.* The author concludes that the "necessity for clarification of the works made for hire doctrine is vital."

147. PRASINOS, NICHOLAS. International legal protection of computer programs. *IDEA*, vol. 26, no. 4 (1986), pp. 173-240.

This article discusses two ways to protect computer programs internationally, via trade secret or copyright. The author concludes that there is no best single method of protecting computer programs throughout the world because of the non-uniformity of the laws available in different countries. However, copyright protection should be used for protecting computer programs that are widely distributed, particularly those in object code. Trade secret protection is recommended in those countries where trade secret law is available for protecting the idea inherent in a program.

148. RYAN, THOMAS J., JR. The "flexibility factor" in copyright, trade secret and patent law for computer software: the aftermath of *Sony*. *Ohio Northern Law Review*, vol. XI, no. 2 (1985), pp. 333-363.

The author analyzes copyright protection with a look at the beginnings of federal copyright law. Section III is devoted to the "flexibility factor" of copyright protection while Section IV addresses the problem of trade secret protection and Section VI delves into patent protection. The author states that the "Sony" case exemplifies the kind of legal problems which will present themselves as technology advances and urges that the courts "apply present laws in a flexible manner" when attempting to resolve such problems.

149. STUMPF, ANDREW W. The availability of jury trials in copyright infringement cases: limiting the scope of the Seventh Amendment. *Michigan Law Review*, vol. 83, no. 8 (Aug. 1985), pp. 1950-1970.

This article discusses the statutory damages provision of the federal copyright statute, whether this remedy should be characterized as equitable or as legal, and whether the remedy falls within the Seventh Amendment's jury trial provision. Section I is devoted to a historical analysis of the statutory damages remedy and offers an analysis of *Grossos Music v. Mitken, Inc.* Section II reviews policy considerations for limiting the scope of the Seventh Amendment.

150. TUCKER, ANNETTE V. The validity of the manufacturing clause of the United States copyright code as challenged by trade part-

ners and copyright owners. *Vanderbilt Journal of Transnational Law*, vol. 18, no. 3 (Summer 1985), pp. 577-625.

Ms. Tucker provides the reader with a legislative history of the manufacturing clause in the context of international copyright law. She also investigates the economic factors giving rise to enactment of the manufacturing clause and whom it protects. Sections III and IV of the article are devoted to the problems of international copyright and the question of the constitutionality of the manufacturing clause.

2. Foreign

1. In English

151. EDWARDS, STEPHEN. Legal notes: United Kingdom -- a restatement of copyright law. *EBU Review*, vol. XXXVII, no. 4 (July 1986), pp. 47-49.

The United Kingdom has released a White Paper entitled "Intellectual Property and Innovation." Part I of the White Paper deals with patents and industrial designs, and Part II focuses on copyright law "restatement." This article examines the copyright-related proposals, including home taping, educational recording of broadcast material, and broadcasting and cable diffusion. The recommendations concerning such provisions as ownership, term of protection, moral rights and folklore protection are also examined.

152. News. Proposed revision of the Copyright Act to extend protection to databases and neighbouring rights protection to cable transmissions. *EIPR*, vol. 8, no. 3 (March 1986), p. D-51-52.

A synopsis of a proposed amendment of Japan's copyright act prepared by the Cultural Affairs Agency. This amendment will define the scope of cable transmissions to which neighboring rights protection is extended and when a database work is published. It will amend the existing definition of cable transmission. It will also "clarify that databases having originality in the selection or systematic arrangement of information, in the addition of index words etc. are protected as works of authorship."

153. ROBERTS, R.J. Protection of semiconductor chip designs under Canadian copyright law: will Canada follow the lead of the United States? *The University of Western Ontario Law Review*, vol. 23, no. 1 (Fall 1986), pp. 101-111.

The author, a member of the law faculty at the University of Western Ontario, states that Canadian copyright law does not protect the design of a semiconductor chip. Mr. Roberts analyzes the United States' Semiconductor Chip Protection Act of 1984 and discusses whether or not Canada should adopt similar legislation.

154. WEINSTEIN, JUDITH S. International satellite piracy: the unauthorized interception and retransmission of United States program-carrying satellite signals in the Caribbean, and legal protection for United States program owners. *The Georgia Journal of International and Comparative Law*, vol. 15, no. 1 (1985), pp. 1-29.

U.S. copyright laws do not give adequate international legal protection for copyright owners whose programs are being pirated by satellites in the Caribbean Basin. The author believes the most immediate solution for reacting to this satellite piracy in the Caribbean is through "bilateral agreements and congressional initiatives as provided for in the Caribbean Basin Initiative." Section II discusses the background of satellite piracy and whose interests are at stake. Section III is devoted to analyzing multilateral agreements and organizations, including the Universal Copyright Convention and the Brussels Satellite Convention. Section IV addresses the problem of satellite piracy and the motion picture industry and delves into the Caribbean Basin Initiative.

155. YEUTTER, CLAYTON. A forward-looking United States trade policy. *SAIS Review*, vol. 6, no. 1 (Winter-Spring 1986), pp. 1-6.

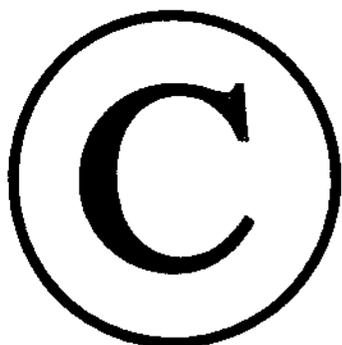
Under the Reagan Administration's trade policy, the U.S. has advocated free and fair trade between nations. This article reviews the Administration's efforts to achieve this goal through the use of (1) multilateral (General Agreement on Tariffs and Trade) negotiations to eliminate unfair trade practices, improve access for U.S. exports, and address international trade problems in the areas of intellectual property rights, services trade and investment and (2) bilateral and multilateral negotiations to reduce trade barriers on a country-by-country basis.

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PART I

ARTICLES

156. The Case for Copyrights in "Colorized" Versions of Public Domain Feature Films

By JAMES THOMAS DUGGAN* and
NEIL V. PENNELLA**

I. Introduction

A scholar recently posed the proposition that "as technological communications media evolve, they tend to increasingly replicate the pre-technological or human communication environments of the real world."¹ According to the theory, communications media are spawned by a desire to overcome the biological constrictions of space and time. In their attempts to satisfy this basic need, however, early technologies necessarily sacrifice many natural components, such as color and motion, because of the shortcomings of scientific knowledge available during the natal periods of technological advances. Yet, as those advances occur, there is a tendency for increasingly sophisticated communications media to replicate nature.² As the author of this theory notes:

The invention of photography in the 1820's was of course itself perhaps the single most vivid leap in the technological ability to recapture the real world; and with each subsequent innovation in photographic process, from still to motion, to synchronized sight-and-sound color, to the instantaneous transmission of sight and sound that is technically no longer photography at all but electronic video, the apparatus of replication has been endowed with a capacity to retrieve more and more of the real world.³

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¹ P. LEVINSON, HUMAN REPLAY: A THEORY OF THE EVOLUTION OF MEDIA 9 (1978 & photo. reprint 1980) [hereinafter *Levinson, Human Replay*].

² *Id.* at 12.

³ *Id.* at 9.

The theory was reaffirmed by the development of a new process known as "colorization"⁴. The process, which with the aid of a computer allows a colorist to transform black-and-white film footage into color video, was relied upon by the National Aeronautics and Space Administration (NASA) to help sell its billion dollar space program to the United States government.⁵ Wilson Markle, a member of the research team and founder of Image Transform, the company responsible for converting NASA's lunar film footage into color, continued to develop the process during the next fourteen years.⁶ Now, primarily propelled by Hal Roach Studios⁷ and Color Systems Technology (CST),⁸ the colorization process promises to bring new life⁹ to thousands¹⁰ of great film classics

⁴ See *infra* notes 18-48 and accompanying text.

⁵ Toronto Star, Sept. 22, 1984, at H3, col. 2.

⁶ *Id.*

⁷ Los Angeles-based Hal Roach Studios and Toronto's International H.R.S. Industries, Inc., are financing Colorization Inc. (the company for which Markle works), the company formed to exploit the colorization process. *Id.* See also press release from Hal Roach Studios Film Classics, Inc. (undated) (discussing and explaining the colorization process).

⁸ There are to date at least three companies exploiting some type of process to convert black-and-white film into color, the first of which is Markle's company, Colorization. A similar, but distinguishable, process is now being marketed by Color Systems Technology (CST), an American company headed by Ralph Weinger. Weinger worked on the colorization of some black-and-white newsreel footage for the television films *Ike* and *King* before entering the colorization business with his own company. One other Toronto firm, Tintaretto, has also been involved in exploiting a colorization process but has confined its operations to television commercials. Horning, *Colorization: Masterstroke or Miscalculation?*, Video Business, March 1986, at 26, 34 [hereinafter *Masterstroke or Miscalculation?*].

⁹ Reports of one informal survey stated that 73 percent of the viewing public would prefer to watch a color movie as opposed to one in black-and-white. *Id.* at 32. The statistics appear valid when tested against reality. In 1985, when CST's color-enhanced version of *Miracle On 34th Street* was broadcast on television, "[t]he colorized version not only beat previous showings of the original black-and-white version, but also trounced the made-for-TV color movie of *Miracle* that CBS had aired several seasons before." *Id.*

¹⁰ Some 16,000 monochrome feature films and 22,000 hours of black-and-white television tape are currently sitting in Hollywood vaults. The Wall Street Journal, Sept. 11, 1984, at 37, col. 3. Titles which Colorization, Inc. has or plans to colorize are the following: *Topper*, *Way Out West*, *It's a Wonderful Life*, *The Angel and the Badman*, *Terror by Night*, *Saint Joan*, *Advise and Consent* and *Suddenly*. Those completed by CST include *The Absent-Minded Professor*, *The Maltese Falcon*, *The Seahawks* and *Yankee Doodle Dandy*. The potential roster is staggering, to say the least, when one considers the amount of black-and-white footage that is still extant in the United States.

that might otherwise have faded into little more than fond, but distant, memories. As one observer points out, the public apparently has seen this move from black-and-white to color much like the author of the theory set forth above¹¹ - "as a triumph for reality."¹²

This article will explore the copyrightability of and scope of protection available to colorized versions of black-and-white feature films which, in many cases, were previously in the public domain.¹³

In addition, 30,000 more monochrome movies are reported to exist in other countries, along with a vast menu of foreign television programs. *Masterstroke or Miscalculation?*, *supra* note 8, at 28. One source estimates that 1,400 black-and-white television series exist in the United States alone. W. Markle & S. Dew, *The Development and Application of Colorization*, presented at the 125th Society of Motion Picture and Television Engineers, Inc. (SMPTE) Conference (Nov. 2, 1983) at 2 [hereinafter SMPTE Conference].

¹¹ See *supra* text accompanying notes 1-3.

¹² *Masterstroke or Miscalculation?*, *supra* note 8, at 28. Note that not all members of the public share this view. In fact, the outcry against colorization, led by a small but vociferous group which includes several prominent film directors and former black-and-white film stars, led the Copyright Office to conduct an inquiry into the appropriateness of granting copyright protection to colorized versions of black-and-white films at all. Notice of Inquiry, 51 Fed. Reg. 32665 (1986) (examination of registrability of colorization of black-and-white motion pictures). [Docket No. 86-1].

The directors opposed to colorization recently presented the topic before the Chairman of the Senate Judiciary Subcommittee on Technology and the Law, Senator Patrick Leahy (D-Vt.). In public hearings, director/actor Woody Allen said that it is up to the director, and not the colorizing companies, to make the choice as to whether black-and-white film should be colorized and "... it is sinful to force him to change it." The Hollywood Reporter, May 13, 1987 at 1, col. 2. Rep. Richard Gephardt (D-Mo.) introduced legislation in the form of the Film Integrity Act of 1987 that goes beyond banning colorization to include a prohibition against all alterations and modifications without approval of the creators. The Hollywood Reporter, May 14, 1987 at 1, col. 4. In proposing his Film Integrity Act of 1987, Gephardt stated that classic feature films "are in danger of being muffled and distorted because the best films in America's Library are threatened with colorization." *Id.* at 8, cols. 3-4.

¹³ One such example is director Frank Capra's *It's a Wonderful Life* which, owing to the failure to renew its copyright term in 1974, slipped into the public domain. Chicago Tribune, Nov. 24, 1985, Section 13, at 20, col. 1. Renewal was a prerequisite to extending its copyright term for an additional 28 years under § 24 of the 1909 Act. Act of March 4, 1909, 35 Stat. 1075 (codified as amended at 17 U.S.C. §§ 1-216 (1947) (repealed effective Jan. 1, 1978)). A colorized version of a black-and-white motion picture qualifies as a derivative work. The author of the colorized version must obtain permission from the holder of the copyright in the underlying film or base his

Emphasis will be placed on the historical¹⁴ and economic¹⁵ roots of copyright, with particular attention devoted to the subject of derivative works.¹⁶ The conclusion which will be reached is that colorized versions based upon public domain motion pictures should be accorded the full panoply of protection available under copyright's permissive monopoly, in light of the artistic effort expended, the inherent investment risks, and the result of broader dissemination of classic, but soon-to-be-forgotten, feature films. Before embarking on the journey through the maze of copyright law, however, a brief discussion of colorization processes is in order.

II. An Explanation of Colorization¹⁷

A. The Markle Process

The colorization process begins with the transfer of the black-and-white film onto videotape;¹⁸ at no time are the actual film elements colorized, tinted or otherwise transformed. The videotape is then "cleaned up" electronically,¹⁹ and analyzed scene by scene.²⁰ A frame is chosen from the beginning of each scene and divided into up to as many as 525,000 pixels,²¹ each of which is assigned a value on the gray

derivative work upon that which is already in the public domain. See *infra* notes 77-132 and accompanying text. In the interest of brevity, only colorized versions based upon public domain films will be considered.

¹⁴ See *infra* notes 49-68 and accompanying text.

¹⁵ See *infra* notes 69-76 and accompanying text.

¹⁶ See *infra* notes 77-118 and accompanying text.

¹⁷ While the term "colorization" is a registered trademark of Toronto-based Colorization, Inc. (Markle's company), the word is already being used generically to describe different types of coloring processes. *Masterstroke or Miscalculation?*, *supra* note 8, at 26. Any reference made to colorization in this article should be taken to include any process employed to create a color version of a black-and-white motion picture through the use of a computer.

¹⁸ *Masterstroke or Miscalculation?*, *supra* note 8, at 27.

¹⁹ *Id.* Markle points out that "[b]efore colorizing a tape, we reduce any extraneous noise, do any image-processing that's necessary—remove scratches, things like that. We've been doing this kind of restorative work for years." *Id.* at 34. The clean-up process is said to be able to remove such slight defects as a nick in a star's hatband or the whoosh on a soundtrack, *id.* at 27, as well as such major flaws as the "jitter" that mars primitive optical effects." Onosko, *Hollywood Alchemy: Black & White Classics Are Being Colorized. Is This Progress?* Video, May 1986, at 57 [hereinafter *Hollywood Alchemy*].

²⁰ *Masterstroke or Miscalculation?*, *supra* note 8, at 27.

²¹ A pixel is one of the tiny dots of information that appears on a television or video screen. The Seattle Times, Sept. 4, 1985, Section C1, at 1, col 1.

scale²² by an art director.²³ Although a certain amount of research is done on the colors of the sets and costumes as they existed historically,²⁴ the spectrum of colors ultimately arrived at is essentially the function of artistic choice.²⁵ This is due in large part to the unavailability of accurate records²⁶ as well as, to a lesser degree, the black-and-white film industry's penchant for choosing colors, based upon how well they reproduced into shades of black-and-white.²⁷

²² *Masterstroke or Miscalculation?*, *supra* note 8, at 27.

²³ The role of the art director is of crucial importance. As Markle and Dew point out:

One of the most important advances in the early development of the Colorization process was the decision to include an Art Director who would be responsible for the overall colored appearance of the final product. He "color designs" the film with proper consideration given to backgrounds, foregrounds, lighting, hair and make-up, time of day and the season of the year and also has an understanding of a full range of special effects such as snow, rain, fog, fire, etc. In addition, the Art Director has an understanding of the television system so that the colors selected may be as appealing as possible.

SMPTE Conference, *supra* note 10, at 2. Brian Holmes, the art director for Colorization, Inc., has been intimately involved with the colorization process from as early as January 1982 and continues to uphold the artistic integrity of the finished product.

²⁴ *Masterstroke or Miscalculation?*, *supra* note 8, at 27.

²⁵ *Hollywood Alchemy*, *supra* note 19, at 57.

²⁶ "For most of the early black-and-white films there is no information available on the color of the sets or the costumes." SMPTE Conference, *supra* note 10, at 2.

²⁷ Markle claims that artificial (i.e., functional) hues were used for make-up and sets. Green make-up was sometimes used because the finest film stocks of the black-and-white era were insensitive to red. . . . There were also green sets. Various shades of (gray) were used because they knew how that would reproduce." *Hollywood Alchemy*, *supra* note 19, at 57 (sic). CST's art director, Gene Allen, claims just the opposite: "In all my years in the movie business, I never saw green sets or green make-up." *Id.*

Allen's approach to film-coloring is to strive for a high degree of historical accuracy. "To research the New York of the 1940's for *Miracle on 34th Street*, Allen consulted photographs of Macy's archives to authenticate the store's interior color scheme." *Id.* In light of Markle's statement that he is "not writing history. . ." *id.*, one cannot help but wonder whether the CST approach is more akin to a selection and arrangement of historical fact, and thus entitled to a narrower degree of protection under *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir. 1980), than the instinctive approach taken by Markle's art director, Brian Holmes. *Hollywood Alchemy*, *supra* at *id.*; see also *infra* notes 167-199 and accompanying text. *But see* Letter from Jon A. Baumgarten, submitted on behalf of Color Systems Technology, Inc., to Dorothy Schrader, General Counsel to the U.S. Copyright Office (Oct. 15, 1986) (stating that "the Copyright Office's Notice [Docket No. 86-1]

Once the colors are selected and applied to the first frame,²⁸ "another frame is chosen from the end of the scene, and if the color and light²⁹ vary by no more than six percent, a computer can plot the intervening footage."³⁰ If variations occur, owing to a change in the background scenery or the entrance of a new character or prop, the art director and his team must make manual adjustments.³¹ The result is a new version of the work on videotape which looks remarkably close to a transfer of a film originally shot in color.

appears to greatly over-estimate the degree of color choice that is determined by conclusions 'gleaned from research relating to the actual color of costumes, sets, locales, and performers in black-and-white films'.")

²⁸ Colorization, Inc. employs "trackers" who enter data so that color appears on all components of a scene when the black-and-white tape is played back in synchronization with a Dubner CBG-2 video graphics computer. *Hollywood Alchemy*, *supra* n. 19, at 57.

²⁹ Each pixel is defined as to its black-and-white, or *luminance*, value as well as its color, or *chrominance*, value. The Sunday Oklahoman, Feb. 9, 1986, Arts & Entertainment Section, at 5, col. 1.

³⁰ Each pixel is assigned luminance values and screen co-ordinates and combined with a hue component which has been stored on a disk. As the film's scene moves from frame to frame, the computer detects variations in each of the up to 525,000 pixels. Where the pattern of pixels of a given frame is identical to that of the preceding frame, no movement has occurred (as, for example, in a set appearing in the background) and the pixel is matched up with the same hue so that the color remains constant.

³¹ While the pixels will be identical between any two succeeding frames within a scene about 96 percent of the time, variations do occur in areas of motion. In that case, the pixel will be assigned the same hue as those pixels which surround it, or assigned a hue corresponding to a pixel from a preceding frame which has a matching luminance value, or will be assigned a hue calculated by a complex software logic determination. If these three methods prove ineffective, a computer operator's assistance is required. SMPTE Conference, *supra* note 8, at 27.

However, the above description of the computer's ability to compensate for variations between and within scenes must not give one the impression that the colorization process is in any substantial part automatic. The application of color to a previously black-and-white work requires that each individual scene be "hand-painted" by a colorist (following the dictates of the art director) in much the same way as an artist applies paint to a canvas. Before, during and after the actual application of chosen colors, the colorist must give consideration to a variety of factors, such as authenticity, aesthetic appeal, obvious and implied illumination, illumination from reflected light, colors surrounding the particular color area on the picture, relative size of the particular color area on the picture, distance, as well as a host of others. Letter from Jon A. Baumgarten, *supra* note 27, Appendix.

B. *The Weinger Process*

Ralph Weinger's process is called colorspectography.³² Like its competitor, CST employs the aid of a computer and colorists to create colorized motion pictures.³³ Patented in 1979,³⁴ the process involves the transference of the contents of black-and-white film or tape onto videotape. At that point, key frames are electronically painted by a human operator, following the conversion of the image into a digital signal-form.³⁵ The tape is evaluated by staffers who log each shot by recording the scene's length and the relative camera angles and positions, and by compiling a roster of each actor who makes an entrance in the scene.³⁶ Information, concerning such subtleties as the colors of costumes or the presence of flags or uniforms, is programmed into an online database for later use by colorists.³⁷

Colors are then assigned to the gray values within a scene. The computer³⁸ is directed to carry out the programmed color assignments. However, owing to the computer's inability to distinguish color variations which appear identical as shades of gray,³⁹ a colorist must divide "the picture into zones, applying diffuse, cloud-like 'masks' over the original."⁴⁰ The computer analyzes the underlying black-and-white (not color) signal to determine the edges of objects and persons in the scene. "Animators then skillfully program the system so the color masks follow the action" where radical changes take place;⁴¹ the computer is

³² Lovice, *What's Black and White and--Zap--Full Color?* Video Review, May 1984, at 29-30 [hereinafter *Zap - Full Color?*].

³³ 24 Cablevision (March 17, 1986) [hereinafter *Cablevision*].

³⁴ *Id.*

³⁵ *Zap - Full Color?*, *supra* note 32, at 30. *But see* Letter from Jon A. Baumgarten to Dorothy Schrader, General Counsel to the U.S. Copyright Office (Dec. 15, 1986) (stating that the CST Process does not "digitize" the black-and-white images).

³⁶ *Hollywood Alchemy*, *supra* note 19, at 56.

³⁷ *Id.* As noted above, *see supra* note 27, CST's approach is to strive for historical accuracy. "The colorists sit down at coloring 'bays' with the art director armed with as much information as the researchers could gather. . . ." *Hollywood Alchemy*, *supra* note 19, at 56 (emphasis added).

³⁸ CST uses a custom Intel minicomputer as its host system. The actual color video is generated by proprietary boards designed and built by the company. Apple Macintoshes are used in the coloring bays as graphic workstations." *Id.*

³⁹ "The computer doesn't know, for instance, that, even though the gray in an actor's face is identical to the gray of the sky, one should be flesh-colored and the other blue." *Id.*

⁴⁰ *Id.*

⁴¹ This would include the entrance of new actors, a change in the background scene, or where "say, a beach ball is tossed to an actor." *Id.*

responsible for those scenes or portions of scenes which are more or less static.⁴²

It must be pointed out that neither Markle's nor Weinger's process is automatic,⁴³ and, while the costs of colorizing an already finished black-and-white work are substantially less than shooting a new version in color,⁴⁴ it would be inaccurate to categorize the undertaking as inexpensive.⁴⁵ Moreover, the reaction to the concept has been mixed⁴⁶

⁴² *Id.* This is seldom the case, however, since almost every shot has some variations due to movement, etc. Thus, "virtually the entire film must be animated, in those cases in which there is movement."

⁴³ Wilson Markle has stated that he currently employs 142 people working full-time, in three shifts, seven days a week at Colorization Inc. to convert black-and-white footage to color. Telephone call among the authors, Norman Glick and Wilson Markle, September 16, 1986. Kmet, *Hal Roach Studios Puts New Life Into Old Black & White Movies*, Video Software Dealer, Oct. 1985, at 28 [hereinafter *New Life*]. See also *Hollywood Alchemy*, *supra* note 19, at 56: "With approximately 75 people working around the clock seven days a week, [CST] cranks out about five minutes of color programming a day. . . ." CST's counsel took great pains to make it clear to the Copyright Office that the process of colorizing a film is by no means automatic.

The computer is a tool used to store an electronic "color library" from which the choices, arrangements, applications, and effects [employed in colorizing a film] can be drawn, and to implement or record them. After the colorists' selections, combinations, and applications are made for particular scene portions or elements under given conditions, the computer may store and replicate them when appropriate - but such replication is governed by the initial human judgments, and remains subject to the continuous review, modification, and variation of human actors who will correct or revise them to meet artistic ends.

Letter from Jon A. Baumgarten, submitted on behalf of Color Systems Technology, Inc., to Dorothy Schrader, General Counsel to the U.S. Copyright Office (Oct. 16, 1986).

⁴⁴ For example, a new color episode of the television series *Wyatt Earp* could cost well over \$1 million. A colorized version of the existing episode as shot in black-and-white might run approximately \$50,000 a segment. *Toronto Star*, Sept. 22, 1984, at H3 col. 1.

⁴⁵ According to the *Wall Street Journal*, the going rate is about \$2,000 per minute. *The Wall Street Journal*, Sept. 11, 1984, at 37, col. 3. The cost of colorizing the movie *Topper* was \$180,000. *New Life*, *supra* note 43, at 28.

⁴⁶ Earl Glick, Hal Roach's chairman of the board, has acknowledged that Frank Capra has compared colorization to painting a mustache on a work of art. *The Seattle Times*, Sept. 4, 1985, Section C1, at 1, col. 1. Other critics include the actor James Stewart. At one point, CST's own art director, Gene Allen, opposed the whole idea. It was only after CST convinced Allen of the inevitability of colorization that he reversed his position. *Hollywood Alchemy*, *supra* note 19, at 57 and 135.

and there is no guarantee that the time and effort expended in coloring a particular work will ultimately lead to an adequate financial return.⁴⁷ Yet, colorization promises not only to contribute to the preservation of classic black-and-white feature films but also to cultivate a new audience for a category of older works which might otherwise go unnoticed.⁴⁸

III. *The Copyright Clause of the Constitution: Evolution and Policy*

The United States Constitution provides that 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."⁴⁹ The source of the clause appears to have been James Madison, although that conclusion is open to some debate.⁵⁰ Little is known of the purpose of the Copyright

⁴⁷ "Even if the process is improved and the cost decreases, some skeptics wonder whether simply adding color will be enough to resurrect dated programming. . . ." *The Wall Street Journal*, Sept. 11, 1984, at 37, col. 3. One observer capsulized the inherent risks of the venture by proposing an obituary-like definition of colorization to be added to future dictionaries:

Although colorization enjoyed a brief vogue as a novelty in the 1980's, the public failed to respond to the process with the kind of enthusiasm that would have made it commercially viable, and it is now remembered as a gimmick that didn't work, like Odorama in the 1950's.

Masterstroke and Miscalculation?, *supra* note 8, at 27.

Recently, the plummeting stock price of CST caused the CST stock analyst, C. Marks Hinto, Jr., to change his forecasts for fiscal 1987 from a gain to a loss, it being noted that the company had yet to make its first profit. *The Wall Street Journal*, May 15, 1987 at 18, col. 1. The risk and expense is apparently recognized by the major industry movie suppliers to the extent that it is unlikely that any of them would take the financial risk of going into colorizing on their own. *Id.* at 39, col. 4.

⁴⁸ *See supra* note 9.

⁴⁹ U.S. CONST. art. I, §8, cl. 8. Basing his belief on the "internal logic" of the Constitutional clause, Professor Nimmer stated that the term "Science" most probably refers to the work of authors (thus subject to copyright) while the phrase "useful Arts" refers to the product of invention (thus subject to patent). 1 M. NIMMER, *NIMMER ON COPYRIGHT* § 1.03, at 1-30 (rev. ed. 1985) [hereinafter *Nimmer*]. *But see* *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 249 (1903) (Holmes, J.) (indicating that the "useful arts" are the subject of copyright).

⁵⁰ *See generally* Fenning, *The Origin of the Patent and Copyright Clause of the Constitution*, 17 *GEO. L.J.* 109-117 (1929) (suggesting that credit be given to both James Madison and Charles C. Pinckney "for furnishing the foundation" for copyright and patent protection). Fenning admits that "with respect to the copyright phase of it Madison may be entitled to priority. . . ." *Id.* at 113.

Clause beyond what is contained in its language;⁵¹ however, several major themes can be gleaned from the text and what few contemporaneous writings are available.

A fundamental tenet of the American copyright doctrine is that the public, rather than the author, is to be the ultimate beneficiary of the Copyright Clause's permissible monopoly.⁵² As Professor Abrams notes, "it is the promise of broad public dissemination of new works of authorship which justifies the implementation of statutory protection."⁵³ The Framers believed that, by providing sanctuary from the ravages of the free market for a limited period of time, the author would be provided with the incentive necessary to justify embarking on a creative project. Without such protection a subsequent copier of the work, through his ability to copy and sell the work at lower costs than those incurred by the initial author or publisher, would be able to discourage publishers from publishing and authors from writing.⁵⁴ Were it not for concern for maintaining this incentive structure, and its assurance of bringing about growth in the store of public knowledge, it is evident that the Framers

⁵¹ Abrams, *The Historic Foundation of American Copyright Law: Exploding the Myth of Common Law Copyright*, 29 WAYNE L. REV. 1119, 1175 (1983) [hereinafter cited as Abrams, *Foundation*].

⁵² 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 on 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.*

Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1974) (footnotes omitted) (emphasis added). The most succinct statement of the doctrine was put forth by former Register of Copyrights, Barbara Ringer: "[T]he ultimate purpose of copyright legislation is to foster the growth of learning and culture for the public welfare, and the grant of exclusive rights to authors for a limited time is a means to that end." HOUSE COMM. ON THE JUDICIARY, 87TH CONG., 1ST SESS., REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 5 (Comm. Print 1961), quoted in Abrams, *Copyright, Misappropriation, and Preemption: Constitutional and Statutory Limits of State Law Protection*, 1983 SUP. CT. REV. 509, 510 n. 7 [hereinafter Abrams, *Preemption*].

⁵³ Abrams, *Preemption*, *supra* note 52, at 510.

⁵⁴ Breyer, *The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs*, 84 HARV L. REV. 281, 292-302 (1970) [hereinafter Breyer, *The Uneasy Case for Copyright*]. Professor Breyer, however, believes that the advantage provided by the lead time advantage enjoyed by the initial publisher serves as a sufficient inducement to publication. This perspective will be explored below in a general discussion of the economic principles applicable to the law of copyright. See *infra* notes 69-76 and accompanying text.

would never have sanctioned a tool as abhorrent as a monopoly to achieve the desired result.⁵⁵ It was hoped that through the protection extended by copyright, more and more authors⁵⁶ would be encouraged to create works⁵⁷ which would eventually pass on to the public domain as the statutory period of protection⁵⁸ expired. That being said, it

⁵⁵ Monopolies though in certain cases useful ought to be granted with caution, and guarded with strictness against abuse. The Constitution of the United States has limited them to two cases--the authors of Books, and of useful inventions, in both [of] which they are considered as a compensation for a benefit actually gained to the community as a purchase of property which the owner might otherwise withhold from public use. There can be no just objection to a temporary monopoly in these cases; but it ought to be temporary because under that limitation a sufficient recompense and encouragement may be given.

Madison, *Aspects of Monopoly One Hundred Years Ago*, 128 Harper's Magazine 489, 490 (1914) (published posthumously), quoted in Abrams, *Foundation*, *supra* note 51, at 1176 n. 227.

⁵⁶ The term "author," in its constitutional sense, has been construed to mean an "originator," or "he to whom anything owes its origin." Goldstein v. California, 412 U.S. 546, 561 (1972) (Burger, C.J.) (quoting Burrow-Giles Lithographic Co. v. Sarony, 111 U.S. 53, 57-58 (1884)).

⁵⁷ Congress deliberately chose the word "works" in section 102 of the 1976 Copyright Act (rather than the term "writings" which appears in the Constitution's phrase) to emphasize the fact that the categories listed in section 102 did not exhaust all works constitutionally protectible under the Copyright Clause. Abrams, *Preemption*, *supra* note 52, at 512 n. 22, citing H.R. REP. NO. 1476, 94th Cong., 2d Sess. 51-52 (1976). The text of § 102 appears *infra* at note 78.

⁵⁸ The statutory period has changed substantially since copyright's inception. The Statute of Anne, 8 Anne, c. 19 (1710), gave the author and his assigns an original term of fourteen years with a renewal term of an additional fourteen years. The first American copyright statute, Act of May 31, 1790, ch. XV, 1 Stat. 124, followed suit. The 1909 Act, codified as § 24 by the Act of July 30, 1947, 61 Stat. 652, 17 U.S.C. (1958), provided for a 28-year original term and an equal renewal period, for a total of 56 years.

Under the present statute, 17 U.S.C. §§ 101-810 (1982), the period of protection for a work created on or after January 1, 1978 subsists from its creation and "endures for a term consisting of the life of the author and fifty years after the author's death." 17 U.S.C. §302(a). If the work is "prepared by two or more authors who did not work for hire, the copyright endures for a term consisting of the life of the last surviving author and fifty years after such last surviving author's death." 17 U.S.C. §302(b). Lastly, if the work involved is an anonymous work, a pseudonymous work, or a work made for hire, "the copyright endures for a term of seventy-five years from the year of its first publication, or a term of one hundred years from the year of its creation, whichever expires first." 17 U.S.C. §301(c).

should be nonetheless obvious that concern for the rights of authors promotes rather than impedes the Framers' intent.⁵⁹

It would be a mistake, however, to assume that concern for authors or the public sparked the creation of copyright. Rather, the royal grants issued after 1518 in England "for the exclusive printing of particular books or books of stated kinds" were a form of censorship, in response to the "dangerous art" the newly invented printing press represented.⁶⁰ The royal attitude against a free press hardened following the religious and political turmoil spawned by the Act of Supremacy in 1534; and the Crown's enlistment of already licensed printers and booksellers to help keep vigil over would-be infringers marked a further metamorphosis.⁶¹

Following the emancipation of the English press in 1695, the stationers, realizing that freedom of the press marked their eventual demise, petitioned Parliament to grant them some measure of statutory security to cover them during the transition period. In response, Parliament drafted the Statute of Anne,⁶² which secured for a term of twenty-one years rights in copies of books already printed.⁶³ For new books the statute vested the copyright in authors or their assigns for a period of fourteen years from the date of publication.⁶⁴

The experience in colonial America followed the English pattern of a monopoly based upon royal prerogative and censorship.⁶⁵ Following the dissolution of political ties with England, and spurred to action by

⁵⁹ It is worth noting here that one of the major reasons for retaining the mechanism of a renewal term in the 1909 Act was the fear that, without such a provision, the unwary author who improvidently bargained away his rights would be denied any remedy of "renegotiating the second term, with surer knowledge of the selling value of his work." Mimms, *Reversion and Derivative Works under the Copyright Acts of 1909 and 1976*, 28 ASCAP L. SYM. 1, 5-7 (1982). Samuel Clemens is noted as an example. *Id.* at 7 [hereinafter Mimms, *Reversion*].

The rationale is maintained in section 203(a)(3) of the present statute, which allows for the termination of transfers and licenses granted by the author "at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant," provided the other conditions for termination set forth in § 203(a) have been satisfied. 17 U.S.C. § 203.

⁶⁰ B. KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT 2-3 (1966) [hereinafter *Kaplan, Copyright*].

⁶¹ *Id.* So too was the birth of the Stationers' Company, which Queen Mary chartered by letters patent of 4 May 1557.

⁶² 8 Anne, c. 19 (1710).

⁶³ *Kaplan, Copyright, supra* note 60, at 6-7.

⁶⁴ *Id.* at 7. The statute also provided for a renewal term of fourteen years if the author were living at the end of the initial term.

⁶⁵ Abrams, *Foundation, supra* note 51, at 1171.

the efforts of, among others, Noah Webster, Congress authorized the several States, under the Articles of Confederation, to draft their own copyright statutes.⁶⁶ It was during this embryonic stage that the modern copyright doctrine began to take shape. The preambles of ten of the twelve state statutes which were in existence at or around the time of congressional authorization expressed two major themes: that copyright was regarded as an author's right to the fruits of his intellectual labor, and that copyright provided a benefit to the public.⁶⁷ These twin themes embody the current doctrine.⁶⁸

Professor Goldstein notes that "the purpose of copyright is to attract private investment to the production of original expression."⁶⁹ With few exceptions,⁷⁰ most believe that, without the protection of copyright, few authors would venture into the uncharted waters of creative endeavor. The basic obstacle would be the fear that an infringing author or publisher, by foregoing the "transaction costs"⁷¹ incurred by the originator of the work, would be able to sell the copied work for substantially less, thus pricing the original author out of the market.⁷²

⁶⁶ *Id.* at 1173.

⁶⁷ *Id.* at 1172-74. "In short, copyright was recognized as a monopoly that benefited the community by encouraging authors to create intellectual works."

⁶⁸ *Nimmer, supra* note 49, §1.03[A] at 1-30.1.

⁶⁹ Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30:3 J. COPR. SOC'Y 209, 216 (1983) [hereinafter Goldstein, *Derivative Works*]. For a Supreme Court statement to the same effect see *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

⁷⁰ Professor Breyer's article is certainly the most famous query concerning the necessity of copyright. Breyer, *The Uneasy Case for Copyright, supra* note 54. Breyer suggests that the "lead time" advantage enjoyed by an initial publisher, coupled with the fear of retaliatory price-cutting, provide sufficient inducement to trigger creative effort and to impede unauthorized duplication. *Id.* at 299-301.

⁷¹ By not incurring the costs involved in the initial publication (e.g., author's royalties, promotion, manufacturing, distribution, etc.), a secondary reproduction could be sold at a price so low that the initial publisher, seduced into taking part in a price war, would be unable to recoup his investment. See Tyerman, *The Economic Rationale for Copyright Protection for Published Books: A Reply to Professor Breyer*, 18 U.C.L.A. L. REV. 1100, 1103 (1971) [hereinafter Tyerman, *Reply*].

⁷² Tyerman points out that retaliatory tactics on the part of the initial publisher are not without limit.

It is no answer to say that a publisher could subsidize production of these "fighting editions" from the excess profits earned on his other titles. . . . [T]here would be a surplus of entrepreneurs waiting to publish and market copy editions. Thus, there would be no safe haven in which the initial publisher could produce a book free from competition in that title and make the profits necessary to finance the production and sale

There is never any guarantee that the time, effort, and expense one devotes to a given project will ultimately enable the author to reap rewards. A dedicated painter may spend weeks in an uncomfortable studio inhaling the fumes of acrylic and oil paints (or charcoal dust) before finally latching on to a suitable idea. At that point, how many more hours must be spent fashioning that vision into tangible form,⁷³ while paying for rent, electricity, and perhaps the services of a live model, is impossible to calculate with any degree of accuracy. Even if a quantitative extrapolation were possible, a qualitative assessment would be beyond calibration. It is difficult, if not impossible, to imagine anyone enduring the kinds of economic and social sacrifices which accompany serious creative efforts⁷⁴ without the promise of exclusive rights⁷⁵ afforded by copyright. While admittedly simplistic, the above

of "fighting editions" of other titles. *Faced with an endless chain of potential competitors, the initial publisher would be unable to long continue the publication of loss editions and might instead find it more profitable to become a copier himself.*

Id. at 113 (emphasis added).

⁷³ To be afforded protection under the 1976 Act, works must not only be "original," see *infra* notes 77-86 and accompanying text, but also must be "fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." 17 U.S.C. § 102(a). A work is considered "fixed" when, with the authority of the author, it is embodied in a copy or phonorecord "for a period of more than transitory duration." 17 U.S.C. §101. For an interesting case dealing with unauthorized fixation see *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (1977).

⁷⁴ See *supra* note 43.

⁷⁵ Section 106 of the 1976 Act provides as follows:

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 to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (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.

17 U.S.C. §106 (emphasis added).

scenario emphasizes the vital role that the system of copyright plays in providing the incentive required to inspire creative authorship.⁷⁶

IV. Protection for Derivative Works

As mentioned earlier,⁷⁷ to be entitled to protection under the 1976 Act, a work must not only be original but must also be fixed in a tangible medium of expression.⁷⁸ Yet, a work need not be wholly original with the author to qualify for statutory copyright protection.⁷⁹ Under section 103,⁸⁰ a work based upon an underlying work is entitled to

⁷⁶ See, e.g., *Harper & Row Publishers, Inc. v. Nation Enterprises*, 105 S. Ct. 2218, 2223-24 (1985), *rev'g* 723 F.2d 195 (2d Cir. 1983) (Noting that the promise of copyright protection induced former President Gerald R. Ford to spend two years laboriously compiling his memoirs). See also Goldstein, *Derivative Works*, *supra* note 69, at 216: "Margaret Mitchell and her publisher will invest time and money in writing, editing, producing and promoting the popular novel, *Gone With The Wind*, knowing that no one may copy the work's expressive content."

⁷⁷ See *supra*, note 73 and accompanying text.

⁷⁸ Section 102 provides as follows:

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

- (1) literary works;
- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music;
- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;
- (6) motion pictures and other audiovisual works; and
- (7) sound recordings.

(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.

17 U.S.C. §102. The House Report accompanying the 1976 Act explains: "The phrase 'original works of authorship,' which is purposely left undefined, is intended to incorporate without change the standard of originality established by the courts under the [1909 Act]." H.R. REP. NO. 1476, 94th Cong., 2d Sess. 51, *reprinted in* 1976 U.S. CODE CONG. & ADMIN. NEWS 1976, 5659, 5664.

⁷⁹ *Mimms, Reversion*, *supra* note 59, at 9.

⁸⁰ Section 103 provides as follows:

(a) The subject matter of copyright as specified by section 102 includes compilations and derivative works, but protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.

copyright protection if it is not itself an infringing work⁸¹ and if it satisfies the requisite quantum of originality.⁸² The protection afforded a derivative work extends only to the new material added by the subsequent author.⁸³ Naturally, "[a] work is not derivative unless it has *substantially* copied from a prior work";⁸⁴ and, as Justice Story observed, there are few works (if any) which do not, to some degree, borrow from that which came before.⁸⁵ The problem then is to attempt to draw a line between those variations which deserve protection and those which do not.⁸⁶ A look at a few cases decided by the Second Circuit⁸⁷ will prove helpful.

A. *Substantial, Not Merely Trivial, Variations*

An early case dealing with the requisite quantum of originality in

(b) 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 substance of, any copyright protection in the preexisting material.

17 U.S.C. §103.

⁸¹ See *Mimms, Reversion*, *supra* note 59, at 10 n. 62: "A derivative work is noninfringing if it is either based on a work in the public domain or created pursuant to the consent of the owner of the copyright in the underlying work." See also 1 *Nimmer*, *supra* note 49, § 3.01, at 3-2.

⁸² See *infra* notes 88-111 and accompanying text.

⁸³ See § 103(b), *supra* note 80. The extent of protection afforded to derivative works was substantially the same under the 1909 Act. 17 U.S.C. § 7.

⁸⁴ 1 *Nimmer*, *supra* note 49, § 3.01, at 3-3.

⁸⁵ "In truth, in literature, in science and in art, there are, and can be, few, if any, things which, in an abstract sense, are strictly new and original throughout." *Emerson v. Davis*, 8 F. Cas. 615, 619 No. 4436 (C.C.D. Mass. 1845).

⁸⁶ One scholar has examined the problem in the area of "art reproductions," expressly sanctioned in § 5(h) of the 1909 Act. Oppenheimer, *Originality in Art Reproductions: "Variations" in Search of a Theme*, 27 ASCAP L. SYM. 207, 207-208 (1982) [hereinafter Oppenheimer, *Art Reproductions*]. As the author points out, Congress left little in the form of legislative history to resolve the paradox posed by the notion that a work of art could be a "reproduction" and yet be "original." *Id.* Section 101 of the present statute includes art reproductions in its definition of "derivative works." 17 U.S.C. § 101.

⁸⁷ The Second Circuit has been categorized as "the nation's premier copyright court." *Gracen v. Bradford Exchange*, 698 F.2d 300 (7th Cir. 1983). Cf. *Kaplan, Copyright*, *supra* note 60, at 41-74 (noting the important role played by Judge Learned Hand in the development of copyright doctrine in the Second Circuit and elsewhere).

derivative works⁸⁸ was *Alfred Bell & Co. v. Catalda Fine Arts*.⁸⁹ In *Catalda*, the plaintiff, a British print producer and dealer, copyrighted in the United States eight mezzotint⁹⁰ engravings of old masters produced at its order by three mezzotint engravers.⁹¹ The artists employed by the plaintiff "attempted faithfully to reproduce paintings in the mezzotint medium so that the basic idea, arrangement, and color scheme of each painting [were] those of the original artist," all of the paintings having long been in the public domain.⁹² The district court noted that the mezzotint method was "a tedious process requiring skill and patience," as well as being rather expensive in comparison to the simpler form of color photographic reproduction.⁹³

The defendants appealed from the district court's grant of an injunction in the plaintiff's favor, their main contention being that the mezzotints in question were not sufficiently original to qualify for copyright protection.⁹⁴ In response, the Second Circuit held that, based on its finding that the mezzotints "were not intended to, and did not, imitate the paintings they reproduced," plaintiff's variations upon the public domain source works were sufficiently original to warrant the

⁸⁸ See *supra* note 86 and accompanying text.

⁸⁹ *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F.2d 99 (2d Cir. 1951), *aff'g* 74 F. Supp. 973 (S.D.N.Y. 1947).

⁹⁰ A mezzotint is a method of engraving on copper or steel by burnishing or scraping away a uniformly roughened surface. A detailed explanation of the process can be found in the district court opinion. 74 F. Supp. at 975.

⁹¹ 74 F. Supp. at 974-75.

⁹² 74 F. Supp. at 975.

⁹³ *Id.*

⁹⁴ 191 F.2d at 100. The district court had found that the mere translation of the paintings into a new medium was sufficient to satisfy the standard of originality required to warrant a copyright in the mezzotints. 74 F. Supp. at 976. This approach was expressly rejected in *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 491 (2d Cir.), *cert. denied*, 429 U.S. 857 (1976), and *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 910 (2d Cir. 1980). In a separate portion of its opinion, the district court stated that:

The work of the engraver upon the plate [of the mezzotint] requires the individual conception, judgment and execution by the engraver on the depth and shape of the depressions in the plate to be made by the scraping process in order to produce in this other medium the engraver's concept of the effect of the oil painting.

74 F. Supp. at 975. It is unclear whether the justification for upholding the copyright in the mezzotints was based upon some variation in the derivative work amounting to a new expression of the source work or, instead, the degree of skill and judgment employed in effectuating the translation of the source work from one medium into another.

It is important to note that the Second Circuit, in *Batlin*, explicitly recognized the rationale of *Alva Studios, Inc. v. Winninger*, 177 F. Supp.

protection of copyright.⁹⁵ In so holding, the court emphasized that a "copy of something in the public domain" will support a copyright if it constitutes a "distinguishable variation"⁹⁶ of the underlying work. The court held that the defendants were liable for infringement,⁹⁷ having intentionally copied the plaintiff's work.⁹⁸

In *L. Batlin & Son, Inc. v. Snyder*,⁹⁹ the copyrightability of a plastic version of a public domain Uncle Sam bank was at issue. The defendant, Snyder, had flown to Hong Kong in 1974 in order to arrange for the mass production of a plastic replica of a cast metal bank depicting "Uncle Sam." Snyder's buying agent selected a firm, Unitoy, to produce a plastic prototype based on the cast metal public domain version. Snyder procured a copyright on his plastic version based upon a substantial number of changes which accompanied its translation into plastic.¹⁰⁰

Upon learning of the existence of a plastic version of the Uncle Sam Bank, the plaintiff, Batlin, which had previously ordered thirty cartons of the public domain cast iron version from its trading company in Hong Kong, ordered additional units in plastic. When Batlin attempted to

265 (S.D.N.Y. 1959), which allowed a copyright in an *exact* replica of a Rodin sculpture which had slipped into the public domain, albeit in the *same* medium. In light of the policies underlying *Alva*, the recognition of plaintiff's copyright in *Catalda* was similarly justified. See *infra* notes 99-117 and accompanying text.

⁹⁵ 191 F.2d at 104-05.

⁹⁶ 191 F.2d at 102, quoting *Gerlach-Barklow Co. v. Morris & Bendien*, 23 F.2d 159, 161 (2d Cir. 1927). The court further noted that, to satisfy both the Constitution and the statute, the author's contribution must be "more than a merely trivial variation, something recognizably 'his own'." *Id.* at 102-03.

⁹⁷ 191 F.2d at 105.

⁹⁸ Note that "intent" is not an element of copyright infringement. See e.g., *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 722 F.2d 988, 998 (2d Cir. 1982) (former Beatle, George Harrison, liable for infringing the song "He's So Fine" despite fact that his act of copying was subconscious and unintentional).

⁹⁹ 536 F.2d 486 (2d Cir.), *cert. denied*, 429 U.S. 857 (1976).

¹⁰⁰ 536 F.2d at 488. In addition to a reduction in size from eleven to nine inches, and the use of a different material (plastic), the court noted the following differences:

[T]he carpet bag shape of the plastic bank is smooth, the iron bank is rough; the metal bank bag is fatter at its base; the eagle on the front of the platform in the metal bank is holding arrows in his talons while in the plastic bank he clutches leaves, this change concededly having been made, however, because "the arrows did not reproduce well in plastic on a smaller size." The shape of Uncle Sam's face is supposedly different, as is the shape and texture of the hats. . . . In the metal version the umbrella is hanging loose while in the plastic item it is included in the single mold. The texture of the clothing, the hairline, shape

bring his plastic duplicates of the public domain bank into the country, however, the United States Customs Service blocked the entry of both the plastic duplicates and the originally ordered versions in cast iron, on the grounds that the plastic banks were covered by Snyder's copyright. Batlin then instituted suit for a judgment declaring Snyder's copyright void.¹⁰¹

On appeal from the district court's grant of a preliminary injunction in Batlin's favor, Snyder claimed that the variations embodied in his plastic version of the bank evidenced a sufficient measure of originality to warrant copyright protection.¹⁰² The Second Circuit disagreed.¹⁰³ Basing its decision on the observation that "[m]any of the differences are not perceptible to the casual observer,"¹⁰⁴ the court determined that the numerous trivial variations which accompanied the bank's transformation from one medium into another failed to satisfy the requisite standard of authorship in derivative works -- namely, "some substantial, not merely trivial, originality."¹⁰⁵

Snyder sought additional support from *Alva Studios, Inc. v. Winninger*.¹⁰⁶ In *Alva*, a New York company produced a scale reproduction of Rodin's "Hand of God". Apart from the fact that the reproduction was

of the bow ties and of the shirt collar and left arm as well as the flag carrying the name on the base of the statue are all claimed to be different, along with the shape and texture of the eagles on the side.

536 F.2d at 489.

¹⁰¹ 536 F.2d at 488.

¹⁰² See *supra*, note 100.

¹⁰³ 536 F.2d at 492.

¹⁰⁴ There is some question as to whether the Second Circuit in *Batlin* applied the correct test. It appears that the "casual observer" approach is the same one chosen by the Southern District in *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*, 526 F. Supp. 1187, 1192 (S.D.N.Y. 1981). That case was later reversed and remanded by the Second Circuit for the reason that the district court had erroneously applied an "ordinary observer" test, the test for infringement, instead of the "substantial, not merely trivial" originality test set forth in *Batlin*. *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*, 697 F.2d 27, 35 (2d Cir. 1982). In the words of the Second Circuit:

The difference between these two tests [i.e. *originality* and *infringement*] is not merely academic. A work which makes non-trivial contributions to an existing one may be copyrighted as a derivative work and yet, because it retains the "same aesthetic appeal" as the original work, render the holder liable for infringement of the original copyright if the derivative work were to be published without permission from the owner of the original copyright.

697 F.2d at 34. The one perceptible difference between the two works, the mold lines in the plastic Uncle Sam figure, was not claimed by Snyder. *Id.* at 489.

¹⁰⁵ 536 F.2d at 490, 492.

¹⁰⁶ 177 F. Supp. 265 (S.D.N.Y. 1959).

reduced in size from the public domain original, it was an exact duplication.¹⁰⁷ A suit was brought by the plaintiff against the defendants when the latter began marketing a similar version of the Rodin work.

In granting an injunction in favor of the plaintiff, the Southern District held that the plaintiff had sustained its burden of proof on the issue of copyrightability by its "skill and originality in producing an accurate scale reproduction of the original." Plaintiff's piece was described as "a scale reduction of a great work with exactitude."¹⁰⁸

The Second Circuit in *Batlin* found *Alva* to be readily distinguishable. In the first place, the plastic mechanical bank produced by Snyder was not intended to be an exact reproduction. Second, the public domain metal bank on which it was based was hardly in the same category as Rodin's masterpiece.¹⁰⁹ Finally, the court determined that while a reproduction of a Rodin sculpture would serve the public by providing greater accessibility to a "unique and rare" masterpiece, "[n]o such benefit can be imagined to accrue here from the 'knock-off' reproduction of the cast iron Uncle Sam bank."¹¹⁰

When viewed together, the *Batlin* and *Alva* cases establish two distinct standards of originality required to warrant copyrights in

¹⁰⁷ Plaintiff's complaint described its line of reproductions as "hand finished to duplicate as closely as possible the exact shape, patina, color and texture of the original." 177 F. Supp. at 266. The Rodin reproduction at issue was no different. Its similarity to the original was described as "supreme exactness." *Id.*

¹⁰⁸ 177 F. Supp. at 267. The court based its decision to grant injunctive relief, in part, on a visual comparison of the two works in question. 177 F. Supp. at 268.

¹⁰⁹ 536 F. 2d at 492. Two points deserve mention concerning this portion of the court's opinion. First of all, one cannot help but wonder what bearing the quality of the underlying source work has on the issue of originality of a subsequent work derived therefrom. Second of all, the court's rationale appears to fly directly in the face of Holmes' famous statement that "[i]t would be a dangerous undertaking for persons trained only in the law to constitute themselves final judges of the worth of pictorial illustrations [and, arguably, any work of art], outside of the narrowest and most obvious limits." *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1902) (Holmes, J.).

Perhaps there is some merit to the argument that it is the public benefit of increased access to otherwise inaccessible masterpieces which justifies granting copyrights in art reproductions, translations, and abridgments. In this regard see Goldstein, *Derivative Works*, *supra* note 69, at 212, discussing *Burnett v. Chetwood*, 35 Eng. Rep. 1008 (Ch. 1720). Professor Goldstein has expressed agreement with the result in *Alva*. Goldstein, *Derivative Works*, *supra* at 241.

¹¹⁰ 536 F.2d at 491-92.

derivative works based upon public domain sources: the first is a category of exactitude," as exemplified by the Rodin reproduction in *Alva*; the second is a "category of substantial originality," the standard which the plastic mechanical bank in *Batlin* failed to satisfy.¹¹¹ One may question the wisdom of the Second Circuit's reaffirmation of the "category of exactitude" exception to the usual requirement of "substantial, not merely trivial," variations in derivative works.¹¹² It would be more profitable, however, to examine the policy underlying the court's decision to deny protection to the plastic bank at issue before proceeding to consider whether colorized versions of black-and-white movies demonstrate the requisite quantum of originality.¹¹³

The major fear expressed by the court in *Batlin* was that "[t]o extend copyrightability to miniscule variations would simply put a weapon for harassment in the hands of mischievous copiers intent on appropriating and monopolizing public domain work."¹¹⁴ To remind the reader, Customs officials seized not only *Batlin*'s plastic banks but his cast iron replicas of the public domain source as well.¹¹⁵ One of the basic tenets of copyright law is that, once a work has slipped into the public domain, it is not to be retrieved and monopolized for a second time. To allow such a reclamation would contravene the Constitution's mandate calling for limits on the duration of the period of protection.¹¹⁶

Yet, to fully appreciate the court's concern, one must remember that Snyder's plastic version was observed to be *indistinguishable* to the casual observer.¹¹⁷ A similar concern cannot be justified in the case of

¹¹¹ 536 F.2d at 492. See also Oppenheimer, *Art Reproductions*, *supra* note 86, at 210.

¹¹² For one such example see Oppenheimer, *Art Reproductions*, *supra* note 86, at 225-28 and 241-42. Compare the Second Circuit's earlier statement to the effect that even inadvertent variations would be sufficiently original to warrant the protection of copyright. *Alfred Bell & Co. v. Catalda Fine Arts*, 191 F.2d at 105 ("A copyist's bad eyesight or defective musculature, or a shock caused by a clap of thunder, may yield sufficiently distinguishable variations. Having hit upon such a variation unintentionally, the 'author' may adopt it as his and copyright it.")

¹¹³ The *Batlin* test of "substantial, not merely trivial, originality" has been reaffirmed by the Second Circuit in *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*, 697 F.2d 27, 34 (2d Cir. 1982).

¹¹⁴ 536 F.2d at 492.

¹¹⁵ See *supra* text accompanying note 101.

¹¹⁶ See *supra* notes 52, 55, 58 and accompanying text.

¹¹⁷ 536 F.2d at 489. It is submitted that the Second Circuit in *Batlin* either applied the wrong test or came to the wrong conclusion. See *supra* note 104. The decision has been criticized in the scholarly literature. See Goldstein, *Derivative Works*, *supra* note 69, at 241-42; see also Oppenheimer, *Art*

colorized movies. To all, except the seriously color-blind, the distinction between a vibrant color version of a film on the one hand and a comparably flat black-and-white version on the other would be substantial and apparent. In short, the two works would hardly be *indistinguishable*. Nor would the protection afforded a colorized version of a film threaten to remove the black-and-white version from the public domain. The black-and-white version could certainly continue to be distributed because the variations between the black-and-white and color versions would be far too striking to escape detection by the most casual observer, let alone a sophisticated executive in charge of programming a television service or distributing home video product.

One may also draw support from the policy underlying *Batlin's* reaffirmation of the "category of exactitude" in calling for the protectibility of the colorized versions at issue. Just like the scale reproduction of Rodin's "Hand of God," colorization of the thousands of available black-and-white classics will serve to spark new interest in works which might lie forgotten in Hollywood vaults absent the renewed dissemination that the process promises to promote.¹¹⁸

As one might expect, research revealed very little in the way of precedent upon which to build support for protection of colorized derivative works. The sole case dealing with copyrights in colored photographs¹¹⁹

Reproductions, supra note 86, at 221-25. This observation, however, in no way undercuts the validity of the requirement of non-trivial variation per se. See *Eden Toys, Inc.*, 697 F.2d at 34.

¹¹⁸ See *supra* note 9.

¹¹⁹ See *Cleland v. Thayer*, 121 Fed. 71 (8th Cir. 1903). On a single page of the reporter, Judge Caldwell laid out fact, issue, holding, and supporting precedent in a case dealing with "copyright in a picture or colored photograph of Colorado Scenery, entitled 'The Palisades - Alpine Pass.'" The process employed is described as follows:

[T]heir picture was an artistically colored and otherwise embellished, new, original, and useful work, printed from a specially designed plate or film which was itself produced from an original negative of the scene, also the property of the complainants; . . . in preparing such plate, and producing the copyrighted photograph or picture therefrom, they had employed various original, ingenious, and artistic ideas, conceived in their own minds, and which they had employed in completing the picture by an effectual and *lifelike* distribution of color, and by arranging and disposing of lights and shadows so as to blend appropriately with the objects of the scene, and also by various changes in the snow and cloud effect. . . .

127 Fed at 72 (emphasis added).

The court, in rendering a decision as to the copyrightability of the work in question, merely held that, on the basis of *Bleistein v. Donaldson*, an

left much to be desired in the way of articulated legal theory. Two other cases, however, beg discussion before moving on to a discussion of infringement.¹²⁰

One recent case in the Northern District of Ohio specifically addressed the copyrightability of color combinations. In *Sargent v. American Greetings Corp.*,¹²¹ the plaintiff, Barbi Sargent, brought an action against American Greetings Corp. ["American"] on the grounds of copyright infringement, breach of confidentiality, and misappropriation. Sargent claimed ownership of several water color paintings and pencil sketches, depicting the famous "Strawberry Shortcake" character, pursuant to a copyright she obtained in 1982.¹²² Defendant moved for summary judgment on three grounds: that the plaintiff's artwork was not original with her but was based on artwork provided to her by the defendant, that the plaintiff's artwork was "work made for hire" in which the defendant owned all interest, and that the plaintiff had assigned whatever copyright interest she held in the artwork to the defendant.¹²³

As to the first issue, the defendant maintained that it "conceived and created the 'Strawberry Shortcake' character prior to any involvement by plaintiff and that plaintiff's alleged contributions, which were

earlier ruling dismissing the action against the defendants was erroneous. It remanded the case back to the district court. *Id.*

In light of the apparent similarities between colorization and the process employed in *Cleland*, a broader analysis by the Eighth Circuit would have proven to be a fruitful source of support. See *supra* notes 18-48 and accompanying text. The *Cleland* case has been cited in only two subsequent decisions, neither of which sheds any additional light on the subject at hand. See *Pellegrini v. Allegrini*, 2 F.2d 610 (E.D. Pa. 1924) (statues of two saints standing on either side of a crucifix); and *Anshel v. Puritan Pharmaceutical Co.*, 61 F.2d 131 (8th Cir. 1932) (newspaper ads).

¹²⁰ See *infra* notes 133-65 and accompanying text.

¹²¹ 588 F. Supp. 912 (N.D. Ohio E.D. 1984).

¹²² 588 F. Supp. at 913. Defendant, asserting that plaintiff's copyright registration contained misrepresentations, sought a declaration of its invalidity. In addition, defendant claimed that plaintiff's artwork was not copyrightable subject matter, that defendant had obtained copyrights in the character prior to plaintiff's registration, and that plaintiff's artwork constituted a "work for hire" in which defendant held all interest.

In her reply, the plaintiff asserted that she had created the "Strawberry Shortcake" character in 1977. Any preexisting work generated via a prior relationship between herself and the defendant was allegedly governed by a contract executed in 1976 which expressly provided for a reservation of rights by the plaintiff. 588 F. Supp. at 914-15.

¹²³ 588 F. Supp. at 916-922.

essentially color, [were] not copyrightable subject matter as a matter of law.¹²⁴ The defendant claimed that the plaintiff merely followed coloring instructions accompanying some line drawings provided to her by the defendants¹²⁵ and that "color *per se* [did] not constitute copyrightable subject matter . . . because colors are, by their very nature, in the public domain and available for use by all."¹²⁶

The court dismissed defendant's assertion, basing its conclusion on a case from the Southern District of New York, *Pantone, Inc. v. A.I. Friedman, Inc.*¹²⁷ In *Pantone*, plaintiff sought to protect the arrangement and mode of expression embodied in a copyrighted booklet describing a color matching system. The court noted the tremendous amount of artistic effort¹²⁸ which plaintiff invested in developing his booklet and held that, "[a]lthough the mere portrayal of a series of gradations of color shades, standing alone, would present a doubtful case for copyright protection, the arrangement here possessed the already described unique quality. . . ."¹²⁹ Following its rejection of the defendant's

¹²⁴ 588 F. Supp. at 916 (emphasis added).

¹²⁵ Defendant asserted that plaintiff's contribution was "no more original. . . than is a colored-in 'paint-by-numbers' canvas." 588 F. Supp. at 918.

¹²⁶ *Id.* For a case appearing to state that colors are not copyrightable see *Unedea Doll Co., Inc. v. Regent Baby Products Corp.*, 355 F. Supp 438, 441 (E.D.N.Y. 1972), wherein the plaintiff attempted to separately register a second version of a doll that was evidently from the same mold as the first, on the basis of a mere color change. The situation in *Unedea Doll* is hardly comparable to the colorization of a motion picture. See *supra* notes 17-45.

¹²⁷ 294 F. Supp. 545 (S.D.N.Y. 1968).

¹²⁸ The court described plaintiff's booklet as follows:

It consists of 72 pages, each bearing a series of bands of carefully selected colors which are arranged in a fashion or plan designed, through variation of certain basic colors, to provide an extensive range of selection derived from use of eight basic colors plus black and transparent white. Plaintiff's selection of the eight basic colors and of blends of these colors to provide a range of acceptable color values, presented in attractive gradations moving from one basic hue and its variations into another, was the product of a great deal of effort which required careful consideration of numerous artistic factors including the aesthetic attributes of each shade and its use in the commercial art field.

294 F. Supp. at 547 (emphasis added).

¹²⁹ 294 F. Supp. at 548. The court went on to state:

The originality of plaintiff's work lay in the new arrangement employed to facilitate selection and matching of colors, which was accomplished by placing each basic color or mixture in the center of each strip or page of related colors and then placing on each side of it the lighter tints achieved from addition of transparent white and on the other side of it the darker shades achieved by the addition of black.

Id.

argument that color was *per se* excluded from consideration in evaluating originality, the court, in *Sargent*, denied the defendant's motion for summary judgment and concluded that there existed a genuine issue of fact concerning the originality of the plaintiff's artwork.¹³⁰

Based upon the small amount of analogous precedent, it appears that the additional, selection, and arrangement of colors to a preexisting work in the public domain constitutes copyrightable subject matter. The more important issue, however, is the scope and degree of protection against infringement to be afforded such works.¹³¹ The issue is addressed in the following section.

B. *Infringement: Protection Against Substantial Similarities*

According to Nimmer, there are two elements necessary to the plaintiff's case in any infringement action: (1) ownership of the copyright by the plaintiff, and (2) copying by the defendant.¹³² The first of these two elements is usually proven by production by the plaintiff of his copyright registration certificate.¹³³ The seminal case of *Arnstein v. Porter*¹³⁴ delineates the components of the second element—copying.

As set forth in *Arnstein*, in order to make out an infringement action, the plaintiff must prove that the defendant copied from the copyrighted work and "that the copying (if proved) went so far as to constitute improper appropriation."¹³⁵ The first component may be established by defendant's own admission to that effect, or by means of circumstantial evidence which demonstrates that defendant had access¹³⁶ to the material in question and that the alleged infringing

¹³⁰ 588 F. Supp. at 919. The court seemed willing to decide the issue but deferred to plaintiff's request for a trial by jury; factual issues were also raised by defendant's "work for hire" and "assignment" arguments. 588 F. Supp. at 922-23.

Additionally, the court ruled that the plaintiff's claims for breach of confidential relationship and misappropriation were not preempted by §301 of the 1976 Act. *But see Abrams, Preemption, supra* note 52, at 513-581. *But cf. Note, A Cause of Action for Simulation of Sound Recordings? Yes! Reflections on the 1976 Copyright Act* 38:1 *RUTGERS L. REV.* 139 (1985).

¹³¹ See *infra* notes 132-164.

¹³² 3 *Nimmer, supra* note 49, § 13.01, at 13-3.

¹³³ 3 *Nimmer, supra* note 49 § 13.01 [A], at 13-4.

¹³⁴ 154 F.2d 464 (2d Cir. 1946).

¹³⁵ 154 F.2d at 468.

¹³⁶ It is fundamental to the law of copyright that, absent evidence of copying (which may be inferred from access and substantial similarity), there can be no finding of infringement. *See Sheldon v. Metro-Goldwyn Pictures Corporation*, 81 F.2d 49, 54 (2d Cir. 1936) (Hand, J) ("[I]f by some magic a man who had never known it were to compose a new Keats' Ode on a Grecian

work is substantially similar to plaintiff's.¹³⁷ If there are no similarities between the two works, then no amount of access will make out a case of infringement. If similarities do exist, along with access, then the trier of fact must determine whether the similarities are sufficient to prove copying. In this phase of the test, analysis or dissection of the two works is relevant, and the testimony of experts may be relied upon to aid the trier of fact.¹³⁸ Evidence of "striking similarity" between plaintiff's work and defendant's work may lead to an inference of copying, even in the absence of proof of access.¹³⁹

Urn; he would be an 'author,' and, if he copyrighted it, others might not copy that poem, though they might of course copy Keats'."). See also *Alfred Bell & Co. v. Catalda Fine Arts*, 191 F.2d 99, 103 n. 16 (2d Cir. 1951) ("If it could be shown that two precisely similar works were in fact produced wholly independently of one another, the author of the work that was published first would have no right to restrain the publication by the other author of that author's independent and original work").

In most cases, the odds of two separate authors simultaneously creating two identical works would be so remote as to present little problem in the way of priority of ownership. Once a colorized black-and-white movie were broadcast over the airwaves, however, a subsequent author of a colorized version of the same underlying work would have a difficult time disproving access to the prior author's version; that, coupled with substantial similarity, should prove copying on the part of the alleged infringer. This would be the case even if the prior broadcast occurred years earlier. *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 722 F.2d 988, 997-98 (2d Cir. 1983) (Temporal remoteness of access held not to preclude a finding of infringement in light of the broad public dissemination of the prior work).

In the rare case where two companies independently create a colorized version of a black-and-white film, these two copyrights would, at the very least, protect them from a third company copying those particular colorized versions.

¹³⁷ *Arnstein*, 154 F.2d at 468. See also *ABKCO Music, Inc.*, 722 F.2d at 997 ("[C]opying may be inferred where a plaintiff establishes that the defendant had access to the copyrighted work and that the two works are substantially similar").

¹³⁸ 154 F.2d at 468. Note that the Ninth Circuit has made some alterations on the *Arnstein* test. Under the Ninth Circuit's approach, the plaintiff must prove similarity not only of the general ideas of the work (the "Intrinsic Test") but also of its expression of those ideas (the "Extrinsic Test"). *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1164 (9th Cir. 1977).

Professor Nimmer has criticized the *Krofft* test as greatly contracting the court's ability to rule for the defendant as a matter of law. 3 *Nimmer*, *supra* note 49 § 13.03 [E], at 13-57. The court, in *Krofft*, asserted that *Arnstein* is still good law but made it clear that it was not resting its infringement test thereon. 562 F.2d at 1165 and n. 7.

¹³⁹ *Arnstein*, 154 F.2d at 468.

Once copying has been established, the plaintiff must further demonstrate that defendant's copying amounted to an improper appropriation. Unlike the "copying" component, an ordinary lay observer (or listener) test is applied to determine whether the two works in question are substantially similar. Both components of this element of infringement—(a) copying which amounts to (b) an improper appropriation—present issues of fact to be resolved, in most cases, by a jury.¹⁴⁰ In an effort to help resolve the difficulties involved in determining whether an alleged infringer has gone beyond drawing on the uncopyrightable ideas¹⁴¹ in a given work and wrongfully appropriated its expression, courts and commentators began to articulate approaches to aid the trier of fact in detecting comprehensive, but nonliteral, similarities.¹⁴²

The most famous of these is Learned Hand's famous "abstractions test," formulated in the *Nichols* case.¹⁴³ In *Nichols*, the plaintiff claimed that her play, "Abie's Irish Rose," was infringed by the defendant's screenplay, "The Cohens and the Kellys." Judge Hand opted upon the following rule of thumb for determining when an alleged infringer has crossed the boundary from unprotectible idea to protectible expression:

Upon any work, and especially upon a play, a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the play is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright would prevent the use of his "ideas," to which, apart from their expression, his property is never extended.¹⁴⁴

¹⁴⁰ 154 F.2d at 468-69.

¹⁴¹ Section 102(b) expressly removes ideas from the scope of copyright protection. See *supra* note 77.

¹⁴² Obviously, where verbatim copying is at issue there is little problem in detecting substantial similarity. Problems ensue, however, in cases where the alleged infringer has taken less than the exact expression of plaintiff's work but more than the basic ideas embodied therein. To restrict infringement to cases of literal copying would allow a plagiarist to escape liability by immaterial variations or paraphrasing. 3 *Nimmer, supra* note 49 § 13.03 [A] [1], at 13-20.1 and 13-20.2.

¹⁴³ *Nichols v. Universal Pictures Co.*, 45 F.2d 119, 121 (2d Cir. 1930).

¹⁴⁴ *Id.*

The "abstractions" test was somewhat modified by Professor Chafee who attempted to draw a line of protection around the "pattern" of the work - that is, "the sequence of events, and the development of the interplay of the characters. . . ."¹⁴⁵ In the case of literary, musical, or cinematographic¹⁴⁶ works, the "abstractions/patterns" hybrid seems appropriate. In the case of colorized versions of black-and-white movies, however, the test fails to provide elucidation. The reason is simple—the sequence of events and development and interplay of the characters play no part in the new matter added to form the derivative work. Rather, those elements which are susceptible to literary analysis are all embodied in an underlying work which has already slipped into the public domain. A different gauge must therefore be relied upon to detect similarities. The quintessential test would be one specifically designed to deal with the selection, arrangement, and application of colors to a visual work.

The cases dealing with infringement of textile designs provide a framework for such an approach. In *Peter Pan Fabrics*,¹⁴⁷ Judge Hand adopted an "ordinary observer" test to determine whether the defendant had copied so much of the plaintiff's copyrighted dress design¹⁴⁸ as to rise to the level of infringement. Admitting that the test was even more intangible than that employed in the case of verbal work comparisons, Hand stated the issue to be whether "the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard the aesthetic appeal as the same."¹⁴⁹ Hand answered this

¹⁴⁵ Chafee, *Reflections on the Law of Copyright: I*, 45 COLUM. L. REV. 503, 513-514 (1945).

¹⁴⁶ For an article questioning the wisdom of implementing the "abstractions/patterns" test in the realm of cinematography see Berman & Boxer, *Copyright Infringement of Audiovisual Works and Characters*, 52 S. CAL. L. REV. 315 (1979) [hereinafter Berman & Boxer]. According to the authors, the Ninth Circuit's decision in *Krofft* provided a better approach because the "abstractions/patterns" test "does not encourage the evaluation or comparison of those elements in audiovisual works that often have the greatest impact on the viewer-auditor—how a work *looks* and sounds, and the interaction of the aural and visual elements with the traditional story elements." *Id.* at 318 (emphasis added). The court in *Krofft* went beyond the standard evaluation to proclaim that the defendants in that case had captured the "total concept and feel" of the plaintiff's work. 562 F.2d at 1167.

¹⁴⁷ *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487 (2d Cir. 1960).

¹⁴⁸ The dress design was registered as a "reproduction of a work of art" under § 5(h) of the 1909 Act. 274 F.2d at 488.

¹⁴⁹ 274 F.2d at 489. Hand distinguished the test to be employed in the area of visual works from that employed in the area of verbal works.

question in the affirmative, finding for the plaintiff on the infringement issue, despite the fact that the two works were not identical.¹⁵⁰

A similar case was before the Second Circuit in *Novelty Textile Mills*.¹⁵¹ In that case the plaintiff (NTM) appealed from an order of the district court denying its motion for a preliminary injunction against the defendant's continued use of the plaintiff's copyrighted fabric design.¹⁵² The defendant marketed a similar ¹⁵³ design after viewing plaintiff's products at a trade show. Following the appearance of the defendant's design on the market, NTM's sales declined precipitously. Noting that direct evidence of copying is rarely available, the Second Circuit considered the issue of infringement in light of the defendant's prior access to the fabric in question.¹⁵⁴

The court restated the "ordinary observer" test laid down by Hand as well as a recent reformulation: "whether an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work."¹⁵⁵ Upon viewing the two fabrics, the court held that the defendant's design was substantially similar to the plaintiff's to the point of near identicalness.¹⁵⁶ NTM sought more, however, arguing that since the defendant had been found to infringe its design, then at least some of the defendant's other designs must also infringe since "they are simply expressions of the . . . design in different colors."¹⁵⁷ In a footnote, the court addressed the question of how the variation of colors in a copied graphic design affects the determination of whether the unaltered protected work has been infringed:

¹⁵⁰ *Id.*

¹⁵¹ *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090 (2d Cir. 1977).

¹⁵² 558 F.2d at 1092.

¹⁵³ The defendant's designers had been instructed "to avoid any infringement of fabrics manufactured by others." *Id.*

¹⁵⁴ The court pointed out in a footnote that, while access and substantial similarity are the *sine qua non* to a finding of copying, "[t]he defendant may introduce evidence which would rebut the plaintiff's prima facie case." 558 F.2d at 1092 n. 2. However, "even with such evidence from the defendant, there may be such substantial similarity that 'no explanation other than copying is reasonably possible.'" *Id.* citing 2 *Nimmer on Copyright* §141.2 at 613-14 (1976).

¹⁵⁵ 558 F.2d at 1093.

¹⁵⁶ *Id.* The court employed what can be labeled an "overlap" test: "When the [defendant's] fabric is placed over a portion of the Novelty fabric, the design, dimensions and colors match-up and the appearance is of one fabric." *Id.* at n. 4.

¹⁵⁷ 558 F.2d at 1094 n. 6.

There thus arises the issue of whether a fabric infringes a copyrighted design when it employs the black-and-white outline of a design that is copied from a copyrighted design but expresses that outline in colors so different from those in the fabric of the copyrighted design that no substantial similarity results. While recognizing that there may be color combinations, beyond the simple use of primary or calico colors, which may themselves be the subject of copyright as a work of art, it is the writer's view that, once a copyrighted design is found to have been copied, mere changes in the color scheme on the copied design would ordinarily not protect the defendant from a claim of infringement.¹⁵⁸

The court then remanded the case,¹⁵⁹ suggesting that the district court "take proof of precisely what was granted registration as a work of art to determine whether the color was an ingredient of the copyright granted."¹⁶⁰

Judge Mansfield's dissent express alternative conclusions concerning mere changes in color:

In my view [the plaintiff's design] gained copyright protection for the *overall effect or impression* created by the particular combination of lines, space, juxtaposition, shading and color scheme. Whether another manufacturer could avoid infringement by changing the color scheme would depend in a particular case on how important the color scheme was in the overall effect or impression of the design. Obviously if the design consisted merely of a simple red square or circle with dots, a change by the copier from red to green would be of great importance. On the other hand, if the design were an intricate, or unusual one . . . a mere change in color would be insufficient to avoid infringement.¹⁶¹

¹⁵⁸ *Id.* The court noted that it had found no precedent or commentary on the question.

¹⁵⁹ No subsequent history has been reported concerning the case, which apparently was settled out of court.

¹⁶⁰ *Id.* The court also stated that its reluctance to decide this issue was based, in part, on its failure to reach a unanimous decision. Judge Mansfield, in dissent, expressed dissatisfaction with the majority's reasoning: "[I]t seems to me that if color is to be taken into consideration for infringement purposes, it must inevitably be considered as an element of the copyrighted subject matter." 558 F.2d at 1096.

¹⁶¹ 558 F.2d at 1096.

Besides the fact that the court left undecided the precise issue with which we have been struggling - the copyrightability and scope of protection for the selection, arrangement, and application of color to a black-and-white work - the case is doubly frustrating because of the numerous questions it leaves unanswered. Is the majority stating that the mere change of colors will not avoid a finding of infringement *only* when the underlying work is registered as a black-and-white work? If the registration certificate included color as a component of the work could a subsequent copier appropriate the black-and-white design along with a color change? Does the outcome turn upon how many colors are employed or how closely they are spaced?

In terms of colorized black-and-white films, the dissent in *Novelty Textile*, because of its more thorough articulation, provides a superior framework for answers dealing with the degree of protection to be afforded such works. If the color additions were trivial, they would not even meet the low threshold of originality to warrant protection in the first place. Assuming they embodied a substantial modification of the underlying work, they should be afforded protection. A series of black-and-white images in a typical motion picture are more analogous to Judge Mansfield's "intricate or unusual" designs than a "simple red square or circle with dots." Thus the average lay observer would be highly unlikely to detect subtle differences in coloration employed by a subsequent copier. In short, under an "average lay observer" test the colorized version of a black-and-white motion picture should be protected by copyright to the extent that a subsequent colorizer of the same film, assuming access, would be liable for infringement even if he employed subtle variations of the colors as they appear in the first work.¹⁶² Additionally, there would be little threat to accessibility of the underlying works since any black-and-white versions would remain firmly embedded in the public domain. If anything, the colorization process heralds greater dissemination of the underlying works than might otherwise be the case;¹⁶³ and the tremendous number of available titles

¹⁶² Of course, there could be some variations that would be so outlandish or bizarre as to avoid a finding of infringement. If a subsequent colorizer employed psychedelic hues or attempted to color all Caucasians as black men and women for dramatic effect even an average lay observer would find the distinctions so obvious as to render confusion unlikely if not impossible. Even when one excises from the scope of protection those elements of color comprising an unprotectible amalgam of idea and expression (e.g. *blue* sky, or *white* clouds), there would nonetheless remain a sufficient number of protectible elements to render the analysis more than academic.

¹⁶³ See *supra* note 9.

leaves plenty of room for competitors to enter and exploit the market.¹⁶⁴ Colorization, in its present state of infancy, represents merely the cutting-edge of a technique which promises to better replicate the pseudo-reality it strives for. Substantial technological leaps will no doubt serve to further refine its potential. The fruits of authors using that process deserve the full gamut of copyright protection.

C. *Some Potential Problems: Some Proposed Resolutions*¹⁶⁵

1. *Recreating History Through Colorspectography: The impact of Hoehling v. Universal City Studios*

The reader will recall that the selection of colors employed in the colorization of a black-and-white motion picture is essentially arbitrary,

¹⁶⁴ *Id.*

¹⁶⁵ During the research and writing of this article, a number of tantalizing issues arose which begged for attention. The Second Circuit's recent narrowing of the scope of protection afforded to historical works, *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir.), *cert. denied*, 449 U.S. 841 (1980), and the First Circuit's denial of protection to ideas capable of only a limited number of forms of expression, *Morrissey v. Procter & Gamble*, 379 F.2d 675 (1st Cir. 1967), demanded particular treatment. See *infra* text accompanying notes 165-245. The Second Circuit's decision in *Gilliam v. American Broadcasting Companies, Inc.*, 538 F.2d 14 (2d Cir. 1976), with its implications for an American recognition of the "moral right" doctrine, was examined by the authors but by-passed for the purposes of this article.

Gilliam involved an action to enjoin the broadcast of several episodes of programs written and performed by the British comedy group, Monty Python. Time-Life Films had acquired distribution rights from the BBC and was permitted under its license agreement to edit the programs for insertion of commercials, and in order to comply with any applicable censorship rules and governmental regulations, despite the fact that no similar clause was included in the scriptwriters' agreement between Monty Python and the BBC. When the programs were subsequently aired by ABC, the group was appalled at the edits done by Time-Life which the group characterized as mutilation. 538 F.2d at 17-18. The majority opinion agreed, stating that the truncated version "omitted the climax of the skits to which appellants' rare brand of humor was leading and at other times deleted essential elements in the schematic development of a story line." 538 F.2d at 25.

The court then went on to rule that the appellants had a cognizable cause of action for the distortion of their work, agreeing with the district court "that the edited version broadcast by ABC impaired the integrity of appellants' work and represented to the public as the product of appellants what was actually a mere caricature of their talents." *Id.* What is most intriguing about the opinion is its willingness to rest its decision, at least

owing to the unavailability of accurate and complete records and the technical restrictions of the medium of black-and-white photography,¹⁶⁶

in part, on what appears to be a recognition of the moral right doctrine, clothed in terms of state unfair competition law or its federal counterpart, §43 (a) of the Lanham Act. 538 F.2d at 24. Several observations diminish the influence of the court's moral right thrust.

In the first place, the decision in *Gilliam* rests primarily, not on any moral right type of rationale, but on a finding that the editing done by Time-Life for ABC exceeded the license granted by the BBC to Time-Life Films. Any permission granted to Time-Life by the BBC to edit the programs in question would be treated as a nullity, "[s]ince a grantor may not convey greater rights than it owns. . . ." and the unauthorized editing, if proven on remand, would constitute infringement of the copyright. 538 F.2d at 20-23. As pointed out by Judge Gurfein's concurring opinion, "the deletion of portions of the recorded tape constitutes a breach of contract, as well as an infringement of a common-law copyright of the original work. There [was] literally no need to discuss whether the plaintiffs also had a claim for relief under the Lanham Act or for unfair competition under New York law." 538 F.2d at 26. At most, the case "stands for the proposition that a remote sub-licensee commits copyright infringement when it exceeds limitations in the original grant from the copyright proprietor." S. Diamond, Legal Protection for the "Moral Rights" of Authors and Other Creators, 68 TRADEMARK REPORTER 244, 264 (1978).

In the second place, *Gilliam's* affirmation of an American recognition of the moral right doctrine has hardly been embraced by the legal community as good law. As one commentator relates:

The marked differences of opinion among commentators, the strong dissent on this point by Judge Gurfein, and the fact that the Second Circuit in earlier cases had disavowed the doctrine of moral right per se, raise serious questions about the amount of influence the Monty Python decision will have on United States law in this field.

Id. at 269, citing *Granz v. Harris*, 198 F.2d 585 (2d Cir. 1952).

In the third place, the authors of this article decided early on to limit the scope of this article to copyrights in colorized versions based upon motion pictures already in the public domain. *See supra* note 13. To the extent *Gilliam* is ultimately accepted as a vehicle for introducing moral rights in the United States, it is important to note that, while acknowledging the *personal* rights of authors, its main emphasis is on protecting an author's *pecuniary* rights. 538 F.2d at 24. Vindication of the author's *personal* rights in this light ends up being little more than an unintended consequence. It is worth noting that even the recent revision of the Berne Convention's Article 6 ties the moral rights of an author to the "expiring of the economic rights," following the death of the author. S. Diamond, Legal Protection for the "Moral Rights" of Authors and Other Creators, 68 TRADEMARK REPORTER at 246. Under the circumstances, a lengthy discussion of the moral right doctrine in terms of derivative works based upon public domain sources is simply not warranted.

¹⁶⁶ *See supra* text accompanying notes 24-27.

as well as restrictions of the television systems.¹⁶⁷ Those implementing the Weinger process of colorspectography, however, have stated that they are actively pursuing an approach which seeks to recreate set and costume colors as they existed historically.¹⁶⁸ The Second Circuit's recent narrowing of the scope of protection afforded historical works raises the issue of whether the product of "historically accurate" colorizing processes similarly falls within a class of works less deserving of copyright protection.

In *Hoehling v. Universal City Studios, Inc.*,¹⁶⁹ the plaintiff, an author, brought an action against Universal for copyright infringement and common law unfair competition, based upon the alleged unauthorized appropriation of parts of his book, *Who Destroyed the Hindenburg?* Hoehling had concluded in the last eleven pages of his book that the explosion of the Hindenburg at Lakehurst, New Jersey, was not the result of any accident or act of God but was instead due to intentional destruction at the hands of a saboteur. The book was "presented as a factual account, written in an objective, reportorial style."¹⁷⁰

Drawing a line between fact-works and works of fiction, the Second Circuit stated that, as an "interpretation of an historical event," Hoehling's sabotage hypothesis was "not protected by his copyright and [could] be freely used by subsequent authors."¹⁷¹ The court similarly denied protection to the facts¹⁷² revealed in Hoehling's book and to his

¹⁶⁷ The North American Television Code, by definition, restricts the range of colors which may be broadcast. The choices made in colorizing a film are thus limited to red, green, blue and combinations thereof.

¹⁶⁸ See *supra* note 27.

¹⁶⁹ *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir.), *cert. denied*, 449 U.S. 841 (1980).

¹⁷⁰ 618 F.2d at 975-77.

¹⁷¹ 618 F.2d at 978. For an adept analysis and criticism of *Hoehling*, see J. Ginsburg, *Sabotaging and Reconstructing History: A Comment on the Scope of Copyright Protection in Works of History after Hoehling v. Universal City Studios*, 29 J. COPR. SOC'Y 647 (1982) [hereinafter Ginsburg, *Works of History*].

¹⁷² 618 F.2d at 978-79. This part of the *Hoehling* opinion can hardly be criticized since § 102(b) of the 1976 Act expressly states that copyright shall not 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. . . ." 17 U.S.C. § 102(b) (emphasis added). But while an *idea* or *hypothesis*, as the Second Circuit must have meant by "interpretation of an historical event," cannot be copyrighted as a matter of law, the same cannot be said of the expression of such interpretation. See, e.g. *Harper & Row Publishers, Inc. v. Nation Enterprises*, 105 S. Ct. 2218, 2224 (1985) (Verbatim copying of excerpts of former President's memoirs constitutes infringement unless excused as a fair use).

implementation of certain sequences of events, which the court characterized as *scènes à faire*.¹⁷³

The Second Circuit then went on to state that “[i]n works devoted to historical subjects, it is our view that a second author may make significant use of prior work, so long as he does not bodily appropriate the expression of another.”¹⁷⁴ Thus stated, the Second Circuit limits the type of unauthorized appropriation which will raise a triable issue of fact to situations where the second author’s work is “virtually identical” to that of the first. The United States Supreme Court has recently noted the unsettled state of the law regarding the ways in which uncopyrightable elements combine with an author’s original contributions in the realm of fact-works to form protected expression, but conveniently

¹⁷³ 618 F.2d at 979. *Scènes à faire* have been defined as consisting of “incidents, characters or settings which are as a practical matter indispensable, or at least standard, in the treatment of a given topic.” *Id.* quoting *Alexander v. Haley*, 460 F. Supp. 40, 45 (S.D.N.Y. 1978). Among the *scènes à faire* employed in the works at issue in *Hoehling* were a scene in a German beer hall (in which the airship’s crew engages in revelry prior to the voyage), the use of German greetings of the period (e.g., “Heil Hitler”), and the use of the German national anthem.

¹⁷⁴ 618 F.2d at 980, citing *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 310 (2d Cir. 1966). To be sure, while the *Hoehling* court’s reference to *Rosemont* is not in the form of a quote, it has nonetheless been criticized as a mischaracterization. As Ginsburg points out, the Second Circuit said nothing about bodily appropriation of *expression* in *Rosemont*. Rather, the court stated that “the second historian. . . cannot bodily appropriate the *research* of his predecessor.” Ginsburg, *Works of History*, *supra* note 171, at 655, quoting *Rosemont*, 366 F.2d at 310. Professor Gorman is correct to point out that the quoted sentence, when taken out of context, may appear to state something other than what *Rosemont* stands for. R. Gorman, *Fact or Fancy? The Implications for Copyright—The Twelfth Annual Donald C. Brace Memorial Lecture*, 29 J. COPR. SOC’Y 560, 589 (1982) [hereinafter Gorman, *Fact or Fancy?*].

Taken together, *Rosemont* and *Hoehling* would preclude a verbatim duplication of the first historian’s work by a second plagiarist or a rewrite of the first author’s work which amounted to nothing more than a mere paraphrasing. See *Hoehling*, 618 F.2d at 980 (second author may not bodily appropriate prior historian’s expression); and see *Rosemont*, 366 F.2d at 310 (verbatim copying or paraphrasing of material set down by another cannot satisfy standard of fair use). But see *Toksvig v. Bruce Publishing Co.*, 181 F.2d 664, 667 (7th Cir. 1950) (appropriation of fruits of prior author’s research constitutes an unfair use).

sidestepped the issue,¹⁷⁵ despite the existence of apparently conflicting statements within the Second Circuit itself.¹⁷⁶

¹⁷⁵ *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 105 S. Ct. 2218 (1985). *Id.* The Court was relieved of the task of coming to grips with the issue by the defendant's editor's own admission of verbatim copying of portions of former President Ford's unpublished manuscript of his autobiography. The court then went on to consider the issue of whether the use of the portions in question constituted a fair use under §107 of the 1976 Act. 17 U.S.C. §107.

Section 107 allows for reproductions of copies or phonorecords "for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research. . . ." 17 U.S.C. §107. The section goes on to list four factors which should be considered in making a determination in a particular case. These factors include the purpose and character of the use (e.g. whether the use is of a commercial nature or for a nonprofit educational purpose), the nature of the copyrighted work, the amount and substantiality of the portion used in relation to the copyrighted work as a whole, and the effect of the use upon the potential market for the copyrighted work.

A tenable argument has been made that, while not expressly stated in the section, the fourth factor (or the infringement's effect on the copyrighted work's market) is where courts should place the heaviest emphasis. Note, *Copyright Infringement and the First Amendment*, 79 COLUM. L. REV. 320, 326 (1979) [hereinafter *Copyright Infringement and the First Amendment*]. The Supreme Court expressly adopted this approach in *Harper & Row*, 105 S. Ct. at 2234, and, noting the "clear cut evidence of actual damage" evidenced by the loss of \$12,500 on the part of the copyright owner, found that "[t]he Nation's use of these verbatim excerpts from the unpublished manuscript was not a fair use. . . ." 105 S. Ct. at 2235.

¹⁷⁶ *Wainwright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014 (1978), involved the scope of protection afforded copyrighted research reports. Wainwright, a Massachusetts limited partnership, had prepared in-depth analytical reports on approximately 275 industrial, financial, utility and railroad corporations. The reports, used by some 900 Wainwright clients, characteristically required several months of analysis and would often run four pages in length. 558 F.2d at 93. Defendants' publication, the Wall Street Transcript, featured abstracts of plaintiff's reports in a column dedicated to providing readers with "a fast-reading pinpointed account of heavyweight reports from the top institutional research firms". In response, Wainwright began copyrighting its reports and, when its protests over defendants' continued practice were ignored, ultimately brought an infringement action seeking a preliminary injunction. 558 F.2d at 94.

The district court granted the injunction and the Second Circuit affirmed. *Id.* In response to the argument that the defendants' financial news coverage was entitled to the protection of the First Amendment, the Second Circuit stated:

"[N]ews events" may not be copyrighted. . . . What is protected is the manner of expression, the author's analysis or *interpretation* of

In narrowing the scope of protection to be afforded fact-works, the court drew upon its earlier decision in *Rosemont Enterprises, Inc. v. Random House, Inc.*¹⁷⁷ in which biological accounts of the recluse Howard Hughes were at issue. The Second Circuit laid great emphasis on the fact that what was involved in *Rosemont* was a biographical account of a popular public figure. Had the court allowed the preliminary injunction to stand, the public would have been "deprived of an opportunity to become acquainted with the life of a person endowed with extraordinary talents who, by exercising these talents, made substantial contributions in the fields to which he chose to devote his unique abilities."¹⁷⁸ Such a deprivation would directly contravene the copyright doctrine's fundamental principle of fostering "the development of historical and biographical works and their public distribution."¹⁷⁹ This was precisely what was at stake in *Hoehling*,¹⁸⁰ and the same concern has led to a similar result in at least one other Circuit.¹⁸¹

The direct application of these cases, dealing with newsworthy events and famous persons, to the case of selection and arrangement of colors for black-and-white movies certainly seems more than a little problematic. Granting copyright protection to a colorspectographic derivative work seems hardly to impede any public benefit otherwise derived from "the development of historical and biographical works and their public distribution." Perhaps this is because the implications of the First Amendment seem more at odds with the copyright monopoly in cases

events, the way he structures his material and marshals facts, his choice of words, and the emphasis he gives to particular developments.

558 F.2d at 95-96 (emphasis added). In an earlier part of the opinion, the court remarked that the fair use doctrine, which had also been raised by the defendants, distinguishes between "a true scholar and a chiseler who infringes a work for personal profit." 558 F.2d at 94, quoting HEARINGS ON BILLS OF THE GENERAL REVISION OF THE COPYRIGHT LAW BEFORE THE HOUSE COMM. ON THE JUDICIARY, 89th Cong., 1st Sess., ser. 8, pt. 3, at 1706 (1966) (Statement of John Schulman). Thus, *Wainwright* protects what *Hoehling* expressly denies protection to, i.e. the *interpretation* of an historical event.

¹⁷⁷ 366 F.2d 303 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967).

¹⁷⁸ 366 F.2d at 309.

¹⁷⁹ 366 F.2d at 307.

¹⁸⁰ 618 F.2d at 978, quoting *Rosemont*, 366 F.2d at 307.

¹⁸¹ *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365 (5th Cir. 1981) (copyrighted book describing actual kidnapping of daughter of wealthy Florida land developer not infringed by subsequent movie dealing with same topic).

like *Hoehling* and *Rosemont* than in cases where audiovisual works, such as colorized movies, are at issue.¹⁸²

Professor Nimmer would draw the balance between the First Amendment and the copyright proprietor's monopoly in favor of copyright protection where the works involved derive their value from the visual impact they impart rather than the information they disseminate.¹⁸³ This approach is directly applicable to colorized versions of black-and-white films. The total value of the work lies not in any facts that are disseminated but rather in the enhanced visual stimulus resulting from the addition of color. In essence, it embodies an *experience*,¹⁸⁴ rather than a description of a place and time in history. Whatever information is conveyed is plainly not of a class intended to promote any of the purposes normally identified with free speech.¹⁸⁵

Our earlier exploration of the topic of infringement led us to the conclusion that typical infringement cases were inappropriate to the task of defining the scope of protection to which colorized films should be

¹⁸² First Amendment issues rarely come to the fore in cases dealing with copyright infringement because the internal structure of the Copyright Act (and case precedent) already serve to accommodate such concerns. See *Copyright Infringement and the First Amendment*, *supra* note 175, at 328. "The four limitations on the copyright holder's monopoly--duration, authorship, the idea-expression distinction, and fair use--effectively accommodate many first amendment claims that might otherwise arise in actions for copyright infringement." *Id.* Whether colorized versions of public domain movies would presumptively be classified as "motion pictures" is open to debate since it is the underlying work, the public domain film, rather than the addition of colors which "impart[s] an impression of motion." 17 U.S.C. § 101. They are nonetheless "audiovisual works," since they obviously consist of a series of related images which are intrinsically intended to be shown with the aid of a machine. *Id.* See also *Nimmer*, *supra* note 49, §1.10 [c] [2] at 1-81 to 1-86.

¹⁸³ Nimmer reaches this result by weighing the public enlightenment contributed by a visual work against the copyright interest that encourages its creation. Even in a case implicating core First Amendment values (e.g. public access to the Zapruder films of the Kennedy assassination), Nimmer would favor a compulsory licensing system to the complete abrogation of copyright protection in such works. *Id.* But see *Time Incorporated v. Bernard Geis Associates*, 293 F. Supp. 130, 146 (S.D.N.Y. 1968) (use of charcoal reproductions of key frames of copyrighted film of Kennedy assassination without authorization constituted a fair use).

¹⁸⁴ "It has been said that 'a work of art cannot be described; it can only be experienced.' This is obviously true, as anyone who attempts to describe the 'idea' of the *Mona Lisa* or of Michelangelo's *Moses* must realize." *Nimmer*, *supra* note 49 § 1.10 [c] [2] at 1-82.

¹⁸⁵ T. EMERSON, *THE SYSTEM OF FREEDOM OF EXPRESSION* 6-7 (1970).

entitled.¹⁸⁶ Similarly, an attempt must be made here to find a situation involving a *type* of fact-work (which a colorspectrographic work doubtless comprises) involving the visual impact of factual data, but which does not raise the specter of free-speech violations. A comparison of two cases dealing with copyrighted maps¹⁸⁷ seems to offer the proper resolution to the problem.

In *Rockford Map Publishers, Inc. v. Directory Service Company of Colorado, Inc.*,¹⁸⁸ plaintiff prepared and published plot maps using aerial photographs distributed by the Department of Agriculture. Defendant, Directory Service Company (DSC), also in the business of publishing plot maps, hired an employee to prepare a map of Ford County, Illinois. DSC enlarged plaintiff's existing map of the same county and furnished it to the employee. Instructions had been given to her concerning methods of interpreting title records, but it was hoped that, by using plaintiff's map as a check against the records, the employee's task would be made easier.¹⁸⁹

DSC defended its obvious reliance on plaintiff's map on the grounds that the plot maps were not copyrightable since plaintiff could not copyright the information in the deeds on file in the county courthouse.¹⁹⁰ Noting that "[t]he copyright laws are designed to give people incentives to produce new works,¹⁹¹ the Seventh Circuit affirmed the district court's finding that DSC had not made an independent production and had infringed Rockford's copyrights by merely taking and editing the latter's map. While the court eschewed a discussion of the degree of similarity between the two works, a visual comparison of the works in question made it readily apparent that a good deal more than "virtual identity" was involved.¹⁹² The obvious *dissimilarities* between the two maps make it clear that the test employed by the court

¹⁸⁶ See *supra* notes 133-164 and accompanying text.

¹⁸⁷ Maps have been described by Professor Goldstein as quintessential fact works. Goldstein, *Fact or Fancy?*, *supra* note 14, at 564.

¹⁸⁸ 768 F.2d 145 (7th Cir. 1985), *cert. denied*, 106 S. Ct. 806 (1986).

¹⁸⁹ *Id.* This was apparently the standard operating procedure at DSC. *Id.* at note 1.

¹⁹⁰ DSC also attempted to undermine the validity of the protection afforded Rockford's map by pointing to the modest amount of effort expended by plaintiff in producing it. 768 F.2d at 148. The court correctly noted that the copyright laws protect work, rather than effort, and stated that "[a] person who produces a short new work or makes a small improvement in a few hours gets a copyright for that contribution fully as effective as that on a novel written as a life's work." *Id.*

¹⁹¹ 768 F.2d at 148, citing *Harper & Row Publishers, Inc. v. Nation Enterprises*, 105 S.Ct. 2218, 2223-24 (1985).

¹⁹² The two plot maps are appended to the court's opinion.

to determine the issue of infringement was one of "substantial similarity" rather than wholesale usurpation of the particular form of expression.¹⁹³

In *Perris v. Hexamer*,¹⁹⁴ the plaintiffs were owners of copyrights in a series of maps of New York City which were prepared for the use of persons engaged in the insurance business. The maps, made after a careful survey, "exhibit[ed] each lot and building, and the classes as shown by the different coloring and characters set forth in the reference."¹⁹⁵ The system used by plaintiffs employed arbitrary coloring and signs which enabled an insurer to see at a glance the general characteristics of the different buildings within the territory delineated, and many other details of construction and occupancy necessary for his information when taking risks.¹⁹⁶

The defendant made his own examination and survey of Philadelphia using the same system of coloring and signs employed by the plaintiff in the latter's New York map. The Court held that defendant's use of the plaintiff's system was not an infringement.¹⁹⁷ As stated by the Court:

A copyright gives the author or the publisher the exclusive right of multiplying copies of what he has written or printed. It follows that to infringe this right a substantial copy of the whole or of a material part must be produced. It needs no argument to show that the defendant's maps are not copies, either in whole or in part, of those of the complainants. They are arranged substantially in the same plan, but those of the defendant represent Philadelphia while those of the complainants represent New York.¹⁹⁸

Implicit in the Court's opinion is the fact that, had defendant produced a similar map of New York, he would have been liable for infringement. By employing a system similar to plaintiff's on a totally distinct terrain, however, defendant in no way abridged plaintiff's copyrights.

¹⁹³ There is no mention of *Hoehling*, or of the policies there espoused, in the entire decision.

¹⁹⁴ 99 U.S. 674 (1878).

¹⁹⁵ 99 U.S. at 675.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

¹⁹⁸ 99 U.S. at 675-76.

Clearly, the copyright act presents no impediment to the use of an unprotected system upon any of the thousands of available black-and-white films presently in the public domain. However, the authors submit that once one of these films has been employed to produce a new derivative work, whether the system is geared toward historical accuracy or not, the protection of copyright should preclude a subsequent infringer from producing a second work based upon the same film with noticeable, but insubstantial, differences.

2. *Morrissey v. Procter & Gamble: Bees, Turtles and Assorted Creatures*

In *Morrissey v. Procter & Gamble Co.*,¹⁹⁹ the First Circuit grappled with the copyrightability of contest rules. In affirming the district court's grant of summary judgment in favor of the defendant corporation, the court laid down the rule that where a particular idea is capable of "if not only one form of expression, at best only a limited number," copyright will be denied to *any* expression of that idea.²⁰⁰ The case has been cited by a number of other circuit courts;²⁰¹ a brief look at some of the cases will be helpful in determining the extent to which the implications of *Morrissey v. Procter & Gamble* can be applied to colorized feature films.

In *Herbert Rosenthal Jewelry Corp. v. Kalpakian*,²⁰² plaintiff contended that its copyright registration of a jeweled bee pin entitled it to "protection from the manufacture and sale by others of any object that to the ordinary observer [was] substantially similar in appearance."²⁰³ Plaintiff's counsel attempted to restrict the originality plaintiff sought to protect to a particular arrangement of jewels on the top of the pin. The "arrangement," however, was never identified, nor

¹⁹⁹ 379 F.2d 675 (1st Cir. 1967).

²⁰⁰ 379 F.2d at 678.

²⁰¹ *Consumers Union of United States, Inc. v. General Signal Corp.*, 724 F.2d 1044 (2d Cir. 1983), *reh'g denied*, 730 F.2d 47 (1984) (product evaluation); *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (3rd Cir. 1983), *cert. denied*, 104 S. Ct. 690 (1984) (computer programs); *Atari, Inc. v. North American Philips Consumer Electronics Corp.*, 672 F.2d 607 (7th Cir. 1982) (electronic game board); *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738 (9th Cir. 1971) (jeweled bee pin); *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966 (11th Cir. 1983) (bank's check "memory stub").

²⁰² 446 F.2d 738 (9th Cir. 1971).

²⁰³ 446 F.2d at 740. In actuality, the plaintiff claimed a good deal more. A photograph of the pin at issue depicted a bee with 19 small white jewels on its back. Plaintiff argued, however, that "its copyright [was] infringed by defendants' entire line of a score or more jeweled bees in three sizes decorated with from nine to thirty jewels of various sizes, kinds, and colors." *Id.*

were its composite elements. Upon questioning by the district judge, plaintiff's counsel conceded that "not being a jeweler, I can't conceive of how [the defendants] might rearrange the design so it is dissimilar."²⁰⁴

The Ninth Circuit first pointed out that there was substantial evidence to support the lower court's finding that defendant's pin was the product of independent creation and, hence, not an infringing work. The similarities embodied in the two works were attributed by the court to the fact that "both pins were life-like representations of a natural creation."²⁰⁵ Yet, based on the belief that the defendants' work might nonetheless have been the product of subconscious copying,²⁰⁶ the court went on to hold that a jeweled bee pin is a noncopyrightable "idea" which the defendants were free to copy.²⁰⁷

The case proves too much. Certainly, plaintiff's counsel's loss for words at the trial, along with plaintiff's failure to delineate the width and breadth of its work, forced the court into a corner to which it need not have been restricted. A casual attempt to conjure up dissimilar bee pins will draw forth any number of distinguishable variations. A smiling bee with wings and legs spread is obviously different from one poised to sting. A silver bee with gold-edged wings and diamonds for eyes can hardly be mistaken for a gold bee with emerald eyes and pearl wings, even if it is otherwise an exact replication of the creature in its natural state.

The copyrightability of jewelry designs was again at issue in *Herbert Rosenthal Jewelry Corp. v. Honora Jewelry Co., Inc.*²⁰⁸ This time the underlying subject was a turtle which plaintiff had hired someone to design for it. The product of the employee's work was "a jeweled turtle pin made of 14 kt. gold, the back of which was adorned with a cluster of precious gems, including diamonds, rubies, emeralds and sapphires."²⁰⁹ The defendants subsequently manufactured a pin with, in the words of plaintiff's affidavit, "only slight differences in its body. . . ."²¹⁰

The parties agreed to apply the average lay observer test²¹¹ normally employed in cases involving infringement of textile designs. The

²⁰⁴ *Id.*

²⁰⁴ *Id.*

²⁰⁵ 446 F.2d at 741.

²⁰⁶ See *supra* note 94.

²⁰⁷ 446 F.2d at 742.

²⁰⁸ 378 F.Supp 485 (S.D.N.Y.), *aff'd* 509 F.2d 64 (2d Cir. 1974).

²⁰⁹ 378 F. Supp. at 486.

²¹⁰ 378 F. Supp at 487.

²¹¹ See *supra* notes 148-56 and accompanying text.

plaintiff's brief identified the expression sought to be protected²¹² as "the arrangement of the gems in an oval shape on the back of a gold turtle."²¹³ The court, however, then followed by posing the question "How else could gems be placed on the back of a gold turtle, other than in an oval shape?"²¹⁴

Following an exhaustive analysis not of law but of turtles belonging to the Chelonia order, the court held that the jeweled turtle pin was an uncopyrightable idea.²¹⁵ Surely, this cannot be the case. As earlier noted in the case of bees, the plethora of possible permutations of a turtle pin design completely removes this case from the shadow of *Morrissey*. Perhaps an explanation for the result lies in the dialogue revealed in plaintiff's president's deposition where, in an attempt to avoid repetition of former mistakes,²¹⁶ the plaintiff weaves dangerously close to seeking to protect an amalgamation of "expression" and "idea."²¹⁷ Perhaps this, together with the district judge's impressive acumen for reptilian physiology, led the Second Circuit to affirm what the authors submit was a questionable result.

Electronic creatures were at issue in one case exploring the copyrightability of a computer-generated video game. In *Atari, Inc. v. North American Philips Consumer Electronics Corp.*,²¹⁸ plaintiffs, Atari, Inc. and Midway Manufacturing Co., instituted an action for copyright infringement of their audiovisual game "PAC-MAN". At issue was the copyrightability of the plaintiffs' electronic game board, scheme of characters and sounds which had allegedly been infringed by defendant's electronic maze-game, "K.C. Munchkin".²¹⁹ After outlining the

²¹² No doubt the result of the lessons of experience. See *supra* text accompanying note 204.

²¹³ 378 F. Supp. at 487.

²¹⁴ *Id.*

²¹⁵ 378 F. Supp. at 490. What is shocking about the court's decision is the rationale upon which it is based: "American consumers are entitled to preserve their age old right to have the benefit of the fact that *there is nothing anyone can design or manufacture which someone else cannot make worse and sell for less.*" *Id.* (emphasis added). This approach completely ignores the policies embodied in the copyright doctrine and decimates the interests it was intended to protect. See *supra*, notes 49-76 and accompanying text.

²¹⁶ See *supra* text accompanying note 205.

²¹⁷ Q "Well, you don't claim that the general *concept* of the turtle is something that you have a right to copyright, do you?" A "I think so." 378 F. Supp. at 489 (emphasis added).

²¹⁸ 672 F.2d 607 (7th Cir. 1982).

²¹⁹ 672 F.2d at 610-13.

available infringement tests, the court took note of the problem posed by the unity of "idea" and "expression" in particular cases.²²⁰

As *Kalpakian* and other cases show, that a work is copyrighted says very little about the scope of its protection. But the *Kalpakian* case is nonetheless instructive in that it represents one end of a spectrum of protection. As a work embodies more in the way of particularized expression, it moves farther away from the bee pin in *Kalpakian*, and receives broader copyright protection.²²¹

The Seventh Circuit then went on to hold that, while plaintiffs' audiovisual work was primarily an unprotectible game, "unlike the bee pin, to at least a limited extent the particular form in which it is expressed (shapes, sizes, colors, sequences, arrangements and sounds) provides something 'new or additional over the idea'."²²²

The court went on to further distinguish between certain expressive matter in the game which it characterized as "standard game devices" and the actual PAC-MAN characters, which were said to be "wholly fanciful creations, without reference to the real world."²²³ The court determined that items in the former category, such as the maze displayed on the video screen during play, the scoring table and the use of tunnel exits on either side of the video game board, "should be treated as *scènes à faire*"²²⁴ and receive protection only from virtually identical copying."²²⁵ On the other hand, the defendants' substantial appropriation of the "fanciful" PAC-MAN characters required reversal of the district court's denial of the plaintiff's motion for a preliminary injunction.²²⁶

²²⁰ 672 F.2d at 614-16.

²²¹ 672 F.2d at 616-17.

²²² 672 F.2d at 617.

²²³ 672 F. 2d at 617-18.

²²⁴ See *supra* note 173.

²²⁵ 672 F.2d at 617. ("K.C. Munchkin's maze design, scoring table, and 'dots' are sufficiently different to preclude a finding of infringement on that basis alone.")

²²⁶ *Id.* The court pointed out that the indiscriminating nature of the game's audience of players should be a factor to consider in assessing the impact of certain differences raised by the defendants as evidence of a lack of substantial similarity. "A person who is entranced by the play of the game 'would be disposed to overlook' many of the minor differences in detail and 'regard their aesthetic appeal as the same.'" 672 F.2d at 619, citing *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1166-67 (9th Cir. 1977).

While *Morrissey* and its progeny are cited throughout the opinion, the Seventh Circuit fails to adopt its limitation explicitly and seems to embrace two diametrically opposed positions concerning the scope of protection to be afforded to works typifying the inseparability of "expression" and "idea."²²⁷

To be sure, *Morrissey* has been cited in a number of decisions involving subjects as diverse as the concept of a lost World War II submarine that mysteriously resurfaces thirty years later,²²⁸ a doctoral dissertation employing a "love scale" and "liking scale,"²²⁹ the coloring of pharmaceutical capsules,²³⁰ esoteric psychiatric writings,²³¹ the use of the term "MOJO" in a musical composition,²³² an instruction sheet for a drapery header,²³³ a computer's operating system program,²³⁴ an electronic pinball game,²³⁵ and an executive planner.²³⁶ Yet, of the cases apparently relying on *Morrissey* which failed to find any infringement, not one bases its decision on an approach which would preclude a copyright in any and all forms of an idea susceptible to a limited number of expressions.²³⁷

²²⁷ "[W]here idea and expression are indistinguishable, the copyright will protect against only identical copying." 672 F.2d at 616. "When the 'idea' and its 'expression' are thus inseparable, copying the 'expression' will not be barred. . . ." *Id.* quoting *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738, 742 (9th Cir. 1971). See also 3 *Nimmer*, *supra* note 49, § 13.03 [A] at 13-33 n. 44.

²²⁸ *O'Neil v. Dell Publishing Co., Inc.*, 630 F.2d 685, 686 (1st Cir. 1980).

²²⁹ *Rubin v. Boston Magazine Co.*, 645 F.2d 80, 82 (1st Cir. 1981).

²³⁰ *Ives Laboratories, Inc. v. Darby Drug Co., Inc.*, 601 F.2d 631, 643 (2d Cir. 1979).

²³¹ *Higgins v. Baker*, 309 F. Supp. 635, 638 (S.D.N.Y. 1969).

²³² *Stratchborneo v. Arc Music Corp.*, 357 F. Supp. 1393, 1404 (S.D.N.Y. 1973).

²³³ *Decorative Aides Corp., Inc. v. Staple Sewing Aides Corp.*, 497 F. Supp. 154, 158 (S.D.N.Y. 1980).

²³⁴ *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1253 (3d Cir. 1983), *cert. denied*, 104 S. Ct. 690 (1984).

²³⁵ *Williams Electronics, Inc. v. Bally Manufacturing Corp.*, 568 F. Supp. 1274, 1277 (N.D. Ill. 1983).

²³⁶ *Baldwin Cooke Co. v. Keith Clark, Inc.*, 383 F. Supp. 650 (N.D. Ill. 1974).

²³⁷ *E.g.*, in *O'Neil* the First Circuit affirmed the district court's grant of summary judgment in favor of the defendants on the ground that the two novels, dealing with a lost submarine, were not substantially similar. 630 F.2d at 690. A comparison would have been unnecessary had the court concluded that no form of expression of the idea was entitled to protection. In *Stratchborneo*, rather than denying protection to all forms of expression embodying the "MOJO" idea, the Southern District of New York expressly recognized the copyrightability of songs employing the term, stating that "[e]ach party has contributed enough original words and music to the MOJO idea, and to a phrase in public domain, so as to have an original work, which has and is entitled to copyright protection and which the owner may

The case coming the closest to an all-out adoption of *Morrissey* is *Consumers Union of United States, Inc. v. General Signal Corp.*²³⁸ In that case, the Regina Company, a division of General Signal's wholly-owned subsidiary, the General Signal Appliance Corporation, employed the use of a comment published in a copyrighted issue of plaintiff's magazine *Consumer Reports*, in which a vacuum cleaner marketed by Regina had been "effusively praised".²³⁹ Regina prepared several television commercials exploiting the *Consumer Reports* endorsements. Fearing that consumers would assume that Regina had purchased the endorsement,²⁴⁰ the plaintiff sought from the district court a temporary restraining order which was granted over Regina's objections.²⁴¹

The Second Circuit ultimately reversed the district court's order stating that "[w]here an evaluation or description is being made, copying the exact words may be the only valid way precisely to report the evaluation."²⁴² Yet, even here, the court went through an analysis of "fair use"²⁴³ rather than simply declaring that the evaluation in question was *per se* uncopyrightable.

Professor Nimmer has characterized *Morrissey* as "a questionable extension" of the principle which precludes a finding of actionable similarity where the similarity of expression necessarily results from the fact that the common idea is only capable of expression in a single form²⁴⁴ -- that is where idea and expression are inextricable. In addition, the *Morrissey* rationale fosters the kind of arbitrary line-drawing which tends to render evaluations concerning infringement open to *ad hoc* decision-making. How many forms of expression are *too few* to render copyright in any one of them unwarranted? What is the *idea* which is susceptible to only a limited number of expressive forms? Certainly, the results in *Honora Jewelry*²⁴⁵ might have changed dramatically had the court asked "How else might one express the concept of a jeweled turtle?" rather than the question it actually posed.

exploit." 357 F. Supp. at 1407. See also *Decorative Aides Corp.*, 497 F. Supp. at 158; *Williams Electronics*, 568 F. Supp. at 1280-82.

²³⁸ 724 F.2d 1044 (2d Cir. 1983), *reh'g denied*, 730 F.2d 47 (1984) (en banc).

²³⁹ 724 F.2d at 1046-47.

²⁴⁰ 724 F.2d at 1050 n. 6. *Consumer Reports* printed a notice in each of its issues disclaiming the acceptance of any advertising which might tend to influence its otherwise disinterested evaluation of the products it investigated. 724 F.2d at 1046.

²⁴¹ 724 F.2d at 1047-48.

²⁴² 724 F.2d at 1049-50, citing *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675, 678-79 (1st Cir. 1967).

²⁴³ 724 F.2d at 1048-51.

²⁴⁴ 3 *Nimmer*, *supra* note 49, § 13.03[A] at 13-32 to 13-34.

²⁴⁵ See *supra* notes 218-236 and accompanying text.

If we interpolate the inquiry to the area of colorized films the answers are equally elusive. Is the *idea* to be expressed the colorization of films? This would leave open as many ways of expressing the same idea as there are black-and-white films to be colorized—literally thousands. Or is the idea to be expressed the colorization of a particular film? And, even if the later is the more appropriate question, are there nonetheless a sufficient number of ways to express the idea so as to preclude any challenge to the copyright in the work? The answers defy painless resolution. When one considers the fact, however, that each colorized version involves the application of an unlimited number of producible colors to an infinite number of areas within each television screen by a network of skilled artists and technicians, it is difficult to imagine any court denying protection to so industrious an endeavor on the grounds of an argument as tenuous as that espoused in *Morrissey*.

V. Conclusion

It was Andre Bazin who observed that photography embalms time, rescuing it from its proper corruption.²⁴⁶ The process of colorization similarly promises to revitalize thousands of works which might otherwise remain largely neglected by future generations, not owing as much to aesthetic considerations as to economic forces of the market. By granting protection to colorized versions of public domain works, courts will further the copyright clause's policy of broad public dissemination of commercially dormant but intrinsically valuable cinematic works and encourage the assumption of risks necessarily involved in venturing onto uncharted artistic waters. In addition, the original black-and-white film classics which have been colorized will remain fully available in the public domain for exhibitors to freely use as they so desire. If, as Professor Nimmer notes, "adding colors to a previously black-and-white picture may constitute an original copyrightable contribution,"²⁴⁷ the works developed via the colorization process are the primary candidates for protection. If protected, the products of colorization will no doubt resurrect timeless works which form an important component of our own artistic and cultural heritage. More importantly, the public will be granted access to a "virtual reality" it had heretofore been denied.

AUTHORS' EPILOGUE: Subsequent to the writing of this article, the U.S. Copyright Office on June 19, 1987 ruled that colorized versions of black and white films are entitled to copyright protection.

²⁴⁶ Levinson, *Human Replay supra* note 1, at 9.

²⁴⁷ 1 Nimmer, *supra* note 49 § 2.14.

157. FROM COPYRIGHT LAW TO INFORMATION LAW

By HERMAN COHEN JEHORAM*

I. THE INFORMATION SOCIETY

There has been a great deal of talk recently about the transition from an industrial to an information society. What is meant by this seemingly sweeping description? John Naisbitt wrote in 1982,¹ "I am not, of course, the first to speak about the information society. It is not a new idea. In fact, it is no longer an idea—it is a reality." Mr. Naisbitt goes on to pinpoint the commencement of the information era in the United States at a fixed moment in history. He writes:

... a little-notice symbolic milestone heralded the end of an era: In 1956, for the first time in American history, white-collar workers in technical, managerial, and clerical positions outnumbered blue-collar workers. Industrial America was giving way to a new society, where, for the first time in history, most of us worked with information rather than producing goods.

Of course, the information industry has always existed, or, at least, it has existed as long as industry itself has existed. Communication is an essential human characteristic. In 1956, however, a certain quantitative turning point had been reached, at least in the United States, since the information industry at that time surpassed the traditional industries involving goods. This development has continued at an ever-accelerating pace. The explosive growth of information technology has contributed to this trend: consider only cable and satellite television, telematics (the combination of computer and telecommunication) and micro-electronics (chips).

Originally, we were referred to as the "post-industrial society"; nowadays, the animal has more correctly been named the "information society".

It was a mistake to believe that industry as such was declining. In fact, only the center of gravity has moved from the manufacture of goods (hardware) to the information industry. The "industry" involved constitutes the economic activity which provides for information goods and

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¹ J. NAISBITT, *MEGATRENDS, TEN NEW DIRECTIONS TRANSFORMING OUR LIVES*, (1982-1984).

services. Naisbitt mentions that in 1950 only 17% of Americans were employed in information-related jobs. This proportion has grown to 65%. One should consider, in this connection, programmers, journalists, teachers, scientists, artists, civil servants, librarians, lawyers, judges, accountants, advisors of every kind, and also typists. Finally, also within the more traditional industry of goods, much work is devoted to creating, collecting and distributing information. As of May 1983, only 12% of the American labor force was engaged in manufacturing operations. Of the 19 million new jobs created in the U.S. in the seventies, only 5% were to be found in manufacturing and only 11% in the goods-producing sector as a whole. Almost 90%, then, were not in the goods-producing sector. These statistics seem to be available only for the United States, but there is reason to assume that the same developments have occurred in Europe, albeit perhaps with some delay.

The center of the traditional industry of goods seems to have moved somewhat to Third World countries. For us, the First World, the information era implies, to quote Naisbitt for the last time, that the core of the industrial process moves from the physical to the intellectual aspect of production.

II. COPYRIGHT

The legal discipline traditionally concerned with the intellectual aspects of production, with information, is the law of intellectual property, and, in particular, the law of copyright. Providers of information find their legal protection in the whole intellectual property field² but mainly in copyright. It is not by chance that simultaneous with the emergence of the present enormous information industry, the impact of copyright has grown spectacularly so that even the common reader of newspapers has been confronted by it. In the 1950's, copyright, to the layman, was still an esoteric legal specialty. On the European continent, there has been an ever-growing stream of court decisions on, for instance, cable television, satellite television, video, and computer software piracy. This has drawn copyright into the orbit of the daily news and into the center of an attention that is somewhat divided as far as sympathy goes.

The new information technologies have also brought to light many restrictions and shortcomings in our old copyright laws. At least, the German and French legislatures have made a valiant effort recently to update the old (and in their cases, even not so old) copyright statutes. It remains difficult, however, not to lag too far behind the developments in information technology and the commercial use which is made of it.

² Compare Pendleton, *Intellectual Property, Information-Based Society and a New International Economic Order - The Policy Options?* EIPR 13 (1985).

Some European governments, my own not excluded, are *not* especially in the forefront of legislative action in the copyright field. The Dutch parliament has repeatedly criticized its government saying, on one occasion, that it seems

to escape the Government which crucial role copyright law, nowadays the even wider-formulated media law, is playing in the advanced Western industrial nations, a group of countries to which ours also certainly belongs, and this in the information era which has already started.³

Finally, the Dutch Minister of Justice has reacted with a letter to Parliament⁴ containing a legislative time schedule "with respect to subjects in the field of copyright and related rights which are being dealt with in my Ministry." Although none of the indicated time limits has yet been observed, multiple activities have at least been started. Only reprography has now very provisionally been dealt with. "Still under construction" are subjects such as public lending right; wholesale piracy; neighboring rights of performing artists, producers of phonograms and broadcasting organizations; home copying of sounds and images; and the protection of chips. The pressing problems of rental of video and sound tapes has not yet been tackled.

In England, caustic remarks have been made about the speed of legislative activity in copyright matters; the same remarks have been heard in the Netherlands. It is sad that Germany and France are so far ahead of so many other countries in cultural atmosphere and awareness of the economic importance of copyright in our information era.

III. COPYRIGHT AND MEDIA LAW

In 1980 I introduced the term "media law" in my country, in a speech given at a meeting of our national copyright association.⁵ One of the consequences was that in 1982 our national copyright journal, "Auteursrecht" was subtitled "Tijdschrift voor auteurs - en mediarecht" (Review of Copyright and Media Law). This was not only a question of the title; the scope of the journal was correspondingly broadened as well.

³ BJL, H. II 1981-1982, 16740 nr. 5, p. 5, also published in AUTEURSRECHT AMR 1982/4, p. 107. Compare also the oral debate H. II 20, Sept. 1984, p. 69, also published in AUTEURSRECHT AMR 1984/5, p. 112.

⁴ Letter of October 29, 1984, published in AUTEURSRECHT AMR 1985/1, p. 19.

⁵ Published in AUTEURSRECHT 1980/3, p. 55. Compare also COHEN JEHOAM, CENTRAL ISSUES OF INTELLECTUAL PROPERTY AND MEDIA LAW (1984).

With the dual terminology, copyright and media law, an effort was made to avoid the kind of exaggeration, or even hypocrisy, inherent in the simple term "copyright," and even more so in the European terms "droit d'auteur," "Urheberrecht," "Diritto di autore" and "Auteursrecht"—in short "authors' right".

The copyright system as we all know it does not concern only authors, the original creators of the protected works, but certainly also the industry which brings these works into the market. The sole right to exploit the works, so characteristic of copyright, is indeed of prime economic importance for the exploiters, for instance, the publishers and producers of movies and records. Of course, the protection of the publisher's investment is historically the oldest form of copyright. Since the invention of the printing press in the 15th century to the end of the 18th century, governments granted privileges, i.e., exploitation monopolies with regard to works to be published.⁶ These privileges were granted to the printer-publisher, not to the author of the work, unless the author acted as a publisher himself.

The first statute which appointed *the author* as the original right owner was the English Copyright Act of Queen Anne in 1710, followed in France in 1777, in the United States in 1783-1790, in the Netherlands in 1817, and in Germany in 1837-1871. The old system of printers' privileges was extremely one-sided and geared only to the protection of the interests of the exploiters of the works. The change in the direction of the law to a form of protection exclusively for authors did not do justice to the interests of the exploiters who before had been the sole right owners. In practice, of course, the exploiters knew extremely well how to help themselves by having the authors immediately assign their rights to them. Also, politically this system of authors' rights was not disadvantageous for publishers' associations which, everywhere, had to fight to get copyright statutes enacted or improved. It is ever so much more sympathetic and effective to seemingly fight for somebody else's rights instead of for your own interests.

Only in these last decades has the close symbiosis of interests of authors and their self-chosen exploiters begun to show cracks. Mainly through enhanced possibilities of reproduction and performance, the exploiters have become aware of a need for protection completely for themselves and not derived from the copyright of authors. One might consider here the so-called neighboring rights of performing artists,

⁶ Privileges dating from 1469 and 1495, and both Italian, are mentioned as the oldest ones known by, respectively STOLFI, *TRAITÉ THÉORIQUE*, Paris 1916-1925 I, p. 22 and P. RECHT, *LE DROIT D'AUTEUR. Une nouvelle forme de propriété*, Paris 1969, p. 45.

producers of phonograms and broadcasting organizations. Even publishers now claim owners' rights with respect to the copying or lending of their publications.⁷ Film producers already have their so-called copyright, in fact a neighboring right, in films. Judges in the Netherlands, and also other European countries, have sometimes protected exploiters in general passing-off actions in cases where no copyright action was available: piracy of records⁸ and photographic reproduction of a typeset text of a statute.⁹ In Switzerland, a draft Bill is pending in Parliament on a general passing-off action to protect valuable achievements against simple technical reproduction and marketing.¹⁰

All these subjects which circle around copyright and to which should be added the law of authors' contracts¹¹ form part of a wider conglomerate consisting of copyright and media law. Certain public law subjects should be the subject of special mention in this context, i.e., broadcasting law, cable and satellite regulation, and foremost, the law pertaining to the freedom of expression and information, which in a sense could be called the foundation of the whole of media law, copyright included.¹²

IV. COPYRIGHT, MEDIA, AND INFORMATION LAW

The development of the information society I have sketched in the beginning of this article now makes it imperative to widen the "conglomerate" still further by drawing a third and last concentric circle. The first two circles—copyright at the nucleus and media law around it—are still not sufficient to provide for a really practically defined conglomerate. Besides the mass media, there are also the media for private communications such as post, telephone, telegraph, and telex. The boundaries between private and mass media are blurred with new techniques such as telecommunication networks combined with computer data

⁷ Compare AUTEURSRECHT 1981/1, p. 3.

⁸ Court of Appeal Arnhem Jan. 18, 1972, NJ 1972, 297.

⁹ President of Tribunal of Rotterdam, March 30, 1984, AUTEURSRECHT AMR 1985/2, p. 3. This decision has been quashed by the Court of Appeal of The Hague, Dec. 31, 1985, KG 1986, 102, but appeal to the Supreme Court is pending.

¹⁰ Compare Troller, *Gedanken zur Bedeutung des Leistungsschutzes im Entwurf für ein neues schweizerisches Gesetz gegen den unlauteren Wettbewerb*, GRUR INT., 94-99 (1985).

¹¹ Compare, DIETZ, DAS PRIMÄRE URHEBERVERTRAGSRECHT IN DER BUNDESREPUBLIK DEUTSCHLAND UND IN DEN ANDEREN MITGLIEDSTAATEN DER EUROPÄISCHEN GEMEINSCHAFT (1984).

¹² Compare Cohen Jehoram, *Freedom of Expression in Copyright Law*, EIPR 3-5 (1984).

bases, videotex systems and pay television, with all the ensuing consequences for telecommunication law.

We should also place computer law in its true context. John Bing, the internationally famous Norwegian specialist in the field of computer law, started his important 1981 article, "Information Law?" in the Scotland-based *Journal of Media Law and Practice*¹³ with the following statements:

The computer has set information free. Traditionally, information has been chained in words to a page. Modern technology—especially computer-based technology—has liberated the words from the medium. A text or a set of characters is more appropriately viewed as something separate, rather than a property of a page, a book, a stone slab or a film strip . . . It frequently becomes apparent that the information as such is not the subject of the legal norm, but something else—a physical object like a book or a document, which is closely associated with the information. When liberated from the medium legislative technique comes up against severe problems.

What has been regarded by the computer law specialist as a completely new phenomenon is very well known to lawyers in the field of intangible intellectual property, "Immaterialgüterrechte," to use the century-old German term. With this word there is a stress on the fundamental difference between on the one hand the "corpus mechanicum," for instance the book consisting of a bundle of printed paper, which is the object of traditional property rights, and on the other hand the thing which has sometimes been called, absurdly, the "corpus mysticum," the intangible work which has been fixed in the bundle of printed paper and which can be the object of copyright. The legal technique of the law of intellectual property has solved the "severe problem" of the distinction, by clearly recognizing two different legal objects which are subject to completely different regimes. A work in the copyright sense can "only be the shaping, which is the expression of what has moved the author to his labor," as the Dutch Supreme Court once held.¹⁴

It therefore has to be admitted that copyright law covers a smaller area than the eventual information law: Only the outer shape, not the substance of a message, can be protected by copyright. Einstein had a "literary" copyright in the works he wrote about his relativity theory,

¹³ Vol. 2, Dec. 1981, nr. 3, p. 219.

¹⁴ Dutch Supreme Court June 28, 1946, NJ 1946, 712.

but he had no sole rights in this theory itself. Therefore, while copyright can certainly point in the direction of adequate legal protection with respect to abstract information, and it certainly also protects a certain part of the information, i.e. the expression of the message, it is insufficient for comprehensive regulation of the legal status of information.

In his previously quoted article, Bing also writes about the term "information law":

Though the term indicates a rather general discipline, it was used mainly to address the issues created by computer technology. It is, however, very difficult to discuss the problems of computer law without extending the discussion into more general issues. The discussion of data protection law very clearly demonstrates this. Though the starting point is computer technology, obviously the inclusion of manual systems would imply a wider area of application . . . Also, computer technology cannot be discussed properly without going into communication technology. And if this area is entered, it is difficult to avoid the more general or parallel problems of telecommunication law (relating to the post and telecommunication authorities), broadcasting, cable television, videograms and traditional films . . .

The starting point and inducement for the use of the term "information law" is for Bing his own specialty, the field of "computer law". This in itself is a completely different conglomerate from that which I have in mind when using the term information law. "Computer law" reaches from, for instance, legal protection of computer software, via computer insurance, computer contracts, computer liability, computer criminality, etc., etc., to the simple consulting of a legal computer database or the use of a text-composer by a lawyer. The field "computer law" covers the meeting place of a certain new technology and *all* compound words which contain the elements "law" or "lawyer". A bit too much *and* a bit too little for my taste. Information law should be well distinguished from all this.

Information law certainly does overlap with the computer and with informatics, but then only where there are legal problems which pertain to the creation or distribution of information per se. As topical examples of such problems, I would mention the legal protection of computer software and chips, copyright protection of and against databases, the telecommunication aspects of telematics, the legal aspects of transborder data flow and the protection of privacy with respect to personal data and data bases.

In a different way, however, information law is much broader than computer law or the law of informatics. Information law does not confine itself to the problems which in the first instance are caused by computer technology. A legal discipline should not restrict itself to the transitory state of the technological art of the day, no matter how glamorous this art might be. The invention of the automobile, though exciting at the time, could not lead to "automobile law," though this invention has added a whole new dimension to the long-existing law of transportation. In the same way, the temporary glitter of the computer should not let us forget that, for instance, the old regulations of the post and of libraries belongs to the field of information law. It is against this background that I have drawn the still-wider, third concentric circle around copyright and media law, with the result that I end up with a threefold terminology: copyright, media, and information law.

Earlier in this article, I spoke about a new legal discipline. Perhaps this solid academic term should be reserved for only the core of the widest notion of information law: I mean the innermost circle of copyright. Only there do we seem to be in the presence of an extensive, logical, legal construction based on a very few principles. Media law and the still broader information law, by contrast, form a project- and problem-related bundle, a conglomerate of subjects of several legal disciplines in the traditional sense of this word. This conglomerate is no haphazard collection. The same combination we already found in the new legal policy called information policy is one we encounter in several European countries. In my own country, the Netherlands, there has been a Government White Paper entitled "Information Policy". As a consequence, a Ministerial Committee on Information Policy (MCI) was formed under the chairmanship of the Prime Minister; also, an Interdepartmental Commission on Information Policy (ICI) was formed, consisting of officials under the chairmanship of the Director-General for Scientific Policy. As far as the legal aspects of information policy are concerned, these important commissions do indeed occupy themselves with the copyright, media and information law I have described, and this on the assumption that the information era has started.

The Belgian scientist Dr. Marien wrote a few years ago about the literature which concerns itself with information policy¹⁵:

"There is still little communication between the people who deal with different aspects of this subject. The blame should

¹⁵ Dr. M. Marien, "Enkele vragen bij de informatiemaatschappij", in: DE INFORMATIEMAATSCHAPPIJ, DE GEVOLGEN VAN DE MICRO-ELECTRONISCHE REVOLUTIE, 50 JAAR NATUUR EN TECHNIEK, 248 (Maastricht-Brussel 1983).

be placed mainly on our obsolete schools and universities which date from the industrial era where all emphasis is on small, 'easily manageable' problems, technical problems, which lead to 'hard' answers and questions which conform themselves to established disciplines and specialties."

With the introduction of "copyright, media and information law," or "information law" *tout court*, related problems, the outlines of which are only starting to become discernible with the development of our information society, will be integrated in a single legal field.

PART II**LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS**

1. United States of America and Territories

158. U.S. CONGRESS. HOUSE.

H.R. 5722. A bill to amend the copyright law to secure the rights of artists of pictorial, graphic, or sculptural works to prevent the distortion, mutilation, or other alteration of such works, to provide for resale royalties, and for other purposes. Introduced by Mr. Markey on Oct. 16, 1986; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

This bill, entitled the "Visual Artists Rights Amendments of 1986", would strengthen copyright protection for artists of pictorial, graphic, or sculptural works. First, the bill would give visual artists the legal right to claim authorship of publicly displayed works or disclaim authorship of such works where they have been altered. Secondly, the bill addresses a related area of copyright law concerning the aesthetics of artwork. The bill would exempt an artist from the requirement to display the copyright notice on the outside of the creation. In addition, the bill would establish royalty rights for visual artists, by giving them the right to claim a small percentage of the increased value of their works every time they are sold.

159. U.S. CONGRESS. SENATE.

S. 2944. A bill to modify the application of the antitrust laws to encourage the licensing and other use of certain intellectual property. Introduced by Mr. Hatch on Oct. 17, 1986; and referred to the Committee on the Judiciary. (99th Cong., 2d Sess.).

Entitled the "Intellectual Property Antitrust Protection Act of 1986", this bill is designed to promote competition in the international market of ideas by modifying the application of the antitrust laws. Under its proposal, when agreements to convey rights to use, practice or sublicense patented inventions, rights to use or sublicense trade secrets, or rights in a copyrighted work or mask work are evaluated under the antitrust law, a rule of reason standard would be applied so that the pro-competitive benefits for the U.S. trade status of such agreements would also

be considered in the evaluation. These provisions would strengthen the ability of United States companies to compete in international trade, boost manufacturing capabilities, and allow American companies to develop efficient marketing strategies while assuring the quality and reliability of their products for the American consumer.

160. U.S. COPYRIGHT OFFICE.

37 CFR 201. Compulsory license for cable systems. Final regulations. *Federal Register*, vol. 51, no. 242 (Dec. 17, 1986), pp. 45110-13.

The Copyright Office has adopted as final an interim regulation issued in August establishing new reporting and recordkeeping requirements for cable systems filing Statements of Account. Under the new rule, a cable system that files a Statement of Account for the first accounting period of 1986 and thereafter must declare to the Office whether it allocated gross receipts in calculating its royalty for the relevant accounting period, and if it has allocated, must also report the figure for gross receipts as calculated under the Office's definition in 37 CFR 201.17(b)(1). A system that allocates gross receipts to determine its royalty fee for a particular accounting period is required to maintain detailed records describing its formula for computing gross receipts reported in the Statement of Account and to keep a written explanation of the method of allocation used.

161. U.S. COPYRIGHT OFFICE.

37 CFR 201. Compulsory license for cable systems. Notice of inquiry--definition of cable systems. *Federal Register*, vol. 51, no. 199 (Oct. 15, 1986), pp. 36705-07.

The Copyright Office has issued a notice of inquiry concerning its consideration of amendments to its regulation pertaining to the compulsory license for cable systems. Specifically, the Office is contemplating amending its definition of "cable system" to clarify the status of satellite master antenna systems (SMATV) and multichannel multipoint distribution systems (MMDS). Public comment regarding all aspects of this issue is solicited, but the Office is particularly desirous of opinions concerning under what circumstances, if any, SMATV or MMDS systems qualify as "cable systems" under the Copyright Act. Assuming they do qualify, the Office wishes to know: (1) if they can be accommodated within the Copyright Office's regulation defining

"cable system"; (2) whether the regulation should be modified to apply to SMATV and MMDS operations; (3) how the language in the definition of "cable system" in the law and the regulations concerning the transmission of signals to "subscribing members," "of the public," and "who pay for such service" should be interpreted as regarding typical SMATV and MMDS operations; (4) how an individual cable system for filing purposes should be determined; and (5) who the "owner" of the system is for purposes of completing the Statement of Account where the reception and redistribution equipment is owned by an apartment complex, but the installation, maintenance, and coordination of the programming service is supplied by another entity.

162. 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. 51, no. 232 (Dec. 3, 1986), p. 43609.

The Copyright Royalty Tribunal has adjusted by 1.2% the compulsory royalty rates paid for the use of certain copyrighted works in connection with public broadcasting. The adjustment is reflective of an increase in the cost of living as determined by the Consumer Price Index for the past year.

163. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Declaration of controversy and partial distribution of jukebox royalty fees. *Federal Register*, vol 51, no. 236 (Dec. 9, 1986), p. 44331.

The Copyright Royalty Tribunal has declared a controversy with respect to the distribution of the 1985 jukebox royalty fees. Parties to the proceeding are ASCAP, BMI, and SESAC, Inc. (ABS), filing as joint claimants under a voluntary distribution agreement by which they claimed entitlement to 100% of the fees, and ACEMLA and the Italian Book Company (AI), also filing as joint claimants under a voluntary agreement whereby they asserted rights to 12% of the fees. The Tribunal concluded that, based on the record of previous distributions, it was unlikely that the joint AI claim could exceed 5%. Therefore, the Tribunal decided to make a partial distribution of 95% of the 1985 jukebox royalty fund to ABS.

164. U.S. COPYRIGHT ROYALTY TRIBUNAL.

Final determination of the distribution of the 1984 jukebox royalty fund. Notice of final determination. *Federal Register*, vol. 51, no. 231 (Dec. 2, 1986), pp. 43455-60.

In the matter of the 1984 jukebox royalty distributions, the Copyright Royalty Tribunal has issued its final determinations. The Tribunal concluded that (1) claimant Asociacion de Compositores y Editores de Musica Latinoamerica (ACEMLA) was not a performing rights society in 1984; (2) ACEMLA, as the assumed name of Latin American Music Co., Inc., was a copyright owner and entitled to .06% of the royalty fund; and (3) joint performing rights society claimants ASCAP, BMI and ASCAP, Inc.--pursuant to their settlement agreement--were entitled to the remainder of the fund. The joint claimants were given their share of the royalties in two parts, 90% under an earlier partial distribution and the balance under this final allocation determination action.

165. U.S. FEDERAL COMMUNICATIONS COMMISSION.

Cable television; amendment of the Commission's rules concerning carriage of television broadcast signals by cable television systems. Final rule. *Federal Register*, vol. 51, no. 238 (Dec. 11, 1986), pp. 44606-10.

The Federal Communications Commission has adopted a final rule implementing a new two-part regulatory program for cable systems. Under the first part of the plan, cable systems will be required to offer their subscribers input selector switches for use with antennas and to educate the subscribers concerning the purpose of, and need for, keeping off-the-air reception capability. The second part of the scheme employs a five-year interim-must-carry rule to ensure that television broadcasting remains a competitive alternative source of programming even as consumers move towards an environment without must carry rules. The overall objective of the new program, therefore, is to alter certain cable connection practices which can render cable subscribers unable to receive broadcast television signals, to facilitate consumer awareness as well as to maximize consumers' capability to alternate between cable and broadcast program sources, and to protect the broadcasting industry during the transition period.

166. OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE.

Certain soft sculpture dolls, popularly known as Cabbage Patch Kids, related literature and packaging; request for public comments in connection with Presidential review of exclusion order regarding. *Federal Register*, vol. 51, no. 229 (Nov. 28, 1986), pp. 43110-11.

The U.S. International Trade Commission has issued an exclusion order directing the U.S. Customs Service to bar the importation of certain foreign "Cabbage Patch Dolls" and related literature and packaging. The Commission issued the order after conducting an investigation from which it determined that violation of Section 337 of the Tariff Act of 1930 had occurred in the importation into the United States, and in the sale of the dolls because of infringement of registered copyrights and failure to mark the country of origin, together with evidence of consumer confusion and consumer preference for the domestic product. The determination and investigation record have now been forwarded to the President for review, and the Commission is inviting interested parties to submit comments on any foreign and domestic policy issues which should be considered by the President in deciding what action to take concerning the investigation.

PART IV

JUDICIAL DEVELOPMENTS IN LITERARY
AND ARTISTIC PROPERTY

A. DECISIONS OF FOREIGN COURTS

1. Great Britain

By FRANK KINDRED*

167. COLUMBIA PICTURE INDUSTRIES & OTHERS V. ROBINSON & OTHERS. In the High Court of Justice, Chancery Division, London. Before Mr. Justice Scott. Judgment given 19th December 1985. Reported in the Fleet Street Reports at [1986] FSR p367.

Generally believed to be the first English civil case on video piracy to reach full trial rather than being effectively settled at the interlocutory¹ stage, this case offers a unique insight into the complexities of such an action in England under the Copyright Act 1956.

35 plaintiffs including 14 members of the Motion Picture Association of America Inc. (M.P.A.A.) brought an action against two main defendants, Christopher Robinson and his company, Luton Video Services Limited. The action alleged that the defendants manufactured and traded in video cassettes which infringed the plaintiffs' copyrights in 104 motion picture films, including such titles as *Star Wars*, *One Flew Over the Cuckoo's Nest*, *For Your Eyes Only*, *Straw Dogs*, *Future World*, and *Sleeping Beauty*. 154 video tapes from the defendants' shop, alleged to be pirate copies, were examined.

The plaintiffs claimed that the defendants were large-scale video pirates who cynically and flagrantly disregarded the plaintiffs' rights and who would not hesitate to do so in the future unless restrained. In addition to damages, therefore, wide injunctions were sought restraining future infringement not only in respect of the 104 titles but also in respect of any of the plaintiffs' future films.

In summary, Scott J. found that there was sufficient evidence on the balance of probabilities that some eight films had been copied by the defendants, thereby infringing the copyright of one or other of the plaintiffs. He further found that the defendants had the requisite

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¹ A party may apply for *interlocutory* relief at any stage of an action. This usually takes the form of an interim injunction or order of the court.

knowledge to render them liable for infringement of copyright by selling or hiring in respect of only five films. Nevertheless the judge granted an injunction protecting the plaintiff's rights in all the films in respect of which their respective titles had been established in the action. He ordered an inquiry as to damages and recorded that a defence under section 18(2) of the Copyright Act 1956 to a claim for conversion damages was not open to the defendants.²

The defendants claimed that Anton Piller³ and Mareva⁴ interlocutory orders obtained ex parte in 1982 by the plaintiffs allowing the search of the defendants' premises and freezing of their assets and bank accounts had been obtained by serious misrepresentations to the court and had been oppressively and excessively executed. They claimed damages on the cross undertaking which the plaintiffs had given when the orders were made. Scott J. upheld the defendants' complaints regarding the ex parte interlocutory orders and awarded them £10,000 damages under the cross undertaking.

The establishment of title

Scott J. said that a difficult question he had to consider was whether Mr. Robinson was truly a flagrant video pirate or whether he was merely

... someone operating in a difficult field full of minefields, trying to keep his affairs regular and legitimate but occasionally, through no fault of his own, failing to do so.

Earlier in his judgment Scott J. had described the minefield of establishing entitlement to copyright under English law. After referring to the registration system in the U.S.A. he went on:

In this country a company which claims to be entitled to copyright or to an exclusive licence in respect of a particular

² Section 18 of the Copyright Act 1956 deems the copyright owner to be the owner of infringing copies and plates for making them. Hence the copyright owner is entitled to conversion damages.

³ Named after the case in which the Court of Appeal first affirmed that the court had power to grant such an order: *Anton Piller KG v. Manufacturing Processes Ltd.* [1976] Ch 55.; [1976] 1 All ER 779.

⁴ An order intended to ensure that funds which may be required to satisfy judgment are not dissipated before trial; after *Mareva Compania Naviera SA v. International Bulk Carriers SA* [1975] 2 Lloyd's Rep 509; [1980] 1 All ER 213 in which the Court of Appeal held that there was power to grant such an injunction.

film must establish, starting with the original copyright owner of the film in question and proceeding by way of assignments and grants ending up with itself, its title to those rights. It seems from the evidence that I have heard in this case, that companies which make motion picture films often enter into complex arrangements under which copyright travels down a chain of associated or nominee companies to its eventual destination. Complex arrangements are also made for the grant of exclusive licences to reproduce and distribute the film in question in different countries of the world. It has been shown by the evidence in this case to be often very difficult for the companies which claim to have film copyright or exclusive licences vested in them to prove the title which they claim. It is often correspondingly difficult for those wishing to acquire rights in particular films to be certain that those with whom they are dealing are entitled to grant the rights in question.

He went on:

... the difficulty of proving entitlement to copyright encourages video piracy. Video pirates may justifiably have some optimism that, if challenged, their challenger will fail to establish its copyright title.

The requirement of knowledge

The defendants eventually agreed that the plaintiffs had established copyright title in nearly all the films. They accepted that nearly all the 154 tapes from the shop were pirate copies. However they denied copying and denied liability for infringement by selling or hiring in respect of certain tapes on the ground that they did not have the requisite knowledge for the purposes of section 16(3) of the Copyright Act 1956.⁵

⁵ Section 16(3) Copyright Act 1956 provides that

Any such copyright is also infringed by any person who, in the United Kingdom, or in any other country to which the relevant provision of this Part of this Act extends, and without the licence of the owner of the copyright, -

(a) sells, lets for hire, or by way of trade offers or exposes for sale or hire any article, or

(b) by way of trade exhibits any article in public, if to his knowledge the making of the article constituted an infringement of that copyright, or (in the case of an imported article) would have constituted an infringement of that copyright if the article had been made in the place into which it was imported.

It was claimed that Mr. Robinson believed that "licences" he had bought, which purported to give him the right to make copies, were valid. Lack of knowledge is of course not a defence to liability for "primary" infringement by copying.

Scott J. found it established that a large number of pirate tapes of the plaintiffs' films were sold or hired out from the defendants' shop. However, the Judge held that despite Mr. Robinson's unconcern as to whether or not the shop was selling or hiring pirate tapes and despite his obvious ability to have made a reasonably successful check, Mr. Robinson's general knowledge that a large proportion of the tapes were likely to have been infringing copies was not sufficient to fix him with liability under section 16(3). Specific knowledge was necessary.

... unless a defendant has some degree of specific knowledge about a specific tape, his general knowledge that a tape is quite likely to be a pirate does not in my judgment fix him with knowledge sufficient for the purposes of section 16(3), that the tape was made in breach of copyright. A person who sells or lets on hire video tapes does not in my judgment, have to undertake the task of checking his stock in order to protect himself from liability under section 16(3).⁶

Nevertheless, in respect of some tapes Scott J. found that Mr. Robinson did have specific knowledge, either because he had been directly informed by the plaintiffs or because he had known at the material time that no legitimate release on video tape of that particular film had yet taken place. In respect of those films which he himself had copied, Mr. Robinson could be fixed with the requisite knowledge because he had no genuine belief that his purported "licences" were valid.

Mr. Robinson had put in evidence a number of licences obtained by him from Benelux Video of Amsterdam who described themselves as "sole European licensees." Benelux Video also supplied him with U-Matic master tapes of the films. The licences purported to grant "non theatrical home video cassette rights exclusive for the territory of the United Kingdom. . . for a period of three years." Scott J. found that Benelux Video had no rights whatsoever to grant in respect of the films concerned. The Judge also found it significant that, although Mr. Robinson had made payments to Benelux Video for the licences as well as the master tapes, there had been no evidence of any complaint by Mr. Robinson to Benelux Video of the invalidity of the licences he had purchased or of any attempt to seek repayment.

⁶ At page 425.

Although Mr. Robinson had been very cooperative and forthcoming with the plaintiffs' chief investigator in 1981 and had allowed the investigator to see his workshop and his stock of tapes, the judge found that despite being informed by the investigator in July 1981 of the plaintiffs' copyright, Mr. Robinson had continued thereafter to produce copies of the film *Future World*. Similarly, despite signing a document in January 1982 in which he promised not to copy or deal with the films *Slaughter* and *Puppet on a Chain*, he had continued to copy those films over the next six months. It was difficult to avoid the conclusion therefore that:

... he is a highly intelligent but devious man who would not scruple to breach copyright if he thought it commercially worthwhile.

The injunctions

In those circumstances the judge held that the plaintiffs were entitled to the protection of an injunction against infringement of copyright not just for films in respect of which infringement had been proved in the action but all the 104 films to which title had been established. He would not extend the injunction to protect future M.P.A.A. members or future films; it would be impossible for the defendants to know what films were covered by an injunction in that form. However, he granted the present plaintiffs liberty to apply on notice in the future to extend the injunction to other films. In order to obtain that extension the learned judge contemplated that an applicant would have to satisfy the court, first, that it had exclusive rights in the film, second, either that it had applied to the defendants for suitable undertakings which had not been given, or that for some reason undertakings by the defendants would not be sufficient.

The English courts will not grant injunctions restraining infringement of future copyrights. However they will, in appropriate circumstances, restrain future or threatened infringement of existing but unspecified copyright. See for example *Phonographic Performance Ltd. v. Amusement Caterers (Peckham) Ltd.*,⁷ where the court granted a wide injunction restraining, inter alia, infringement of copyright in "any other sound recordings in respect of which the exclusive right to cause same to be heard in public was vested in the plaintiffs at the date of the issue of the writ." The width of the order in the case was said to be justified by the fact that each sound recording bore on its face the name of the copyright owner and the date of its publication.

⁷ [1963] 3 All ER 493.

Damages

In addition, of course, certain of the plaintiffs were entitled to damages caused by the infringements of copyright found proved and an inquiry as to damages was ordered. Scott J. held that, although they had properly combined as parties to the action, for the purposes of an inquiry the entitlement of each plaintiff would have to be considered separately. There was no joint right to damages; in fact most of the plaintiffs would not be entitled to damages at all.

The Anton Piller Order

The grant of Anton Piller orders is one of the most controversial powers exercised by the English civil courts. First granted in 1974, such orders have become an essential part of many actions to protect certain intellectual property rights, in particular in copyright actions. The order in its usual form is obtained in secret by the applicant in the absence of the potential defendant (the "respondent") and requires him to permit entry to his premises or his home by a specified number of persons representing the applicant in order to search for and remove into the custody of the applicant's lawyers material covered by the order which is likely to be used in evidence in the action. The order is mandatory and is usually executed within hours or days of grant. The respondent has no chance before the order is executed to challenge the correctness of its grant or to rebut the evidence on which it was granted. The essential value of the order, of course, is that it is obtained and executed before a potential defendant has a chance to destroy or hide evidence vital to the plaintiff's case, should he be tempted to do so.

Because of the draconian nature of the order, its mandatory effect and the potential for infringement of personal liberties, grant of the order is in theory only made in exceptional circumstances and is accompanied by stringent safeguards which can be summarized as follows:

- * The applicant must show an extremely strong prima facie case.
- * There must be clear evidence that the respondent has in his possession the material in question and that there is a real possibility the material may be destroyed before an inter partes application could be made.
- * The applicant must show that damage, potential or actual, to himself is very serious.⁸

⁸ Per Ormrod LJ in *Anton Piller KG v. Manufacturing Processes Ltd.* [1976] 1 All ER 779.

- * Liberty is always reserved for the respondent to apply on short notice for the order to be discharged. This however is of limited value since such an application must necessarily be made after the respondent's premises have been raided and his property seized.
- * The applicant must undertake to compensate the respondent for any damage caused to him by the order and for which the court thinks the applicant ought to pay. The applicant must of course show that he had sufficient funds to support such a undertaking.
- * The applicant's lawyers have a duty to the court to make full and frank disclosure of all relevant evidence including evidence in their knowledge which would assist the respondent in resisting grant of the order.

However, despite these apparent safeguards Scott J., after a review of the history of the order and the evidence in the case before him, found that there were grounds for "very grave disquiet" about the Anton Piller procedure and the manner in which it was operating. In his view, in this case and many others the execution of the order resulted in the wholesale removal of all business material including stock-in-trade, cheque books, and correspondence, thereby rendering the continuance of business by the respondent impossible. Furthermore, Anton Piller orders are often accompanied by the grant of a Mareva injunction which has the effect of freezing the respondent's bank accounts and restraining the disposal of his assets. The primary purpose of this order is to ensure that funds which are likely to be required to satisfy judgment are not dissipated by the potential defendant. A copy of the order is usually served on the respondent's bankers with the inevitable result that the bank will refuse to extend further credit.

Far from being treated as a power which is at the limit of the court's jurisdiction and which is only exercised in exceptional circumstances, it was the view of Scott J. that the Anton Piller procedure:

... on a regular and institutionalised basis, is depriving citizens of their property and closing down their businesses by orders made *ex parte*, on applications of which they know nothing and at which they cannot be heard, by orders which they are forced, on pain of committal, to obey, even if wrongly made.⁹

He went on:

⁹ At page 437.

... a decision whether or not an Anton Piller order should be granted requires a balance to be struck between the plaintiffs' need that the remedies allowed by the civil law for the breach of his rights should be attainable and the requirements of justice that a defendant should not be deprived of his property without being heard. What I have heard in the present case has disposed me to think that the practice of the court has allowed the balance to swing much too far in favour of plaintiffs and that Anton Piller orders have been too readily granted and with insufficient safeguards for respondents.¹⁰

The learned judge then went on to issue guidelines on the Anton Piller procedure which can be summarised as follows:

- (i) Orders should be drawn so as to extend no further than the minimum extent necessary to achieve the preservation of material which might otherwise be destroyed or concealed.
- (ii) Once the plaintiff's lawyers have taken copies of the relevant documents the originals should be returned to the owner.
- (iii) A detailed record of the material taken must be made by the lawyers executing the order before the material is removed from the respondent's premises.
- (iv) No material should be taken from the respondent's premises unless it is clearly covered by the terms of the order.
- (v) The respondent should not be procured by the executing lawyers to give consent to additional material being removed unless the respondent's lawyer is present to ensure that the consent is free and informed.
- (vi) The plaintiff's lawyers should not retain seized material until trial; they should deliver it to the defendant's lawyers on their undertaking for its safe custody and production, if required, at court.
- (vii) Affidavits in support of applicants for Anton Piller orders ought to err on the side of excessive disclosure. The judge, not the plaintiff's lawyers, should be the judge of relevance.

Against this background the learned judge proceeded to consider the defendants' specific complaints about the obtaining and execution of the ex parte orders in the case before him. In summary he found as follows:

¹⁰ At page 439.

Although there was no evidence that the plaintiffs' lawyers had ever asked themselves whether Mr. Robinson was in a position to or was likely to destroy vital evidence, that failure was not necessarily a breach of their duty to the court.

The plaintiffs' solicitors¹¹ had engaged in the "thoroughly undesirable and dangerous practice" of swearing an affidavit in the common form they used for all such cases instead of "as reasoned deductions from or opinions formed on the actual facts of the specific case."

The plaintiffs' solicitors had misled the court in an affidavit which erroneously stated that the plaintiffs' chief investigator was still investigating the defendants. They ought to have known that the investigation had ceased a year earlier.

The court had further been misled in that affidavit with respect to the level of secrecy associated with the defendants' business premises. The plaintiffs' solicitors knew that their chief investigator had in fact visited the defendants' premises in June 1981 at the invitation of Mr. Robinson himself.

In serious breach of their duty to the court, the solicitors, when applying for the ex-parte orders, had failed to disclose the following clearly relevant information:

- (i) That their investigator had made the June 1981 visit.
- (ii) On that visit their investigator had removed approximately 30 U-matic tapes and later returned a number of them. Such information would have been relevant to the extent to which Mr. Robinson might be carrying on a legitimate business.
- (iii) Following the visit Mr. Robinson became an active informant of the plaintiffs' investigator.
- (iv) The full facts which they possessed regarding Mr. Robinson's dealings with Benelux Video.

This breach of the duty of full disclosure prejudiced the position of all the plaintiffs, not just those to whom the facts were known at the time of the application.

The learned judge, however, rejected the suggestion that it was a breach of duty to the court either:

¹¹ The judge specifically excluded from criticism the plaintiff's *counsel*, i.e. the Barristers who had represented them in court, who had of course argued the case from instructions supplied to them by the plaintiff's solicitors.

- (a) to fail to ensure that the order sought was clear and unambiguous, or
- (b) deliberately to seek an order in unnecessarily wide terms.

As long as there has been full and proper disclosure, the judge was in the best position to decide such matters.

Scott J. found that on execution of the order the behaviour of plaintiffs' solicitors had been oppressive and abusive of the power given them by the court order. They had made no attempt to confine their seizures to material strictly covered by the order and had taken everything as to which there was a question which they wished to investigate. The judge was not satisfied that consent signatures obtained represented free and informed consent to the excessive seizures.

The solicitors had retained for nearly three years a number of video cassettes not included in the original statement of claim, and therefore not covered by the Anton Piller order, "without a shadow of right" and "in flagrant disregard of the defendants' rights".

Furthermore, the solicitors had, in breach of their undertaking to the court, failed to keep safe a number of cassettes and other seized material.

The judge concluded:

I was satisfied by the evidence in this case that the intention of the plaintiffs and [their solicitors] in applying for and obtaining the Anton Piller order was by that summarily to close down the business of reproducing tapes being carried on from 8 Frederick Street.

He went on:

That intention was, in my judgment an improper one. It represented an abuse of Anton Piller procedure and it led in my view, to an oppressive execution of the order.

As a result the defendants were entitled to damages under the cross undertaking given by the plaintiffs. However, the compensatory element of any damages should only compensate the defendants for damage to their legitimate interests and not for the illicit part of their business. Though the business was in part legitimate, the defendants' chance to continue a legitimate business on a small scale was impaired by the *ex parte* order being obtained and executed. The combination of the

Anton Piller order and Mareva injunction had made it impossible for the defendants to obtain credit. The retention of documents had made any continuity of business very difficult. There should therefore be a compensatory element.

In addition the defendants were entitled to aggravated damages because the excessive and oppressive manner in which the Anton Piller order was executed amounted to a trespass to land or trespass to goods:

accompanied by circumstances of contumelia or affront.¹²

Scott J. did not feel an inquiry as to damages was appropriate and made an immediate assessment of damages under the cross undertaking of £10,000.

English judges have on more than one occasion expressed concern at the manner in which some Anton Piller orders have been obtained.¹³ This case, however, presented Scott J. with the rare opportunity to undertake a complete review of the practice in the context of a full trial of the action and to lay down carefully considered guidelines.

Guidelines for Anton Piller practice are generally designed to achieve:

- (1) full and frank disclosure when the order is obtained and
- (2) execution with no more disturbance to the defendants' life and business affairs than is necessary to safeguard evidence.

The notion of full and frank disclosure is not new to English lawyers and is not confined to Anton Piller practice. It is a requirement for the grant of any *ex parte* order of the court. The concept of execution with minimum disturbance, however, requires the plaintiff's lawyers in effect to construe narrowly the terms of the order which they have obtained. This tends to be a difficult feat of mental gymnastics for any lawyer. Continuing problems with the execution of Anton Piller orders may tend to reinforce those who have called for such orders to be executed by officials of the court rather than the plaintiff's lawyers, as is the procedure, for example, in Scotland.¹⁴

¹² See MCGREGOR ON DAMAGES, ¶¶ 1082 and 1127 (14th ed.).

¹³ See, e.g., *Systematica Ltd. v. London Computer Centre* [1983] FSR 313.; *Jeffrey Rogers Knitwear Productions Ltd. v. Vinola (Knitwear) Mfg. Co.* [1985] FSR 184.; *Bank Mellat v. Nikpour* [1985] FSR 87.

¹⁴ See Report of the British Group, Association Internationale pour la Protection de la Propriété Industrielle (AIPPI), Congrès de Londres 1986, Rapport des Groupes, Q90.

PART V

BIBLIOGRAPHY

A. BOOKS, TREATISES AND CASSETTES

1. United States Publications

168. WEIL, BEN H. *Modern copyright fundamentals*. Van Nostrand Reinhold Co., N.Y. (1986), 452 p.

This is a collection of 75 articles on copyright law and new technologies. It surveys a broad spectrum of copyright-related commercial issues as well as legislative concerns about technology and the future of copyright.

169. WHITEHOUSE, GEORGE E. *Understanding the new technologies of the mass media*. Prentice-Hall, Englewood Cliffs, N.J. (1986) 190 p.

This book is written for students or practitioners of any discipline in which an understanding of the workings of the electronic media is needed. It is intended for those who have a need to understand new technologies, but have no technological background. The book starts out with an explanation of what electromagnetic energy is, how it behaves, and how it is managed and harnessed for communications. The book then proceeds by categorizing the different basic technologies, with a discussion of all homogeneously related and associated technologies and/or innovations.

B. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

1. United States

170. BLOCK, MARLA R. *The expansion of the Berne Convention and the Universal Copyright Convention to protect computer software and future intellectual property*. *Brooklyn Journal of International Law*, vol. XI, no. 2 (Spring 1985), pp. 283-325.

The author discusses methods of software protection under copyright, patent, and trade secret law and gives a history of each type of protection. Section III of the article is devoted to international copyright protection of computer software, and includes a discussion of WIPO's draft of a model international software

treaty. The author states that "the copyright laws afford the software proprietor the international protection that trade secret and patent laws cannot consistently provide."

171. CARB, EVAN D. Copyright compensation for the Canadian use of American broadcast signals on cable. *Syracuse Journal of International Law and Commerce*, vol. 12, no. 2 (Winter 1985), pp. 359-394.

The author discusses what he calls "The Cancom problem". He states that recent Canadian policy statements have held that all Canadian citizens have a right to receive equal programming choices and services, even if this means rediffusing American signals that are only available over the airwaves in southern Canada. The author believes that the policy benefits Canadian citizens at the expense of American copyright owners who are not remunerated under this practice. Section III of the article investigates the current Canadian position on this issue and provides an overview of Canadian copyright law.

172. COOPER, FREDERICK L., III and WALTER SAPRONOV. Software protection and pricing in a LAN environment. *Jurimetrics*, vol. 26, no. 2 (Winter 1986), pp. 162-180.

The authors discuss software protection in a LAN (local area networks) environment and the pricing of software in such an environment. They also ask "Does the use of software in a LAN violate any of the exclusive rights of the copyright owner and is section 117 of the Copyright Act an effective shield against actionable infringement?" They analyze the idea of liberalizing the use of software without jeopardizing owners' rights.

173. CRAFT, WILLIAM CHRISTOPHER. Combating software piracy: a statutory proposal to strengthen software copyright. *DePaul Law Review*, vol. 34, no. 4 (Summer 1985), pp. 993-1033.

This article discusses computer technology and protection. The article also discusses the Computer Software Copyright Act of 1980; judicial decisions such as *Apple Computer, Inc. v. Franklin Computer Corp.*, *SAS Institute, Inc. v. S&H Computer Systems, Inc.*; and the shortcomings of present copyright protection.

174. DEUTSCH, SARAH. Fair use of copyright law and the nonprofit organization: a proposal for reform. *The American University Law Review*, vol. 34, no. 4 (Summer 1985), pp. 1327-1363.

Ms. Deutsch discusses the common-law beginnings of the "fair use" doctrine and section 107 of the Copyright Act. She also discusses the four fair use factors when the user is a non-profit organization. The author analyzes theories for revision of the "fair use" doctrine and discusses the need for further market analysis.

175. DUBOFF, LEONARD D. High-tech law—protecting computer software. *Journal of the Missouri Bar*, vol. 42, no. 2 (Mar. 1986), pp. 112-129.

This article discusses the protection of computer software through trade secrets, patent, and copyright laws. Mr. DuBoff outlines the basic tenets of each type of protection and the problems each poses.

176. DUNN, SUSAN A. Defining the scope of copyright protection for computer software. *Stanford Law Review*, vol. 38, no. 2 (Jan. 1986), pp. 497-535.

Ms. Dunn introduces the terminology used in the computer industry and emphasizes the importance of computer software copyright. This article reviews copyright cases involving computer software, including the case of *Midway Manufacturing Co. v. Strohon*. Section B is devoted to using course of development evidence to prove copyright infringement.

177. ESKEW, JOY L. The copyright dilemma facing Texas educators as they implement computer literacy into the curriculum. *Houston Law Review*, vol. 22, no. 4 (July 1985), pp. 1011-1044.

The author discusses the problem schools face if they reproduce copyrighted computer programs for classroom use. Sections I and II of the article review computer literacy regulations and copyright law. Cases discussed include *Marcus v. Rowley*, *Williams & Wilkins Co. v. United States*, and *Encyclopedia Britannica Corp. v. Crooks*. In Section III, the author provides possible solutions to the problems arising from computers in the classroom. For example, she suggests that states should buy software packages to match textbook purchases.

178. FINE, FRANK L. A case for the federal protection of television formats: testing the limit of expression. *Pacific Law Journal*, vol. 17, no. 1 (Oct. 1985), pp. 49-75.

Mr. Fine reviews the Copyright Acts of 1909 and 1976 and discusses protection of television formats under the 1976 Act. The author argues that because the "expression" of a television series format can be far more elaborate than that of a video game's audiovisual display, protection afforded to video game formats should extend to television formats.

179. GERSHEN, ELANA L. The works made for hire doctrine of the 1976 Copyright Act after *Aldon Accessories Ltd. v. Spiegel, Inc. Cardozo Arts & Entertainment Law Journal*, vol. 5, no. 1 (1986), pp. 265-288.

In this comment, Ms. Gershen provides a history of the "work made for hire" doctrine under the 1909 Act and the 1976 Act. The author discusses the legal issue of whether an individual is an employee or independent contractor under copyright law, and analyzes the case of *Aldon Accessories Ltd. v. Spiegel, Inc.* The author concludes that the "necessity for clarification of the works made for hire doctrine is vital."

180. GLASSER, ALAN R. Video voodoo: copyright in video game computer programs. *Federal Communications Law Journal*, vol. 38, no. 1 (Mar. 1986), pp. 103-134.

Mr. Glasser discusses video games and video game piracy. He also discusses the copyright of an audiovisual display and the application of the substantial similarity test for proving copyright infringement. Finally, the author examines copyright in the computer programs underlying the games and looks at the CONTU report.

181. GRANT, WARREN L. Reverse engineering as copyright infringement. *The Journal of Business Law* (Mar. 1985), pp. 133-140.

The author explains the industrial technique of "reverse engineering" (the working backwards from a desired end result to the derivation of the plan or design by which that end result may be achieved). He refers to a variety of British cases involving the concept of "reverse engineering" including *LP Plastics v. Swish Products, Ltd.*, *Dorling v. Honnor Marine Ltd.* and *British Leyland v. Armstrong*, the first major British decision addressing

this problem. The author also discusses the necessary degree of reproduction of an engineering drawing of functional equipment, when that verges on copyright infringement, and the defense of an implied license.

182. HALVEY, JOHN K. A rose by any other name: computer programs and the idea-expression distinction. *Emory Law Journal*, vol. 34, no. 3 & 4 (Summer & Fall 1985), pp. 741-777.

The author begins this article by examining the distinction between an idea and an expression and the problems courts actually have in determining this distinction. One case discussed is *Nichols v. Universal Pictures Corp.*, in which there was an attempt to determine whether the defendant's motion picture infringed on the plaintiff's play, "Abie's Irish Rose." The author discusses the extrinsic and intrinsic tests used by the courts to determine whether objective details of two works are substantially similar. Section III concerns the application of copyright law to computers and software, and section IV is devoted to the problem of software and the "idea-expression distinction."

183. HAY, PAMELA A. The statutory damages provision under the 1976 copyright act. *IDEA*, vol. 26, no. 4 (1986), pp. 241-262.

This article won first place in the University of Wisconsin Law School's Nathan Burkan Memorial Competition and will contribute to narrowing the remedies gap in the copyright literature by examining the statutory damages provision and its application by the courts. Specifically, the focus is on the actual damages and what amounts the courts determined as appropriate for those situations. The author concludes that "the underlying goals of the statutory damages provision--compensation and deterrence--are often cited by the courts . . . the ultimate award of statutory damages appears to be primarily influenced by the factors in the case which the court chooses to consider, be they evidence of actual damages, prior relationship of the parties, the defendant's financial circumstances, or others."

184. HYDE, EDWARD R. Legal protection of computer software. *Connecticut Bar Journal*, vol. 59, no. 4 (August 1985), pp. 298-320.

Mr. Hyde discusses how the software industry has developed in the 1980's and where the creator of a computer related invention might look for protection. He investigates the nature and subject matter of patents to determine whether software is

patentable subject matter. Computer related patent cases discussed include *Gottschalk v. Benson* and *Parker v. Flook*. He also discusses software copyrightability and the "formalities" in copyright. Copyright cases reviewed include *Apple Computer v. Formula International*, *Data Cash Systems, Inc. v. JS&A Group, Inc.*, and *Atari v. Amusement World*.

185. JOYCE, CRAIG. The rise of the Supreme Court Reporter: an institutional perspective on Marshall Court ascendancy. *Michigan Law Review*, vol. 83, no. 5 (April 1985), pp. 1291-1393.

In examining the achievements of the Supreme Court under Chief Justice John Marshall, the author analyzes the early copyright case, *Wheaton v. Peters*.

186. KATZ, JONATHAN and TONI FOUNTAIN SIKES. Consumer behavior and the arts. *Journal of Arts Management and Law*, vol. 15, no. 1 (Spring 1985), 131 p.

This article focuses on the marketing and selling of art, and discusses pricing theory, consumer behavior and crossover considerations in selling art objects.

187. KAUFFMAN, GARY. Exposing the suspicious foundations of society's primacy in copyright law: five accidents. *Columbia - VLA Journal of Law & the Arts*, vol. 10, no. 3 (Spring 1986), pp. 381-421.

This article provides a general history of copyright law and early censorship covering the years 1557-1710. Part I, Section B of the article offers an overview of the Statute of Anne (passed in 1710) while Section C discusses two early landmark copyright cases--*Millar v. Taylor* and *Donaldson v. Beckett*. Part II of this study is devoted to the copyright concepts of duration of copyright, compulsory licensing and fair use.

188. KIM, JUDY A. The performers' plight in sound recordings—unique to the U.S.: a comparative study of the development of performers' rights in the United States, England and France. *Columbia-VLA Journal of Law and the Arts*, vol. 10, no. 3 (Spring 1986), pp. 453-511.

The author discusses public performance rights and the plight of the performer. She presents opposing arguments on the issues of performers' rights and performance fees and discusses relevant

cases, including *Goldstein v. California* and *Zacchini v. Scripps-Howard Broadcasting Company*. Ms. Kim also examines pertinent British and French protection and the Rome Convention.

189. LEETE, BURT A. Betamax and sound recordings: is copyright in trouble? *American Business Law Journal*, vol. 23, no. 4 (Winter 1986), pp. 551-583.

This article begins with a discussion of the background of the Copyright Act of 1909 and follows the history of copyright through the 1970s. It analyzes the *Sony* decision and *Williams & Wilkins Co. v. United States*, and investigates in detail the use of VCRs for authorized time-shifting of programs in the context of fair use under copyright law.

190. LLOYD, FRANK W. and DANIEL M. MAYEDA. Copyright fair use, the First Amendment and new communications technologies: the impact of *Betamax*. *Federal Communications Law Journal*, vol. 38, no. 1 (March 1986), pp. 59-101.

This article discusses the interplay between copyright and free speech. The authors not only review the *Betamax* case but also discuss the application of the decision to other uses of VCR's, such as time shifting and pay-TV taping. The authors discuss such new communications technologies as "earth stations" and cable "superstations".

191. LUBIC, DOUGLAS WATSON. New York Artists' Authorship Rights Act incorporates European moral right doctrine. *Fordham International Law Journal*, vol. 8, no. 3 (1984-85), pp. 362-396.

Section I of this study concerns the European doctrine of moral rights. The author describes moral rights as a "bundle of rights" including variations such as the French right of paternity and right to integrity, and the German right of access for the purpose of making reproductions or adaptations of a work. Section II describes the minimal level of moral rights protection required for adherence to the Berne Convention. Section III analyzes state law protection comparable to moral rights in the United States, including the California Art Preservation Act and the New York Artists' Authorship Rights Act.

192. MARTIN, SCOTT M. Museum copyright licensing agreements and visual artists. *Columbia-VLA Journal of Law and the Arts*, vol. 10, no. 3 (Spring 1986), pp. 421-451.

Mr. Martin discusses the rights in art works sought by museums—primarily the right of display, the right to make and distribute reproductions, the right to transfer reproduction rights to third parties, and non-reproduction rights. He presents opposing arguments on the issue of whether copyright licensing agreements are really necessary. He also discusses transferability of rights in a work.

193. MCDANIEL, TERRY B. Shop rights, rights in copyrights, supersession of prior agreements, modification of agreement, right of assignment and other contracts. *AIPLA Q. J.*, vol. 14, no. 1 (1986), pp. 35-48.

This article discusses and sets forth several clauses of employment agreements and summarizes the law pertaining to such clauses. No presumption is made regarding the universality of application of any particular clause; rather, the article is intended to apprise the reader of the types of clauses and the nature of specific clauses for consideration for inclusion in employment agreements.

194. MCLANE, MICHAEL J. Preemption and First Amendment myths threatening to eviscerate a recognized state right. *California Western Law Review*, vol. 20, no. 3 (1984), pp. 415-436.

Mr. McLane writes about the creation of the "right of publicity" and states that the courts do not apply a uniform test to discern whether a person has acted adequately to create a right of publicity while living. Section II is devoted to assignability and devisability of the right of publicity while Section III reviews the effect of the Copyright Act on the right of publicity. The "balancing of the first amendment and the right of publicity" along with an analysis of the case *Zacchini v. Scripps-Howard Broadcasting, Inc.* are included in Section IV.

195. MILCH, NEAL. Protection of utilitarian works of art: the design patent/copyright conundrum. *Columbia-VLA Journal of Law & the Arts*, vol. 10, no. 2 (Winter 1986), pp. 211-245.

Mr. Milch discusses in Section I what he calls the design patent/copyright conundrum. He treats both the protection provided

by the copyright and patent laws and their limitations. In Section B of the article, he discusses cases that involve issues of overlapping copyright and design patent protection, including *Louis DeJonge & Co. v. Breaker & Kessler Co.*, *Esquire Inc. v. Ringer*, and *Kieselstein-Cord v. Accessories by Pearl, Inc.* Section II describes the copyright law's useful articles doctrine and the design patent law's work of artistic craftsmanship analysis. The author states that if the law combined the work of artistic craftsmanship analysis with the proposed design copyright, we would find the best practical solution to the design/patent/copyright conundrum.

196. MISLOW, CHRISTOPHER M. Computer microcode: testing the limits of software copyrightability. *Boston University Law Review*, vol. 65, no. 4 (July 1985), pp. 733-809.

Mr. Mislow has divided his main topic of computer microcodes into six divisions. Within these divisions he discusses the nature and function of the microcode, the evolution of computer programming, current views concerning the copyrightability of the microcode and the scope of protection, and the role of human audiences in determining the scope of copyright protection. Section IV of the article discusses the practical difficulties in attempting to distinguish among types of software based upon utilitarian purposes.

197. MORTON, SUSAN E. Fairness doctrine limitations on broadcasters' copyright of news and public affairs: the liberty to argue in the marketplace of ideas. *Western Virginia Law Review*, vol. 88, no. 1 (Fall 1985), pp. 113-133.

This article provides a discussion of broadcast regulation, the fairness doctrine and the First Amendment. Section II addresses the historical foundations of broadcast regulation, the new era of video technology and how copyright affects news reporting. Cases discussed include *Pacific and Southern Company, Inc. v. Duncan* and *Time, Inc. v. Bernard Geis Associates*.

198. MOSTESHAR, ALEXANDER. Satellite main antenna television systems on hotels. *New York Law Journal*, vol. 135, no. 6224 (Oct. 1985), pp. 1004, 1119.

As films are likely to be the major element of programming transmitted to hotels, the author discusses copyright in films, cable program service and the British Cable Broadcasting Act of 1984.

199. Notes: A cause of action for simulation of sound recordings? Yes! Reflections on the 1976 Copyright Act. *Rutgers Law Review*, vol. 38, no. 1 (Fall 1985), pp. 139-165.

This article offers an historical analysis of copyright protection for sound recordings, with a view of the "federal scheme" and state law alternatives. Protection against sound recording simulation and live simulations of performances is discussed in section IV.

200. OAKES, JANICE E. Copyright and the First Amendment: where lies the public interest? *Tulane Law Review*, vol. 59, no. 1 (Oct. 1984), pp. 135-161.

Ms. Oakes investigates the scope of copyright protection, especially the doctrine of "fair use." The "borrowing" of copyrighted material and the "emergence of a public interest criterion" is also discussed. Section IV deals with the "focus on public interest in dissemination," particularly the *Random House, Inc.* and *Harper & Row, Publishers, Inc. v. Nation Enterprises* cases.

201. OLSON, DALE P. Copyright and fair use: implications of *Nation Enterprises* for higher education. *The Journal of College and University Law*, vol. 12, no. 4 (Spring 1986), pp. 489-509.

This article discusses *Harper & Row, Publishers v. Nation Enterprises* and its implication for colleges and universities applying the fair use doctrine to copyright problems arising in education.

202. OMAN, RALPH. The compulsory license redux: will it survive in a changing marketplace. *Cardozo Arts & Entertainment Law Journal*, vol. 5, no. 1 (1986), pp. 37-50.

A background of the current copyright law is provided along with a discussion of the four compulsory licenses. Mr. Oman investigates the future of compulsory licensing in the event that the United States accedes to the Berne Convention. He concludes that of the "four current licenses, only the jukebox license looms as a serious impediment to our adherence to that strong pro-author treaty."

203. Outlook: to carry or not to carry? That is the question. *Communications Lawyer*, vol. 4, no. 3 (Summer 1986), pp. 14-18.

This column presents the comments of the National Telecommunications and Information Administration, the National Association of Public Television Stations, and the Association of Independent TV Stations on the cable must-carry proposal that was submitted to the Federal Communications Commission. It also provides the views of a number of broadcast and cable interests and of John P. Cole, Jr. of Cole, Raywid and Braverman.

204. PATRY, WILLIAM F. Fair use after *Sony* and *Harper & Row*. *Communications and the Law*, vol. 8, no. 3 (June 1986), pp. 21-35.

This article discusses *Sony Corp. of America v. Universal City Studios Inc.*, 464 U.S. 417 (1984), and *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 105 S. Ct. 2218 (1985), to discern the current status of the fair use privilege.

205. PERRY, GREG A. Copyright and the First Amendment: nurturing the seeds for harvest, *Harper & Row, Publishers v. Nation Enterprises*. *Nebraska Law Review*, vol. 65, no. 3 (1986), pp. 631-656.

This article provides a background and analysis of *Harper & Row, Publishers v. Nation Enterprises* and also discusses the Supreme Court's treatment of the fair use doctrine in that case.

206. PHELPS, TIMOTHY B. Copyright: the public figure expansion of the fair use doctrine rejected. *Washington Law Journal*, vol. 25, no. 2 (Winter 1986), pp. 385-396.

This article discusses a line of copyright cases that the author contends expanded the copyright concept of fair use to allow a user of copyrighted expression absolute protection against liability if the matter involved was of sufficient public interest, as defined under a First Amendment defamation analysis. The author discusses the Supreme Court's rejection of the expansion in *Harper & Row, Publishers, Inc. v. Nation Enterprises*, and concludes that the Court's decision could have a negative impact on First Amendment values.

207. SHIPLEY, DAVID E. Copyright protection for architectural works. *South Carolina Law Review*, vol. 37, no. 3 (Spring 1986), pp. 393-451.

Topics discussed in this article include the copyrightability of plans; the architect's rights in plans, including the right to reproduce and to control the use of these plans; the copyrightability of structures; and the architect's unprotectible ideas. One section discusses the useful articles doctrine as applied to architecture and the protection of architectural works in other countries.

208. SIDEL, MARK. Copyright, trademark and patent law in the People's Republic of China. *Texas International Law Journal*, vol. 21, no. 2 (Spring 1986), pp. 259-291.

This article discusses the introduction of copyright law in China, beginning at the time of the Cultural Revolution (1966-76). Particular attention is given to the developments from 1977-1986, with discussion of such topics as royalty payments to authors, copyright and audiovisual materials, and the drafting of the PRC's first copyright law. Sections III and IV are devoted to trademarks and patent law.

209. SINGER, BARBARA A. In search of adequate protection for choreographic works: legislative and judicial alternatives. *University of Miami Law Review*, vol. 38, no. 2 (Jan. 1984), pp. 287-321.

Ms. Singer investigates the economic and moral rights of dancers. In Section I of this article she looks at the customary protection for choreographic rights under traditional copyright law and under the 1976 Act. Section IV focuses on the legislative and judicial recognition of the choreographer's paternity and integrity rights.

210. SUTTON, MICHAEL O. and D.C. TOEDT, III. Ensuring ownership of custom-developed software. *Texas Bar Journal*, vol. 29, no. 2 (Feb. 1986), pp. 124-130.

In this discussion of ownership of custom-developed computer software, the authors present a series of hypothetical situations involving a company that "hires out" a software development project. They also analyze employers as "authors" of "works for hire" and "specially ordered or commissioned works" and "joint works."

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211. Symposium: The Semiconductor Chip Protection Act of 1984 and its lessons. *Minnesota Law Review*, vol. 70, no. 2 (Dec. 1985), pp. 263-579.

This volume is devoted to a discussion of the Semiconductor Chip Act of 1984. The six articles included in this volume are: 1) Determining liability for infringement of mask work rights under the Semiconductor Chip Protection Act, by Richard H. Stern. 2) Reverse engineering, unfair competition and fair use, by Leo J. Raskind. 3) The Semiconductor Chip Protection Act of 1984: A swamp or firm ground? by Robert W. Kastenmeier and Michael J. Remington. 4) Creating a new kind of intellectual property: applying the lessons of the chip law to computer programs, by Pamela Samuelson. 5) Software and semiconductors: why are we confused? by John A. Kidwell. 6) Eligibility for copyright protection: a search for principled standards, by Ralph S. Brown.

212. TAPPER, COLIN. Genius and Janus: information technology and the law. *Monash University Law Review*, vol. 11, no. 1 (Mar. 1985), pp. 75-97.

Mr. Tapper attempts to explain and exemplify the relationship between technology and the law. He pays particular attention to copyright law relating to computer programs and compares judicial decisions and the development of copyright law in Australia, the U.S., and Great Britain.

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