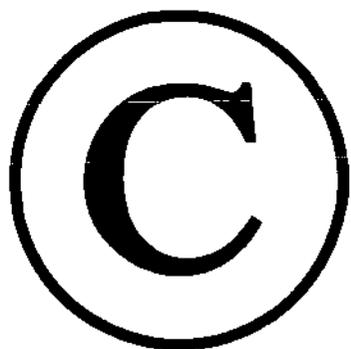

Journal

of the

Copyright Society

of the USA



VOL. 40, No. 1

FALL 1992

JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A.
(formerly BULLETIN OF THE COPYRIGHT SOCIETY OF THE U.S.A.)

EDITORIAL BOARD

WILLIAM F. PATRY, *Editor-In-Chief*

JUNE BESEK

JANE GINSBURG

MARGARET GOLDSTEIN

MARCI HAMILTON

CRAIG JOYCE

ADRIA KAPLAN

I. FRED KOENIGSBERG

HON. JON O. NEWMAN

THOMAS P. OLSON

SHIRA PERLMUTTER

SHERI ROSENFELD

ANDREA RUSH

HARVEY SHAPIRO

BARRY SLOTNICK

DIANE L. ZIMMERMAN

Writers-Editors: N. ALICIA BYERS, GUY ECHOLS, SANDY JONES
(Employees of The Copyright Office)

THE COPYRIGHT SOCIETY OF THE U.S.A.
OFFICERS

President

ROGER L. ZISSU

Vice President

EUGENE L. GIRDEN

Secretary

HELENE BLUE

Assistant Secretary

JUDITH M. SAFFER

Treasurer

MICHAEL J. POLLACK

Assistant Treasurer

PHILIP M. COWAN

Executive Director (1975-1984)

ALAN LATMAN

Assistant Executive Director (1978-1986)

KATE MCKAY

BOARD OF TRUSTEES

HOWARD B. ABRAMS, Detroit, MI

BARRY S. AGDERN, New York, N.Y.

JON A. BAUMGARTEN, Washington, D.C.

SEYMOUR BRICKER, Los Angeles, CA

MARIA DANZILLO, New York, N.Y.

PAUL E. GELLER, Malibu, CA

ANDREW J. GERBER, New York, N.Y.

MARCI HAMILTON, New York, N.Y.

HUGH C. HANSEN, New York, N.Y.

PAULA JAMESON, Washington, D.C.

PETER JASZI, Washington, D.C.

HARRY M. JOHNSTON III, New York, N.Y.

ADRIA G. KAPLAN, New York, N.Y.

KENNETH M. KAUFMAN, Washington, D.C.

I. FRED KOENIGSBERG, New York, N.Y.

M. WILLIAM KRASILOVSKY, New York, N.Y.

SLADE R. METCALF, New York, N.Y.

GLORIA MESSINGER, New York, N.Y.

SHIRA PERLMUTTER, Washington, D.C.

MARYBETH PETERS, Washington, D.C.

ERIC RAYMAN, New York, N.Y.

JEROME REICHMAN, Nashville, TN

E. LEONARD RUBIN, Chicago, Ill.

ANDREA F. RUSH, Toronto, Canada

ANDRA SHAPIRO, New York, N.Y.

ERIC H. SMITH, Washington, D.C.

KATHERINE C. SPELMAN, San Francisco, CA

WILLIAM S. STRONG, Boston, MA

JONATHAN ZAVIN, New York, NY

HONORARY TRUSTEES

RICHARD DANNAY

PAUL GITLIN

DAVID GOLDBERG

MORTON DAVID GOLDBERG

ALAN J. HARTNICK

HARRY G. HENN

WALTER J. JOSIAH, JR.

BERNARD KORMAN

E. GABRIEL PERLE

STANLEY ROTHENBERG

THEODORA ZAVIN

LEONARD ZISSU

Published at the offices of the Copyright Society of the U.S.A. at the Center for Law and the Arts, Columbia University School of Law, 435 W. 116th St., New York, N.Y. 10027. Printed and distributed by Fred B. Rothman & Co., 10368 West Centennial Road, Littleton, Colorado 80127. Copyright 1992 by the Copyright Society of the U.S.A. All Rights Reserved.

ISSN 0010-8642

THE JOURNAL of The Copyright Society of the U.S.A. is published quarterly by The Society at the Center for Law and the Arts, Columbia University School of Law, 435 W. 116th St., New York, N.Y. 10027; Roger Zissu, *President*; Eugene L. Girden, *Vice President*; Michael J. Pollack, *Treasurer*; Helene Blue, *Secretary*; Philip M. Cowan, *Assistant Treasurer*; Judith M. Saffer, *Assistant Secretary*.

COPYRIGHT SOCIETY OF THE U.S.A. MEMBERSHIP DUES (Membership includes subscription to the Journal): *Law Firms, Companies and Associations*: Sustaining Member \$1,000. Patron Member \$500. *Individuals only*: Contributing Member \$250. Member \$125. Junior Member (up to three years out of law school) \$50. Senior Member (over the age of 65 and a member of the Society for not less than 10 years) \$50. Full-time students \$25.

SUBSCRIPTIONS: *Institutional Libraries* (Academic, Public and Governmental) \$50.

Additional copies of the JOURNAL for all members at same address \$50.

Business correspondence regarding subscriptions, bills, etc. should be addressed to the distributor, Fred B. Rothman & Co., 10368 West Centennial Road, Littleton, CO 80127.

CITE: 40 J. COPR. SOC'Y, page no., . . . (1992).

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. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is: 0010-8642/92 \$2.00/0.

PART I: ARTICLES

COPYRIGHT LEGISLATION IN THE 102d CONGRESS

by THE EDITORS

On Friday, October 9, 1992, the Congress adjourned sine die. The 102d Congress will certainly be remembered as an historic one. While consumed with the Gulf War Resolution, the Clarence Thomas nomination, the House Post Office, and the House "Bank," a number of important pieces of copyright legislation managed to pass. Others failed to make it through, but may be back next year. Here are the highlights, along with relevant legislative history (in the Appendix).

A. *BILLS THAT MADE IT*

1. *Digital Audio Home Recording Act of 1992*

This Act started out life as S. 1623/H.R. 3204, a 57-page bill that effectively incorporated by reference a 30-something page "Technical Reference Document." A much-slimmed down version of the bill (*sans* incorporation of the Technical Reference Document too), nicknamed "DART LITE," passed the House on September 22, 1992, and the Senate on October 7, 1992. The President signed the bill on October 28, 1992, P.L. 102-563.

This Act establishes a new chapter 10 in title 17, regulating the importation and distribution of digital audio recording devices (DAT, Sony Mini-Disc, and Philips Digital Compact Cassette machines) and digital media (the tapes or discs that play in the machines). There are no direct amendments to the Copyright Act, but Section 1008 of the legislation prohibits the bringing of copyright infringement suits against consumers for noncommercial copying of both digital and analog recordings, and against manufacturers and distributors of digital and analog audio devices and media for contributory copyright infringement.

Other principal components of the legislation include:

Incorporation of serial copying controls (§ 1002)

In order to protect copyright owners from widespread copying that would displace sales, the legislation requires digital audio recording devices and digital audio interface devices (both defined terms) to contain systems preventing the unauthorized serial copying of copyrighted works. The original version of the legislation would have mandated use of the "Serial Copy Management System" (SCMS), but as passed the legislation permits other systems to qualify if they meet one of the following two criteria: (A) the

system has the same functional characteristics as SCMS and requires that copyright and generation status information (whether the copy is first or second generation) be accurately sent, received, and acted upon between devices using that system's method of serial copying regulation and devices using SCMS. Such systems may be imported and distributed without any administrative clearance; (B) any other system that has been certified by the Secretary of Commerce as prohibiting unauthorized serial copying. These other systems must be cleared by the Secretary of Commerce before importation or distribution of devices utilizing them.

There is no definition of "Serial Copy Management System" due to a policy decision not to endorse or incorporate in toto the "Technical Reference Document." In place of a definition of the term, the House Judiciary Committee report states that the term is "to be construed as meaning only the functional and technical characteristics as set forth in the Technical Reference Document . . ." H.R. Rep. No. 102-873, Pt. 1, 102d Cong., 2d Sess. 14 (1992). The Technical Reference Document is reproduced in the report of the House Energy & Commerce Committee, H.R. Rep. No. 102-780, Pt. 1, 102d Cong., 2d Sess. 32-50 (1992).

"Serial copying" is defined, and essentially means copying from a copy. Technologically and legally, the bill permits the making of an unlimited number of copies by consumers from a lawfully purchased original. Because of encoding that is placed on a copy, copying from that copy is not possible. Due to the current state of SCMS, a first copy made from an analog source is not encoded. Once in a digital format, though, encoding takes place, the result being that an extra copy from an analog source may be made.

Unlike the earlier, and maligned CBS "CopyCode" system, the Serial Copy Management System does not alter the quality of the recording.

Computer programs and talking books are excluded from the legislation through the definition of "digital musical recording," a term used in preference to "phonorecord."

Royalty Payments (§ 1004)

During the previous Congress, digital audio recording bills met with considerable opposition in part because they failed to provide for royalty payments. DART LITE remedies this deficiency. A one-time royalty of 2% of the transfer price of a *digital* audio recording device is paid by the importer or distributor, with a minimum payment of \$1 and a general cap of \$8 per machine. For dual machines or machines sold in conjunction with other stereo equipment, the cap is \$12. A one-time royalty of 3% of the transfer price of *digital* media is also paid by the importer or distributor.

Who gets the money? The money is paid into the Copyright Office, which deposits it in the U.S. Treasury after taking a cut for administrative expenses. Two funds are established under Section 1006 of the Act: (1) the

Sound Recording Fund, which receives 66 $\frac{2}{3}$ % of the pot; and, (2) the Musical Works Funds, which receives $\frac{1}{3}$ % of the pot.

Sound Recording Fund (§ 1006(b)(1))

4% of the Sound Recording Fund is taken off the top and given to nonfeatured musicians and nonfeatured vocalists who have appeared on sound recordings distributed in the United States. The remaining 96% is split 60-40 between record companies and featured performers. Earlier versions of the legislation would have effectively required performers to receive their royalties from the record companies, and according to their contracts. The Act changes this by giving featured performers (e.g., instrumentalists, vocalists, conductors, narrators) their own standing to receive royalties, negotiate, and sue for violations of the Act. (This result was accomplished simply by including featured performers in the definition of "interested copyright parties").

Musical Works Fund (§ 1006(b)(2))

The Musical Works Fund is divided 50-50 between music publishers and composers/songwriters.

Importantly for international reasons, entitlement to royalty payments is based on distribution of a sound recording in the United States, not on the performance occurring in the United States or the musical composition being created in the United States.

Distribution of Royalties (§ 1007)

Royalties are distributed annually by the Copyright Royalty Tribunal upon the petition of interested parties or their representatives (§ 1007). An anti-trust exemption is provided in Section 1007(2) for interested copyright parties to negotiate among themselves regarding the proportionate division of royalty payments. Interested copyright parties may also lump their claims together, file them jointly or as a single claim, and may designate a common agent, including a trade association or performing rights society to negotiate or receive payments on their behalf. In the event or to the extent that the parties fail to reach agreement, distribution is determined by the CRT as is presently done for Phase II of the compulsory license distributions.

Remedies (§ 1009)

The Act provides statutory damages for failure to use a serial copy protection system, and actual damages for other violations of the Act. The courts are given the discretion to increase an award of actual damages up to 50% where the proper royalties have not been paid. (§ 1009(d)(1)(A)(ii)). Repeat violators of either the obligation to pay royalties or use an appropriate serial copy management system are subject to up to double actual damages.

(§ 1009(d)(2)). The usual injunctive relief and seizure remedies are also available.

Summary

The Digital Audio Home Recording Act is landmark legislation. It represents the United States' first effort legislatively to deal with the question of home copying, and breaks new ground by providing for machine and blank tape levies. The Act should also help internationally, since the only requirement of receiving royalties is distribution of a sound recording in this country, and because it recognizes the separate contributions of performers.

2. Automatic Renewal of Works Published before January 1, 1978

The bill numbers for this legislation are S. 756/H.R. 2372. S. 756 in the form passed by the House and then the Senate on June 4, 1992 became P.L. 102-307 when it was signed by the President on June 26, 1992. This legislation abolishes the requirement that copyright owners of works published before January 1, 1978 but on or after January 1, 1964 must file a renewal application with the Copyright Office during the 28th year of the work's first term or have the work fall into the public domain. Countless works, including famous movies such as "It's a Wonderful Life" and "A Star is Born" fell into the public domain for failure to comply with the renewal requirement.

The Automatic Renewal Act changes this, by making the renewal automatic—no paper needs to be filed with the Copyright Office to have the renewal term vest. Renewal applications can still be filed, and there are some incentives for doing so, but renewal is not required. In this respect, an improvement made by the bill enacted over earlier versions is the prohibition on the Copyright Office from requiring both an original term and a renewal term registration: where a renewal registration is made in the absence of an original term registration, no original term registration may also be required.

Instead, the Act only permits the Copyright Office to "request" information regarding the existence, ownership, or duration of copyright for the original term (§ 409(b)).

A renewal application may be filed at any time during the 28th to 75th year of the copyright. The fee was increased from \$12 to \$20.

Why would anyone file a renewal application since renewal is now automatic? One important incentive is a derivative works exception: where no renewal application is filed either by the author or the author's statutory successors in the 28th year of the first term, any derivative work prepared during the first term under a contract with the copyright owner granting such continued use may continue to be exploited during the renewed term according to the terms of that contract. No new derivative works may be prepared in the renewal term without the copyright owner's permission, though. (§ 304(a)(4)(A)). This provision does not overturn the Supreme Court's "Rear Window" decision since the statutory successor of the author of the

underlying short story used in "Rear Window" filed a timely renewal registration. Under the legislation, the same result would occur with the precise "Rear Window" facts.

Other incentives for renewal include *prima facie* status of the originality of the copyright if the application is made in the 28th year of the first term. (§ 304(a)(4)(A)). The weight to be given to renewals made after the 28th year is up to the discretion of the courts. As with works created on or after January 1, 1978, the ability to receive statutory damages and attorney's fees is conditioned upon registration (whether original, or, in this case, a renewal application in the absence of an original registration) occurring before the work is infringed. Similarly, where an original registration has not been received, a renewal registration (or rejection) is necessary in order to sue except for Berne Convention works.

Finally, the Act clarifies in whom the renewal vests (§ 304(a)(2)(B)). Where a renewal application is made within the 28th year of the first term, the renewal vests, on the first day of the 29th year of the copyright, in the person entitled to the renewal according to Section 304(a)(1)(C) *at the time the application is made*. Where no application is made or the claim is not registered, the renewal vests, on the first day of the 29th year of the copyright, in the person entitled to the renewal according to Section 304(a)(1)(C) *on the last day of the 28th year*.

This legislation also abolished the Section 108(i) requirement that the Copyright Office file a report in 1993 and every five years thereafter on library photocopying, and, reauthorized the National Film Preservation Board for four years.

3. *Felony Penalties for Copyright Infringement*

This legislation existed only as a Senate bill number, S. 893, although the form it finally took was entirely a product of the House. S. 893 in its final form passed the House on October 3, 1992 and the Senate on October 8, 1992. The President signed the bill on October 28, 1992, P.L. 102-561. The legislation amends Section 2319 of title 18 to provide uniform felony penalties for all types of copyrighted works, but only for violations of the reproduction of distribution rights.

Under the law from 1976 to 1982, there was a general misdemeanor offense for infringement of all copyrighted works and for all of the exclusive rights. The only felony was for repeat infringers of motion pictures and sound recordings. In 1982, the law was changed by providing first time felony penalties for infringement of motion pictures and sound recordings if a requisite number of copies were reproduced or distributed within a 180-day period. This provision was put in title 18, Section 2319, with the misdemeanor remaining in Section 506 of title 17.

The new Act amends title 18 by providing first time felony penalties for

all types of copyrighted works for violation of the reproduction and distribution rights. The misdemeanor provisions were untouched.

In order for a felony violation to occur, the acts must have been committed willfully and for purposes of commercial advantage or private financial gain. The term "willfully" means with knowledge that the conduct was prohibited by law. Additionally, at least ten copies with a retail value of more than \$2,500 must be reproduced or distributed within a 180 day period.

4. *Fair Use of Unpublished Works*

After three years of effort, and a number of iterations, legislation to amend Section 107 with respect to fair use of unpublished works passed during the 102d Congress. H.R. 4412, passed the House on August 11, 1992 and the Senate on October 7, 1992. The President signed the bill on October 24, 1992, P.L. 102-492. The legislation adds the following new sentence at the end of Section 107 of title 17: "The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors."

5. *Retransmission Consent*

President Bush's first and only veto override occurred on October 5, 1992, over a bill to reform cable television, S. 12, now Public Law 102-385. There were a significant number of votes to sustain the veto. Some of votes came from members serving on the Judiciary Committees, which had been pursuing a comprehensive reform of the copyright cable compulsory license provisions. What prompted these Judiciary Committee votes was the inclusion of "retransmission consent" in the cable bill. (47 USC § 325(b)).

Retransmission consent essentially means that a television broadcast station can require cable operators wishing to retransmit its signal to negotiate, and pay, for local retransmission. The Copyright Act says cable systems don't have to negotiate and don't have to pay. Judiciary Committee members find a conflict on this basis. Broadcasters believe there is no conflict because of their position that retransmission consent involves signal authorization, not program authorization.

B. *BILLS THAT DIDN'T MAKE IT*

A number of bills didn't get enacted. One of these was H.R. 191/S. 1581, a bill introduced by Mrs. Morella and Senator Rockefeller to permit the U.S. Government to own and transfer copyright in computer programs developed with the private sector in the course of Cooperative Research and Development Agreements.

Others include a video clipping fair use bill, bills to give copyright standing to sue for discriminatory pricing of satellite services and for bypassing copy protection schemes for audiovisual cassette, and a general cable compulsory license reform bill (H.R. 4511).

APPENDIX

A. PUBLIC LAW 102-307 106 Stat. 264, JUNE 26, 1992
COPYRIGHT AMENDMENTS ACT OF 1992
(AUTOMATIC RENEWAL, NATIONAL FILM PRESERVATION
BOARD, AND LIBRARY PHOTOCOPYING REPORT)

Public Law 102-307
102d Congress

An Act

To amend title 17, United States Code, the copyright renewal provisions,
and for other purposes.

*Be it enacted by the Senate and House of Representatives of the
United States of America in Congress assembled,*

SECTION 1. SHORT TITLE.

This Act may be cited as the "Copyright Amendments Act of 1992."

TITLE I—RENEWAL OF COPYRIGHT

SEC. 101. SHORT TITLE.

This title may be referred to as the "Copyright Renewal Act of 1992."

SEC. 102. COPYRIGHT RENEWAL PROVISIONS.

(a) DURATION OF COPYRIGHT: SUBSISTING COPYRIGHTS.—Section 304(a) of title 17, United States Code, is amended to read as follows:

"(a) COPYRIGHTS IN THEIR FIRST TERM ON JANUARY 1, 1978.—
(1)(A) Any copyright, the first term of which is subsisting on January 1, 1978,
shall endure for 28 years from the date it was originally secured.

"(B) In the case of—

"(i) any posthumous work or of any periodical, cyclopedic, or
other composite work upon which the copyright was originally se-
cured by the proprietor thereof, or

"(ii) any work copyrighted by a corporate body (otherwise
than as assignee or licensee of the individual author) or by an em-
ployer for whom such work is made for hire,

the proprietor of such copyright shall be entitled to a renewal and extension
of the copyright in such work for the further term of 47 years.

"(C) In the case of any other copyrighted work, including a contribution

by an individual author to a periodical or to a cyclopedic or other composite work—

“(i) the author of such work, if the author is still living,

“(ii) the widow, widower, or children of the author, if the author is not living,

“(iii) the author's executors, if such author, widow, widower, or children are not living, or

“(iv) the author's next of kin, in the absence of a will of the author,

shall be entitled to a renewal and extension of the copyright in such work for a further term of 47 years.

“(2)(A) At the expiration of the original term of copyright in a work specified in paragraph (1)(B) of this subsection, the copyright shall endure for a renewed and extended further term of 47 years, which—

“(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in the proprietor of the copyright who is entitled to claim the renewal of copyright at the time the application is made; or

“(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in the person or entity that was the proprietor of the copyright as of the last day of the original term of copyright.

“(B) At the expiration of the original term of copyright in a work specified in paragraph (1)(C) of this subsection, the copyright shall endure for a renewed and extended further term of 47 years, which—

“(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in any person who is entitled under paragraph (1)(C) to the renewal and extension of the copyright at the time the application is made; or

“(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in any person entitled under paragraph (1)(C), as of the last day of the original term of copyright, to the renewal and extension of the copyright.

“(3)(A) An application to register a claim to the renewed and extended term of copyright in a work may be made to the Copyright Office—

“(i) within 1 year before the expiration of the original term of copyright by any person entitled under paragraph (1)(B) or (C) to such further term of 47 years; and

“(ii) at any time during the renewed and extended term by any person in whom such further term vested, under paragraph (2)(A) or (B), or by any successor or assign of such person, if the application is made in the name of such person.

“(B) Such an application is not a condition of the renewal and extension of the copyright in a work for a further term of 47 years.

“(4)(A) If an application to register a claim to the renewed and extended term of copyright in a work is not made within 1 year before the expiration of the original term of copyright in a work, or if the claim pursuant to such application is not registered, then a derivative work prepared under authority of a grant of a transfer or license of the copyright that is made before the expiration of the original term of copyright may continue to be used under the terms of the grant during the renewed and extended term of copyright without infringing the copyright, except that such use does not extend to the preparation during such renewed and extended term of other derivative works based upon the copyrighted work covered by such grant.

“(B) If an application to register a claim to the renewed and extended term of copyright in a work is made within 1 year before its expiration, and the claim is registered, the certificate of such registration shall constitute prima facie evidence as to the validity of the copyright during its renewed and extended term and of the facts stated in the certificate. The evidentiary weight to be accorded the certificates of a registration of a renewed and extended term of copyright made after the end of that 1-year period shall be within the discretion of the court.”

(b) **REGISTRATION.**—(1) Section 409 of title 17, United States Code, is amended by adding at the end the following:

“If an application is submitted for the renewed and extended term provided for in section 304(a)(3)(A) and an original term registration has not been made, the Register may request information with respect to the existence, ownership, or duration of the copyright for the original term.”

(2) Section 101 of title 17, United States Code, is amended by inserting after the definition of “publication” the following:

“Registration,” for purposes of sections 205(c)(2), 405, 406, 410(d), 411, 412, and 506(e), means a registration of a claim in the original or the renewed and extended term of copyright.”

(c) **LEGAL EFFECT OF RENEWAL OF COPYRIGHT UNCHANGED.**—The renewal and extension of a copyright for a further term of 47 years provided for under paragraphs (1) and (2) of section 304(a) of title 17, United States Code (as amended by subsection (a) of this section) shall have the same effect with respect to any grant, before the effective date of this section, of a transfer or license of the further term as did the renewal of a copyright before the effective date of this section under the law in effect at the time of such grant.

(d) **CONFORMING AMENDMENT.**—Section 304(c) of title 17, United

States Code, is amended in the matter preceding paragraph (1) by striking "second proviso of subsection (a)" and inserting "subsection (a)(1)(C)."

(e) **REGISTRATION PERMISSIVE.**—Section 408(a) of title 17, United States Code, is amended by striking "At" and all that follows through "unpublished work," and inserting "At any time during the subsistence of the first term of copyright in any published or unpublished work in which the copyright was secured before January 1, 1978, and during the subsistence of any copyright secured on or after that date,"

(f) **COPYRIGHT OFFICE FEES.**—Section 708(a)(2) of title 17, United States Code, is amended—

(1) by striking "in its first term;" and

(2) by striking "\$12" and inserting "\$20".

(g) **EFFECTIVE DATE; COPYRIGHTS AFFECTED BY AMENDMENT.**—

(1) Subject to paragraphs (2) and (3), this section and the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) The amendments made by this section shall apply only to those copyrights secured between January 1, 1964, and December 31, 1977. Copyrights secured before January 1, 1964, shall be governed by the provisions of section 304(a) of title 17, United States Code, as in effect on the day before the effective date of this section.

(3) This section and the amendments made by this section shall not affect any court proceedings pending on the effective date of this section.

TITLE II—NATIONAL FILM PRESERVATION

SEC. 201. SHORT TITLE.

This title may be cited as the "National Film Preservation Act of 1992."

SEC. 202. NATIONAL FILM REGISTRY OF THE LIBRARY OF CONGRESS.

The Librarian of Congress (hereinafter in this title referred to as the "Librarian") shall establish a National Film Registry pursuant to the provisions of this title, for the purpose of maintaining and preserving films that are culturally, historically, or aesthetically significant.

SEC. 203. DUTIES OF THE LIBRARIAN OF CONGRESS.

(a) **STUDY OF FILM PRESERVATION.**—(1) The Librarian shall, after consultation with the Board established pursuant to section 204, conduct a study on the current state of film preservation and restoration activities, including the activities of the Library of Congress and the other major film archives in the United States. The Librarian shall, in conducting the study—

(A) take into account the objectives of the national film preservation program set forth in clauses (i) through (iii) of subsection (b)(1)(A); and

(B) consult with film archivists, educators and historians, copyright owners, film industry representatives, including those involved in the preservation of film, and others involved in activities related to film preservation.

The study shall include an examination of the concerns of private organizations and individuals involved in the collection and use of abandoned films such as training, educational, and other historically important films.

(2) Not later than 1 year after the date of the enactment of this Act, the Librarian shall submit to the Congress a report containing the results of the study conducted under paragraph (1).

(b) POWERS.—(1) The Librarian shall, after consultation with the Board, do the following:

(A) After completion of the study required by subsection (a), the Librarian shall, taking into account the results of the study, establish a comprehensive national film preservation program for motion pictures, in conjunction with other film archivists and copyright owners. The objectives of such a program shall include—

(i) coordinating activities to assure that efforts of archivists and copyright owners, and others in the public and private sector, are effective and complementary;

(ii) generating public awareness of and support for those activities; and

(iii) increasing accessibility of films for educational purposes, and improving nationwide activities in the preservation of works in other media such as videotape.

(B) The Librarian shall establish guidelines and procedures under which films may be included in the National Film Registry, except that no film shall be eligible for inclusion in the National Film Registry until 10 years after such film's first publication.

(C) The Librarian shall establish procedures under which the general public may make recommendations to the Board regarding the inclusion of films in the National Film Registry.

(D) The Librarian shall establish procedures for the examination by the Librarian of prints of films named for inclusion in the National Film Registry to determine their eligibility for the use of the seal of the National Film Registry under paragraph (3).

(E) The Librarian shall determine which films satisfy the criteria established under subparagraph (B) and qualify for inclusion in the National Film Registry, except that the Librarian shall not select more than 25 films each year for inclusion in the Registry.

(2) The Librarian shall publish in the Federal Register the name of each film that is selected for inclusion in the National Film Registry.

(3) The Librarian shall provide a seal to indicate that a film has been included in the National Film Registry and is the Registry version of that film.

(4) The Librarian shall publish in the Federal Register the criteria used to determine the Registry version of a film.

(5) The Librarian shall submit to the Congress a report, not less than once every two years, listing films included in the National Film Registry and describing the activities of the Board.

(c) SEAL.—The seal provided under subsection (b)(3) may be used on any copy of the Registry version of a film. Such seal may be used only after the Librarian has examined and approved the print from which the copy was made. In the case of copyrighted works, only the copyright owner or an authorized licensee of the copyright may place or authorize the placement of the seal on a copy of a film selected for inclusion in the National Film Registry, and the Librarian may place the seal on any print or copy of the film that is maintained in the National Film Registry Collection of the Library of Congress. The person authorized to place the seal on a copy of a film selected for inclusion in the National Film Registry may accompany such seal with the following language: "This film is included in the National Film Registry, which is maintained by the Library of Congress, and was preserved under the National Film Preservation Act of 1992."

(d) DEVELOPMENT OF STANDARDS.—The Librarian shall develop standards or guidelines by which to assess the preservation or restoration of films that will qualify films for use of the seal under this section.

SEC. 204. NATIONAL FILM PRESERVATION BOARD.

(a) NUMBER AND APPOINTMENT.—(1) The Librarian shall establish in the Library of Congress a National Film Preservation Board to be comprised of up to 18 members, who shall be selected by the Librarian in accordance with the provisions of this section. Subject to subparagraphs (C) and (O), the Librarian shall request each organization listed in subparagraphs (A) through (P) to submit to the Librarian a list of not less than 3 candidates qualified to serve as a member of the Board. Except for the members-at-large appointed under paragraph (2), the Librarian shall appoint 1 member from each such list submitted by such organizations, and shall designate from that list an alternate who may attend those meetings to which the individual appointed to the Board cannot attend. The organizations are the following:

- (A) The Academy of Motion Pictures Arts and Sciences.
- (B) The Directors Guild of America.
- (C) The Writers Guild of America. The Writers Guild of

America East and the Writers Guild of America West shall each nominate not less than 3 candidates, and a representative from 1 such organization shall be selected as the member and a representative from the other such organization as the alternate.

(D) The National Society of Film Critics.

(E) The Society for Cinema Studies.

(F) The American Film Institute.

(G) The Department of Theatre, Film and Television of the College of Fine Arts at the University of California, Los Angeles.

(H) The Department of Film and Television of the Tisch School of the Arts at New York University.

(I) The University Film and Video Association.

(J) The Motion Picture Association of America.

(K) The National Association of Broadcasters.

(L) The Alliance of Motion Picture and Television Producers.

(M) The Screen Actors Guild of America.

(N) The National Association of Theater Owners.

(O) The American Society of Cinematographers and the International Photographers Guild, which shall jointly submit 1 list of candidates from which a member and alternate will be selected.

(P) The United States members of the International Federation of Film Archives.

(2) In addition to the Members appointed under paragraph (1), the Librarian shall appoint up to 2 members-at-large. The Librarian shall select the at-large members from names submitted by organizations in the film industry, creative artists, producers, film critics, film preservation organizations, academic institutions with film study programs, and others with knowledge of copyright law and of the importance, use, and dissemination of films. The Librarian shall, in selecting 1 such member-at-large, give preference to individuals who are responsible for commercial film libraries. The Librarian shall also select from the names submitted under this paragraph an alternate for each member-at-large, who may attend those meetings to which the member-at-large cannot attend.

(b) CHAIRPERSON.—The Librarian shall appoint 1 member of the Board to serve as Chairperson.

(c) TERM OF OFFICE.—(1) The term of each member of the Board shall be 3 years, except that there shall be no limit to the number of terms that any individual member may serve.

(2) A vacancy in the Board shall be filled in the manner in which the original appointment was made under subsection (a), except that the Librarian may fill the vacancy from a list of candidates previously submitted by the organization or organizations involved. Any member appointed to fill a va-

cancy before the expiration of the term for which his or her predecessor was appointed shall be appointed only for the remainder of such term.

(d) **QUORUM.**—9 members of the Board shall constitute a quorum but a lesser number may hold hearings.

(e) **BASIC PAY.**—Members of the Board shall serve without pay. While away from their home or regular places of business in the performance of functions of the Board, members of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in Government service are allowed expenses under section 5701 of title 5, United States Code.

(f) **MEETINGS.**—The Board shall meet at least once each calendar year. Meetings shall be at the call of the Librarian.

(g) **CONFLICT OF INTEREST.**—The Librarian shall establish rules and procedures to address any potential conflict of interest between a member of the Board and the responsibilities of the Board.

SEC. 205. RESPONSIBILITIES AND POWERS OF BOARD.

(a) **IN GENERAL.**—The Board shall review nominations of films submitted to it for inclusion in the National Film Registry and shall consult with the Librarian, as provided in section 203, with respect to the inclusion of such films in the Registry and the preservation of these and other films that are culturally, historically, or aesthetically significant.

(b) **NOMINATION OF FILMS.**—The Board shall consider, for inclusion in the National Film Registry, nominations submitted by the general public as well as representatives of the film industry, such as the guilds and societies representing actors, directors, screenwriters, cinematographers and other creative artists, producers, film critics, film preservation organizations, and representatives of academic institutions with film study programs. The Board shall nominate not more than 25 films each year for inclusion in the Registry.

(c) **GENERAL POWERS.**—The Board may, for the purpose of carrying out its duties, hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence, as the Librarian and the Board considers appropriate.

SEC. 206. NATIONAL FILM REGISTRY COLLECTION OF THE LIBRARY OF CONGRESS.

(a) **ACQUISITION OF ARCHIVAL QUALITY COPIES.**—The Librarian shall endeavor to obtain, by gift from the owner, an archival quality copy of the Registry version of each film included in the National Film Registry. Whenever possible, the Librarian shall endeavor to obtain the best surviving materials, including preprint materials.

(b) **ADDITIONAL MATERIALS.**—The Librarian shall endeavor to obtain,

for educational and research purposes, additional materials related to each film included in the National Film Registry, such as background materials, production reports, shooting scripts (including continuity scripts) and other similar materials.

(c) **PROPERTY OF UNITED STATES.**—All copies of films on the National Film Registry that are received by the Librarian and other materials received by the Librarian under subsection (b) shall become the property of the United States Government, subject to the provisions of title 17, United States Code.

(d) **NATIONAL FILM REGISTRY COLLECTION.**—All copies of films on the National Film Registry that are received by the Librarian and other materials received by the Librarian under subsection (b) shall be maintained in a special collection in the Library of Congress to be known as the “National Film Registry Collection of the Library of Congress.” The Librarian shall, by regulation, and in accordance with title 17, United States Code, provide for reasonable access to films in such collection for scholarly and research purposes.

SEC. 207. SEAL OF THE NATIONAL FILM REGISTRY.

(a) **USE OF THE SEAL.**—(1) No person shall knowingly distribute or exhibit to the public a version of a film which bears the seal described in section 203(b)(3) if such film—

(A) is not included in the National Film Registry; or

(B) is included in the National Film Registry, but such copy was not made from a print that was examined and approved for the use of the seal by the Librarian under section 203(c).

(2) No person shall knowingly use the seal described in section 203(b)(3) to promote any version of a film other than a Registry version.

(b) **EFFECTIVE DATE OF THE SEAL.**—The use of the seal described in section 203(b)(3) shall be effective for each film after the Librarian publishes in the Federal Register the name of that film as selected for inclusion in the National Film Registry.

SEC. 208. REMEDIES

(a) **JURISDICTION.**—The several district courts of the United States shall have jurisdiction, for cause shown, to prevent and restrain violations of section 207(a).

(b) **RELIEF.**—(1) Except as provided in paragraph (2), relief for a violation of section 207(a) shall be limited to the removal of the seal of the National Film Registry from the film involved in the violation.

(2) In the case of a pattern or practice of the willful violation of section 207(a), the United States district courts may order a civil fine of not more than \$10,000 and appropriate injunctive relief.

SEC. 209. LIMITATIONS OF REMEDIES.

The remedies provided in section 208 shall be the exclusive remedies under this title, or any other Federal or State law, regarding the use of the seal described in section 203(b)(3).

SEC. 210. STAFF OF BOARD; EXPERTS AND CONSULTANTS.

(a) **STAFF.**—The Librarian may appoint and fix the pay of such personnel as the Librarian considers appropriate to carry out this title.

(b) **EXPERTS AND CONSULTANTS.**—The Librarian may, in carrying out this title, procure temporary and intermittent services under section 3109(b) of title 5, United States Code, but at rates for individuals not to exceed the daily equivalent of the maximum rate of basic pay payable for GS-15 of the General Schedule. In no case may a member of the Board be paid as an expert or consultant under such section.

SEC. 211. DEFINITIONS.

As used in this title—

(1) the term “Librarian” means the Librarian of Congress;

(2) the term “Board” means the National Film Preservation Board;

(3) the term “film” means a “motion picture” as defined in section 101 of title 17, United States Code, except that such term does not include any work not originally fixed on film stock, such as a work fixed on videotape or laser disks;

(4) the term “publication” means “publication” as defined in section 101 of title 17, United States Code; and

(5) the term “Registry version” means, with respect to a film, the version of the film first published, or as complete a version as the bona fide preservation and restoration activities by the Librarian, an archivist other than the Librarian, or the copyright owner can compile in those cases where the original material has been irretrievably lost.

SEC. 212. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to the Librarian such sums as are necessary to carry out the provisions of this title, but in no fiscal year shall such sum exceed \$250,000.

SEC. 213. EFFECTIVE DATE.

The provisions of this title shall be effective for four years beginning on

the date of the enactment of this Act. The provisions of this title shall apply to any copy of any film, including those copies of films selected for inclusion in the National Film Registry under the National Film Preservation Act of 1988, except that any film so selected under such Act shall be deemed to have been selected for the National Film Registry under this title.

SEC. 214. REPEAL.

The National Film Preservation Act of 1988 (2 U.S.C. 178 and following) is repealed.

TITLE III—OTHER COPYRIGHT PROVISIONS

SEC. 301. REPEAL OF COPYRIGHT REPORT TO CONGRESS.

Section 108(i) of title 17, United States Code, is repealed.
Approved June 26, 1992.

LEGISLATIVE HISTORY—S. 756 (H.R. 2372):

HOUSE REPORTS: No. 102-379, Pt. 1 accompanying H.R. 2372 (Comm. on the Judiciary).

SENATE REPORTS: No 102-194 (Comm. on the Judiciary).

CONGRESSIONAL RECORD:

Vol. 137 (1991): Nov. 25, considered and passed Senate. H.R. 2372 considered and passed House.

Vol. 138 (1992): June 4, S. 756 considered and passed House, amended. Senate concurred in House amendment.

FLOOR STATEMENTS

138 CONG. REC. H4134 (June 4, 1992)

Mr. BROOKS (during the reading). Mr. Speaker, I ask unanimous consent that the amendment in the nature of a substitute be considered as read and printed in the Record.

The SPEAKER pro tempore (Mr. Mazzoli). Is there objection to the request of the gentleman from Texas?

There was no objection.

The SPEAKER pro tempore. The gentleman from Texas [Mr. Brooks] is recognized for 1 hour.

Mr. BROOKS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, S. 756, the Copyright Amendments Act of 1992, includes three titles that will enhance the operation of our Nation's copyright system. It incorporates the substance of two bills that were considered by the Committee on the Judiciary and passed earlier in this Congress: H.R. 2372, which passed the House last November 25, and H.R. 1612, which passed last November 18.

Title I, the Copyright Renewal Act of 1991, provides for the automatic renewal of copyrighted works that were published before January 1, 1978. It would replace an archaic renewal system that in the past has occasionally worked an injustice on copyright holders.

Title II of S. 756 reauthorizes the National Film Preservation Board for an additional 4 years. The Board was established in 1988 to recommend films for placement on a national film registry, and to carry out other film preservation and labeling responsibilities with respect to films on the registry. Title II of the bill will continue the Board with some modifications and provide a modest authorization of \$250,000 a year to carry out these responsibilities.

The remaining title of S. 756, title III, simply repeals an obsolete reporting requirement relating to photocopying of copyrighted works by libraries.

Mr. Speaker, I urge adoption of S. 756, as amended, and I want to take this opportunity to pay tribute to the chairman of the Subcommittee on Intellectual Property and Judicial Administration, the gentleman from New Jersey [Mr. HUGHES]. As usual, he is overseeing these copyright related matters, as well as all other issues in his subcommittee's jurisdiction, with the highest competence and diligence, and in that he has been aided and abetted by none other than the gentleman from California [Mr. MOORHEAD].

Mr. Speaker, I yield 3 minutes to the gentleman from California [Mr. MOORHEAD].

Mr. MOORHEAD. Mr. Speaker, this bill relates in part to the National Film Preservation Act program that has been on the books for some time and is very, very important to the people of this country. We passed all three pieces of this legislation in the House of Representatives previously. The Sen-

ate had passed slightly different versions and for some time the chairman of our subcommittee, the gentleman from New Jersey [Mr. HUGHES], the chairman of the full committee, the gentleman from Texas [Mr. BROOKS], and myself and others have dealt with the Senate in trying to reconcile the differences between the different versions of the legislation. We have been successful in accomplishing this, and I think that the bill that we have before our colleagues today is one that is of great benefit in this area and will accomplish the job that we all wanted to accomplish.

I want to compliment the gentleman from New Jersey [Mr. HUGHES] for his efforts in this particular piece of legislation. He has done a marvelous job, and I want to also compliment the gentleman from Texas [Mr. BROOKS], the chairman of the full committee who, as always, has done a very fine job in bringing about the result that we have before us today.

Mr. Speaker, I ask for strong support for this legislation.

Mr. BROOKS. Mr. Speaker, I yield 5 minutes to the distinguished gentleman from New Jersey [Mr. HUGHES], chairman of the subcommittee.

(Mr. HUGHES asked and was given permission to revise and extend his remarks.)

Mr. HUGHES. Mr. Speaker, S. 756 consists of three titles designed to improve this Nation's copyright system and continue important film preservation efforts. The bill is an amendment in the nature of a substitute incorporating, with amendments, two bills passed by the House during the first session of this Congress. Titles I and II incorporate, as amended, H.R. 2372, passed by the House on November 25, 1991. Title III incorporates, as amended, H.R. 1612, passed by the House on November 18, 1991.

Title I is the Copyright Renewal Act of 199[2]. This title reforms the archaic renewal system presently in place for copyrighted works published before January 1, 1978, by providing for their automatic renewal. Currently, authors of works first published between 1964 and 1977 must file a timely renewal application with the Copyright Office during the 28th year after the first publication. Failure to file such an application results in loss of a second, 47-year term of protection, called the renewal term. The renewal requirements are highly technical and have resulted in the unintended loss of valuable copyrights. In addition to countless individuals who do not have knowledge of the requirements, even famous directors such as Frank Capra have fallen victim. Capra's "It's a Wonderful Life," starring Jimmy Stewart and Donna Reed, went into the public domain when the film production company that owned the copyright went bankrupt and no one was around to file the renewal application.

S. 756 will prevent such losses. At the same time, the bill recognizes that public records containing information about the creation and ownership of copyrighted works are desirable. In order to encourage—but not require—

copyright owners to provide such information, the bill contains incentives for copyright owners to continue to file renewal applications.

First, a renewal registration will give the copyright owner *prima facie* evidence of the validity of the copyright. Second, consistent with the Supreme Court's 1990 decision in *Stewart versus Abend*, where the author dies before the renewal term begins, a renewal registration will prevent the exploitation during the renewal term of derivative works prepared during the original term under a license from the copyright owner, unless authorization is obtained from the author's successors. Of course, as under current law, if the author lives until the renewal period vests, any contract permitting exploitation of the derivative work during the renewal term is enforceable according to the terms of the contract.

The bill also clarifies when the renewal period vests. Where a renewal application has been made within 1 year prior to the expiration of the original term, the renewal term vests in the person who was entitled to the renewal at the time the application was made. However, where no application or registration is made during the 28th year of the original term, the renewal term vests, on the first day of the 29th year, in the person entitled to the renewal on the last day of that 28th year.

S. 756, as amended by the substitute bill before us today, contains a few improvements over H.R. 2372 as previously passed by the House. First, the substitute bill deletes a provision giving the Register of Copyrights the authority, by regulation, to require an original term registration when no such registration has been made at the time a renewal application is filed. While I agree that copyright information regarding the original term may be useful, the Copyright Office can obtain this information administratively simply by amending its existing renewal form. There is no need to require two separate applications and two separate fees. The substitute bill therefore contains amendments making an original registration unnecessary when a renewal registration is sought during the renewed and extended term. At the same time, the bill gives the Register of Copyrights authority to request information about the original term when a renewal application is filed and there is no original registration.

Under the amendment, a renewal registration alone is sufficient to satisfy the requirements of sections 205(c)(2), 405, 406, 411, and 412. The effective date of the registration is that provided in section 410(d).

The substitute bill also revises provisions on remedies. The approach taken in the substitute bill is best described as parallelism: Works subject to automatic renewal under the bill will be entitled to the same remedies, but under the same conditions, as works created on or after January 1, 1978, the effective date of the 1976 Copyright Act. Thus, all works, regardless of the date of their creation, are treated identically. This is particularly important in connection with the statutory damages and attorney's fees provided for in

sections 504(c)(2) and 505, respectively. For these remedies, the requirements of Section 412 apply in *pari materia* to original registrations and to situations where only a renewal registration is obtained.

Title II reauthorizes the National Film Preservation Board for a period of 4 years from the date of enactment. An important component of the title is a study to be conducted by the Librarian of Congress not later than 1 year after the date of enactment concerning the current state of film preservation and restoration activities. That study shall include an examination of the concerns of private organizations and individuals involved in the collection and use of films abandoned by their copyright owners, including training and educational films.

Title III repeals the requirement that the Copyright Office, every 5 years, report to Congress the extent to which section 108 of title [17]-governing the conditions under which library photocopying is permissible—has achieved its intended purpose of balancing the rights of creators and the needs of users. The Copyright Office has already delivered two comprehensive reports to Congress under this provision. There is agreement by those affected by section 108 that further studies are unnecessary.

1H4135

I urge my colleagues to join me in passing this important legislation. I yield back the balance of my time.

1250

Mr. BROOKS. Mr. Speaker, I have no further requests for time, I yield back the balance of my time, and I move the previous question on the amendment in the nature of a substitute and the Senate bill.

The previous question was ordered.

The SPEAKER *pro tempore* (Mr. MAZZOLI). The question is on the amendment in the nature of a substitute offered by the gentleman from Texas [Mr. BROOKS].

The amendment in the nature of a substitute was agreed to.

The Senate bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

FLOOR STATEMENTS AND BILL AS ENACTED
**B. AUDIO HOME RECORDING ACT OF 1992,
 P.C. 102-563, 106 Stat. 4237
 138 CONG. REC. H9029 (September 22, 1992)**

Mr. BROOKS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3204) to amend title 17, United States Code, to implement a royalty payment system and a serial copy management system for digital audio recording, to prohibit certain copyright infringement actions, and for other purposes, as amended.

The Clerk read as follows:

H.R. 3204

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Audio Home Recording Act of 1992."

**SEC. 3. IMPORTATION, MANUFACTURE, AND DISTRIBUTION
 OF DIGITAL AUDIO RECORDING DEVICES AND
 MEDIA**

Title 17, United States Code, is amended by adding at the end the following:

**"CHAPTER 10—DIGITAL AUDIO RECORDING
 DEVICES AND MEDIA**

"SUBCHAPTER A—DEFINITIONS

"Sec.

"1001. Definitions.

"SUBCHAPTER B—COPYING CONTROLS

"1002. Incorporation of copying controls.

"SUBCHAPTER C—ROYALTY PAYMENTS

"1003. Obligation to make royalty payments.

"1004. Royalty payments.

"1006. Deposit of royalty payments and deduction of expenses.

"1006. Entitlement to royalty payments.

"1007. Procedures for distributing royalty payments.

**"SUBCHAPTER D—PROHIBITION ON CERTAIN INFRINGEMENT
 ACTIONS, REMEDIES, AND ARBITRATION**

"1008. Prohibition on certain infringement actions.

“1009. Civil remedies.

“1010. Arbitration of certain disputes.

“SUBCHAPTER A—DEFINITIONS

“§ 1001. Definitions

“As used in this chapter, the following terms have the following meanings:

“(1) A ‘digital audio copied recording’ is a reproduction in a digital recording format of a digital musical recording, whether that reproduction is made directly from another digital musical recording or indirectly from a transmission.

“(2) A ‘digital audio interface device’ is any machine or device that is designed specifically to communicate digital audio information and related interface data to a digital audio recording device through a nonprofessional interface.

“(3) A ‘digital audio recording device’ is any machine or device of a type commonly distributed to individuals for use by individuals, whether or not included with or as part of some other machine or device, the digital recording function of which is designed or marketed for the primary purpose of, and that is capable of, making a digital audio copied recording for private use, except for—

“(A) professional model products, and

“(B) dictation machines, answering machines, and other audio recording equipment that is designed and marketed primarily for the creation of sound recordings resulting from the fixation of nonmusical sounds.

“(4)(A) A ‘digital audio recording medium’ is any material object in a form commonly distributed for use by individuals, that is primarily marketed or most commonly used by consumers for the purpose of making digital audio copied recordings by use of a digital audio recording device.

“(B) Such term does not include any material object—

“(i) that embodies a sound recording at the time it is first distributed by the importer or manufacturer; or

“(ii) that is primarily marketed and most commonly used by consumers either for the purpose of making copies of motion pictures or other audiovisual works or for the purpose of making copies of nonmusical literary works, including computer programs or data bases.

“(5)(A) A ‘digital musical recording’ is a material object—

“(i) in which are fixed, in a digital recording format, only sounds, and material, statements, or instructions incidental to those fixed sounds, if any, and

“(ii) from which the sounds and material can be perceived, reproduced,

or otherwise communicated, either directly or with the aid of a machine or device.

“(B) A ‘digital musical recording’ does not include a material object—

“(i) in which the fixed sounds consist entirely of spoken word recordings, or

“(ii) in which one or more computer programs are fixed, except that a digital musical recording may contain statements or instructions constituting the fixed sounds and incidental material, and statements or instructions to be used directly or indirectly in order to bring about the perception, reproduction, or communication of the fixed sounds and incidental material.

LH9030

“(C) For purposes of this paragraph—

“(i) a ‘spoken word recording’ is a sound recording in which are fixed only a series of spoken words, except that the spoken words may be accompanied by incidental musical or other sounds, and

“(ii) the term ‘incidental’ means related to and relatively minor by comparison.

“(6) ‘Distribute’ means to sell, lease, or assign a product to consumers in the United States, or to sell, lease, or assign a product in the United States for ultimate transfer to consumers in the United States.

“(7) An ‘interested copyright party’ is—

“(A) the owner of the exclusive right under section 106(1) of this title to reproduce a sound recording of a musical work that has been embodied in a digital musical recording or analog musical recording lawfully made under this title that has been distributed;

“(B) the legal or beneficial owner of, or the person that controls, the right to reproduce in a digital musical recording or analog musical recording a musical work that has been embodied in a digital musical recording or analog musical recording lawfully made under this title that has been distributed;

“(C) a featured recording artist who performs on a sound recording that has been distributed; or

“(D) any association or other organization—

“(i) representing persons specified in subparagraph (A), (B), or (C), or

“(ii) engaged in licensing rights in musical works to music users on behalf of writers and publishers.

“(8) To ‘manufacture’ means to produce or assemble a product in the United States. A ‘manufacturer’ is a person who manufactures.

“(9) A ‘music publisher’ is a person that is authorized to license the reproduction of a particular musical work in a sound recording.

“(10) A ‘professional model product’ is an audio recording device that is designed, manufactured, marketed, and intended for use by recording professionals in the ordinary course of a lawful business, in accordance with such requirements as the Secretary of Commerce shall establish by regulation.

“(11) The term ‘serial copying’ means the duplication in a digital format

of a copyrighted musical work or sound recording from a digital reproduction of a digital musical recording. The term 'digital reproduction of a digital musical recording' does not include a digital musical recording as distributed, by authority of the copyright owner, for ultimate sale to consumers.

“(12) The ‘transfer price’ of a digital audio recording device or a digital audio recording medium—

“(A) is, subject to subparagraph (B)—

“(i) in the case of an imported product, the actual entered value at United States Customs (exclusive of any freight, insurance, and applicable duty), and

“(ii) in the case of a domestic product, the manufacturer’s transfer price (FOB the manufacturer, and exclusive of any direct sales taxes or excise taxes incurred in connection with the sale); and

“(B) shall, in a case in which the transferor and transferee are related entities or within a single entity, not be less than a reasonable arms-length price under the principles of the regulations adopted pursuant to section 482 of the Internal Revenue Code of 1966, or any successor provision to such section.

“(13) A ‘writer’ is the composer or lyricist of a particular musical work.

“SUBCHAPTER B—COPYING CONTROLS

“§ 1002. Incorporation of copying controls

“(a) **PROHIBITION OF IMPORTATION, MANUFACTURE, AND DISTRIBUTION.**—No person shall import, manufacture, or distribute any digital audio recording device or digital audio interface device that does not conform to—

“(1) the Serial Copy Management System;

“(2) a system that has the same functional characteristics as the Serial Copy Management System and requires that copyright and generation status information be accurately sent, received, and acted upon between devices using the system’s method of serial copying regulation and devices using the Serial Copy Management System; or

“(3) any other system certified by the Secretary of Commerce as prohibiting unauthorized serial copying.

“(b) **DEVELOPMENT OF VERIFICATION PROCEDURE.**—The Secretary of Commerce shall establish a procedure to verify, upon the petition of an interested party that a system meets the standards set forth in subsection (a)(2).

“(c) **PROHIBITION ON CIRCUMVENTION OF THE SYSTEM.**—No person shall import, manufacture, or distribute any device, or offer or perform any service, the primary purpose or effect of which is to avoid, bypass, remove, deactivate, or otherwise circumvent any program or circuit which implements, in whole or in part, a system described in subsection (a).

“(d) ENCODING OF INFORMATION ON DIGITAL MUSICAL RECORDINGS.—

“(1) PROHIBITION ON ENCODING INACCURATE INFORMATION.—No person shall encode a digital musical recording of a sound recording with inaccurate information relating to the category code, copyright status, or generation status of the source material for the recording.

“(2) ENCODING OF COPYRIGHT STATUS NOT REQUIRED.—Nothing in this chapter requires any person engaged in the importation or manufacture of digital musical recordings to encode any such digital musical recording with respect to its copyright status.

“(e) INFORMATION ACCOMPANYING TRANSMISSIONS IN DIGITAL FORMAT.—Any person who transmits or otherwise communicates to the public any sound recording in digital format is not required under this chapter to transmit or otherwise communicate the information relating to the copyright status of the sound recording. Any such person who does transmit or otherwise communicate such copyright status information shall transmit or communicate such information accurately.

”SUBCHAPTER C—ROYALTY PAYMENTS

“§ 1003. Obligation to make royalty payments

“(a) PROHIBITION ON IMPORTATION AND MANUFACTURE.—No person shall import into and distribute, or manufacture and distribute, any digital audio recording device or digital audio recording medium unless such person records the notice specified by this section and subsequently deposits the statements of account and applicable royalty payments for such device or medium specified in section 1004.

“(b) FILING OF NOTICE.—The importer or manufacturer of any digital audio recording device or digital audio recording medium, within a product category or utilizing a technology with respect to which such manufacturer or importer has not previously filed a notice under this subsection, shall file with the Register of Copyrights a notice with respect to such device or medium, in such form and content as the Register shall prescribe by regulation.

“(c) FILING OF QUARTERLY AND ANNUAL STATEMENTS OF ACCOUNT.—

“(1) GENERALLY.—Any importer or manufacturer that distributes any digital audio recording device or digital audio recording medium that it manufactured or imported shall file with the Register of Copyrights, in such form and content as the Register shall prescribe by regulation, such quarterly and annual statements of account with respect to such distribution as the Register shall prescribe by regulation.

“(2) CERTIFICATION, VERIFICATION, AND CONFIDENTIALITY.—Each such statement shall be certified as accurate by an authorized officer or princi-

pal of the importer or manufacturer. The Register shall issue regulations to provide for the verification and audit of such statements and to protect the confidentiality of the information contained in such statements. Such regulations shall provide for the disclosure, in confidence, of such statements to interested copyright parties.

“(3) ROYALTY PAYMENTS.—Each such statement shall be accompanied by the royalty payments specified in section 1004.

“§ 1004. Royalty payments

“(a) DIGITAL AUDIO RECORDING DEVICES.—

“(1) AMOUNT OF PAYMENT.—The royalty payment due under section 1003 for each digital audio recording device imported into and distributed in the United States, or manufactured and distributed in the United States, shall be 2 percent of the transfer price. Only the first person to manufacture and distribute or import and distribute such device shall be required to pay the royalty with respect to such device.

“(2) CALCULATION FOR DEVICES DISTRIBUTED WITH OTHER DEVICES.—With respect to a digital audio recording device first distributed in combination with one or more devices, either as a physically integrated unit or as separate components, the royalty payment shall be calculated as follows:

“(A) If the digital audio recording device and such other devices are part of a physically integrated unit, the royalty payment shall be based on the transfer price of the unit, but shall be reduced by any royalty payment made on any digital audio recording device included within the unit that was not first distributed in combination with the unit.

“(B) If the digital audio recording device is not part of a physically integrated unit and substantially similar devices have been distributed separately at any time during the preceding 4 calendar quarters, the royalty payment shall be based on the average transfer price of such devices during those 4 quarters.

“(C) If the digital audio recording device is not part of a physically integrated unit and substantially similar devices have not been distributed separately at any time during the preceding 4 calendar quarters, the royalty payment shall be based on a constructed price reflecting the proportional value of such device to the combination as a whole.

“(3) LIMITS OF ROYALTIES.—Notwithstanding paragraph (1) or (2), the amount of the royalty payment for each digital audio recording device shall not be less than \$1 nor more than the royalty maximum. The royalty maximum shall be \$8 per device, except that in the case of a physically integrated unit containing more than 1 digital audio recording device, the royalty maximum for such unit shall be \$12. During the 6th year after the effective date of this chapter, and not more than once each year thereafter, any interested

copyright party may petition the Copyright Royalty Tribunal to increase the royalty maximum and, if more than 20 percent of the royalty payments are at the relevant royalty maximum, the Tribunal shall prospectively increase such royalty maximum with the goal of having no more than 10 percent of such payments at the new royalty maximum; however the amount of any such increase as a percentage of the royalty maximum shall in no event exceed the percentage increase in the Consumer Price Index during the period under review.

1H9031

“(b) **DIGITAL AUDIO RECORDING MEDIA.**—The royalty payment due under section 1003 for each digital audio recording medium imported into and distributed in the United States, or manufactured and distributed in the United States, shall be 3 percent of the transfer price. Only the first person to manufacture and distribute or import and distribute such medium shall be required to pay the royalty with respect to such medium.

“§ 1005. Deposit of royalty payments and deduction of expenses

“The Register of Copyrights shall receive all royalty payments deposited under this chapter and, after deducting the reasonable costs incurred by the Copyright Office under this chapter, shall deposit the balance in the Treasury of the United States as offsetting receipts, in such manner as the Secretary of the Treasury directs. All funds held by the Secretary of the Treasury shall be invested in interest-bearing United States securities for later distribution with interest under section 1007. The Register may, in the Register’s discretion, 4 years after the close of any calendar year, close out the royalty payments account for that calendar year, and may treat any funds remaining in such account and any subsequent deposits that would otherwise be attributable to that calendar year as attributable to the succeeding calendar year. The Register shall submit to the Copyright Royalty Tribunal, on a monthly basis, a financial statement reporting the amount of royalties under this chapter that are available for distribution.

“§ 1006. Entitlement to royalty payments

“(a) **INTERESTED COPYRIGHT PARTIES.**—The royalty payments deposited pursuant to section 1005 shall, in accordance with the procedures specified in section 1007, be distributed to any interested copyright party—

“(1) whose musical work or sound recording has been—

“(A) embodied in a digital musical recording or an analog musical recording lawfully made under this title that has been distributed, and

“(B) distributed in the form of digital musical recordings or analog musical recordings or disseminated to the public in transmissions, during the period to which such payments pertain; and

“(2) who has filed a claim under section 1007.

“(b) **ALLOCATION OF ROYALTY PAYMENTS TO GROUPS.**—The royalty payments shall be divided into 2 funds as follows:

“(1) **THE SOUND RECORDINGS FUND.**— $66\frac{2}{3}$ percent of the royalty payments shall be allocated to the Sound Recordings Fund. $2\frac{5}{8}$ percent of the royalty payments allocated to the Sound Recordings Fund shall be placed in an escrow account managed by an independent administrator jointly appointed by the interested copyright parties described in section 1001(7)(A) and the American Federation of Musicians (or any successor entity) to be distributed to nonfeatured musicians (whether or not members of the American Federation of Musicians or any successor entity) who have performed on sound recordings distributed in the United States. $1\frac{3}{8}$ percent of the royalty payments allocated to the Sound Recordings Fund shall be placed in an escrow account managed by an independent administrator jointly appointed by the interested copyright parties described in section 1001(7)(A) and the American Federation of Television and Radio Artists (or any successor entity) to be distributed to nonfeatured vocalists (whether or not members of the American Federation Television and Radio Artists or any successor entity) who have performed on sound recordings distributed in the United States. 40 percent of the remaining royalty payments in the Sound Recordings Fund shall be distributed to the interested copyright parties described in section 1001(7)(C), and 60 percent of such remaining royalty payments shall be distributed to the interested copyright parties described in section 1001(7)(A).

“(2) **THE MUSICAL WORKS FUND.**—

“(A) $33\frac{1}{3}$ percent of the royalty payments shall be allocated to the Musical Works Fund for distribution to interested copyright parties described in section 1001(7)(B).

“(B)(i) Music publishers shall be entitled to 50 percent of the royalty payments allocated to the Musical Works Fund.

“(ii) Writers shall be entitled to the other 50 percent of the royalty payments allocated to the Musical Works Fund.

“(c) **ALLOCATION OF ROYALTY PAYMENTS WITHIN GROUPS.**—If all interested copyright parties within a group specified in subsection (b) do not agree on a voluntary proposal for the distribution of the royalty payments within each group, the Copyright Royalty Tribunal shall, pursuant to the procedures specified under section 1007(c), allocate royalty payments under this section based on the extent to which, during the relevant period—

“(1) for the Sound Recordings Fund, each sound recording was distributed in the form of digital musical recordings or analog musical recordings; and

“(2) for the Musical Works Fund, each musical work was distributed in the form of digital musical recordings or analog musical recordings or disseminated to the public in transmissions.

“§ 1007. Procedures for distributing royalty payments

“(a) FILING OF CLAIMS AND NEGOTIATIONS.—

“(1) FILING OF CLAIMS.—During the first 2 months of each calendar year after the calendar year in which this chapter takes effect, every interested copyright party seeking to receive royalty payments to which such party is entitled under section 1006 shall file with the Copyright Royalty Tribunal a claim for payments collected during the preceding year in such form and manner as the Tribunal shall prescribe by regulation.

“(2) NEGOTIATIONS.—Notwithstanding any provision of the antitrust laws, for purposes of this section interested copyright parties within each group specified in section 1006(b) may agree among themselves to the proportionate division of royalty payments, may lump their claims together and file them jointly or as a single claim, or may designate a common agent, including any organization described in section 1001(7)(D), to negotiate or receive payment on their behalf; except that no agreement under this subsection may modify the allocation of royalties specified in section 1006(b).

“(b) DISTRIBUTION OF PAYMENTS IN THE ABSENCE OF A DISPUTE.—Within 30 days after the period established for the filing of claims under subsection (a), in each year after the year in which this section takes effect, the Copyright Royalty Tribunal shall determine whether there exists a controversy concerning the distribution of royalty payments under section 1006(c). If the Tribunal determines that no such controversy exists, the Tribunal shall, within 30 days after such determination, authorize the distribution of the royalty payments as set forth in the agreements regarding the distribution of royalty payments entered into pursuant to subsection (a), after deducting its reasonable administrative costs under this section.

“(c) RESOLUTION OF DISPUTES.—If the Tribunal finds the existence of a controversy, it shall, pursuant to chapter 8 of this title, conduct a proceeding to determine the distribution of royalty payments. During the pendency of such a proceeding, the Tribunal shall withhold from distribution an amount sufficient to satisfy all claims with respect to which a controversy exists, but shall, to the extent feasible, authorize the distribution of any amounts that are not in controversy. The Tribunal shall, before authorizing the distribution of such royalty payments, deduct its reasonable administrative costs under this section.

“SUBCHAPTER D—PROHIBITION ON CERTAIN INFRINGEMENT ACTIONS, REMEDIES, AND ARBITRATION

“§ 1008. Prohibition on certain infringement actions

“No action may be brought under this title alleging infringement of copyright based on the manufacture, importation, or distribution of a digital

audio recording device, a digital audio recording medium, an analog recording device, or an analog recording medium, or based on the noncommercial use by a consumer of such a device or medium for making digital musical recordings or analog musical recordings.

“§ 1009. Civil remedies

“(a) CIVIL ACTIONS.—Any interested copyright party injured by a violation of section 1002 or 1003 may bring a civil action in an appropriate United States district court against any person for such violation.

“(b) OTHER CIVIL ACTIONS.—Any person injured by a violation of this chapter may bring a civil action in an appropriate United States district court for actual damages incurred as a result of such violation.

“(c) POWERS OF THE COURT.—In an action brought under subsection (a), the court—

“(1) may grant temporary and permanent injunctions on such terms as it deems reasonable to prevent or restrain such violation;

“(2) in the case of a violation of section 1002, or in the case of an injury resulting from a failure to make royalty payments required by section 1003, shall award damages under subsection (d);

“(3) in its discretion may allow the recovery of costs by or against any party other than the United States or an officer thereof, and

“(4) in its discretion may award a reasonable attorney’s fee to the prevailing party.

“(d) AWARD OF DAMAGES.—

“(1) DAMAGES FOR SECTION 1002 OR 1003 VIOLATIONS.—

“(A) ACTUAL DAMAGES.—(1) In an action brought under subsection (a), if the court finds that a violation of section 1002 or 1003 has occurred, the court shall award to the complaining party its actual damages if the complaining party elects such damages at any time before final judgment is entered.

“(ii) In the case of section 1003, actual damages shall constitute the royalty payments that should have been paid under section 1004 and deposited under section 1005. In such a case, the court, in its discretion, may award an additional amount of not to exceed 50 percent of the actual damages.

“(B) STATUTORY DAMAGES FOR SECTION 1002 VIOLATIONS.—

“(i) DEVICE.—A complaining party may recover an award of statutory damages for each violation of section 1002(a) or (c) in the sum of not more than \$2,500 per device involved in such violation or per device on which a service prohibited by section 1002(c) has been performed, as the court considers just.

“(ii) DIGITAL MUSICAL RECORDING.—A complaining party may recover an award of statutory damages for each violation of section 1002(d) in

the sum of not more than \$25 per digital musical recording involved in such violation, as the court considers just.

“(iii) TRANSMISSION.—A complaining party may recover an award of damages for each transmission or communication that violates section 1002(e) in the sum of not more than \$10,000, as the court considers just.

“(2) REPEATED VIOLATIONS.—In any case in which the court finds that a person has violated section 1002 or 1003 within 3 years after a final judgment against that person for another such violation was entered, the court may increase the award of damages to not more than double the amounts that would otherwise be awarded under paragraph (1), as the court considers just.

“(3) INNOCENT VIOLATIONS OF SECTION 1002.—The court in its discretion may reduce the total award of damages against a person violating section 1002 to a sum of not less than \$250 in any case in which the court finds that the violator was not aware and had no reason to believe that its acts constituted a violation of section 1002.

“(e) PAYMENT OF DAMAGES.—Any award of damages under subsection (d) shall be deposited with the Register pursuant to section 1005 for distribution to interested copyright parties as though such funds were royalty payments made pursuant to section 1003.

“(f) IMPOUNDING OF ARTICLES.—At any time while an action under subsection (a) is pending, the court may order the impounding, on such terms as it deems reasonable, of any digital audio recording device, digital musical recording, or device specified in section 1002(c) that is in the custody or control of the alleged violator and that the court has reasonable cause to believe does not comply with, or was involved in a violation of, section 1002.

“(g) REMEDIAL MODIFICATION AND DESTRUCTION OF ARTICLES.—In an action brought under subsection (a), the court may, as part of a final judgment or decree finding a violation of section 1002, order the remedial modification or the destruction of any digital audio recording device, digital musical recording, or device specified in section 1002(c) that—

“(1) does not comply with, or was involved in a violation of, section 1002, and

“(2) is in the custody or control of the violator or has been impounded under subsection (f).

“§ 1010. Arbitration of certain disputes

“(a) SCOPE OF ARBITRATION.—Before the date of first distribution in the United States of a digital audio recording device or a digital audio interface device, any party manufacturing, importing, or distributing such device, and any interested copyright party may mutually agree to binding arbitration for the purpose of determining whether such device is subject to section 1002,

or the basis on which royalty payments for such device are to be made under section 1003.

“(b) **INITIATION OF ARBITRATION PROCEEDINGS.**—Parties agreeing to such arbitration shall file a petition with the Copyright Royalty Tribunal requesting the commencement of an arbitration proceeding. The petition may include the names and qualifications of potential arbitrators. Within 2 weeks after receiving such a petition, the Tribunal shall cause notice to be published in the Federal Register of the initiation of an arbitration proceeding. Such notice shall include the names and qualifications of 3 arbitrators chosen by the Tribunal from a list of available arbitrators obtained from the American Arbitration Association or such similar organization as the Tribunal shall select, and from potential arbitrators listed in the parties’ petition. The arbitrators selected under this subsection shall constitute an Arbitration Panel.

“(c) **STAY OF JUDICIAL PROCEEDINGS.**—Any civil action brought under section 1009 against a party to arbitration under this section shall, on application of one of the parties to the arbitration, be stayed until completion of the arbitration proceeding.

“(d) **ARBITRATION PROCEEDING.**—The Arbitration Panel shall conduct an arbitration proceeding with respect to the matter concerned, in accordance with such procedures as it may adopt. The Panel shall act on the basis of a fully documented written record. Any party to the arbitration may submit relevant information and proposals to the Panel. The parties to the proceeding shall bear the entire cost thereof in such manner and proportion as the Panel shall direct.

“(e) **REPORT TO COPYRIGHT ROYALTY TRIBUNAL.**—Not later than 60 days after publication of the notice under subsection (b) of the initiation of an arbitration proceeding, the Arbitration panel shall report to the Copyright Royalty Tribunal its determination concerning whether the device concerned is subject to section 1002, or the basis on which royalty payments for the device are to be made under section 1003. Such report shall be accompanied by the written record, and shall set forth the facts that the Panel found relevant to its determination.

“(f) **ACTION BY THE COPYRIGHT ROYALTY TRIBUNAL.**—Within 60 days after receiving the report of the Arbitration Panel under subsection (e), the Copyright Royalty Tribunal shall adopt or reject the determination of the Panel. The Tribunal shall adopt the determination of the Panel unless the Tribunal finds that the determination is clearly erroneous. If the Tribunal rejects the determination of the Panel, the Tribunal shall, before the end of that 60-day period, and after full examination of the record created in the arbitration proceeding, issue an order setting forth its decision and the reasons therefor. The Tribunal shall cause to be published in the Federal Register the determination of the Panel and the decision of the Tribunal under this

subsection with respect to the determination (including any order issued under the proceeding sentence).

“(g) JUDICIAL REVIEW.—Any decision of the Copyright Royalty Tribunal under subsection (f) with respect to a determination of the Arbitration Panel may be appealed, by a party to the arbitration, to the United States Court of Appeals for the District of Columbia Circuit, within 30 days after the publication of the decision in the Federal Register. The pendency of an appeal under this subsection shall not stay the Tribunal’s decision. The court shall have jurisdiction to modify or vacate a decision of the Tribunal only if it finds, on the basis of the record before the Tribunal, that the Arbitration Panel or the Tribunal acted in an arbitrary manner. If the court modifies the decision of the Tribunal, the court shall have jurisdiction to enter its own decision in accordance with its final judgment. The court may further vacate the decision of the Tribunal and remand the case for arbitration proceedings as provided in this section.”

SEC. 3. TECHNICAL AMENDMENTS.

(a) FUNCTIONS OF REGISTER.—Chapter 8 of title 17, United States Code is amended—

(1) in section 801(b)—

(A) by striking “and” at the end of paragraph (2);

(B) by striking the period at the end of paragraph (3) and inserting “; and”; and

(C) by adding the following new paragraph at the end:

“(4) to distribute royalty payments deposited with the Register of Copyrights under section 1003, to determine the distribution of such payments, and to carry out its other responsibilities under chapter 10;” and

(2) in section 804(d)—

(A) by inserting “or (4)” after 801(b)(3);“ and

(B) by striking “or 119” and inserting “119, or 1007.”

(b) DEFINITIONS.—Section 101 of title 17, United States Code, is amended by striking “As used” and inserting “Except as otherwise provided in this title, as used.”

(c) MASK WORKS.—Section 912 of title 17, United States Code, is amended—

(1) in subsection (a) by inserting “or 10” after “8”; and

(2) in subsection (b) by inserting “or 10” after “8.”

(3) CONFORMING AMENDMENT TO SECTION 337 OF THE TARIFF ACT OF 1930.—The second sentence of section 337(b)(3) of the Tariff Act of 1930 (19 U.S.C. 1337(b)(3)) is amended to read as follows: “If the Commission has reason to believe that the matter before it (A) is based solely on alleged acts and effects which are within the purview of section 303, 671, or 673, or

(B) relates to an alleged copyright infringement with respect to which action is prohibited by section 1006 of title 17, United States Code, the Commission shall terminate, or not institute, any investigation into the matter.”

SEC. 4. EFFECTIVE DATE.

This Act and the amendments made by this Act shall take effect on the date of the enactment of this Act.

HOUSE FLOOR STATEMENTS

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Texas [Mr. BROOKS] will be recognized for 20 minutes, and the gentleman from California [Mr. MOORHEAD] will be recognized for 20 minutes. The Chair recognizes the gentleman from Texas [Mr. BROOKS].

1960

Mr. BROOKS. Mr. Speaker, I yield myself such time as I may consume.

(Mr. BROOKS asked and was given permission to revise and extend his remarks.)

Mr. BROOKS. Mr. Speaker, I rise in support of H.R. 3204. Of the many people who worked tirelessly on this bill. I first want to single out for praise my very dear friend and distinguished colleague, the gentlewoman from Illinois [Mrs. COLLINS], who chairs the Energy and Commerce Committee's Subcommittee on Commerce, Consumer Protection, and Competitiveness. Without her fine work and her subcommittee's sterling contribution, this compromise bill would never have been possible.

I also want to sincerely compliment the very thoughtful work done by the Judiciary Committee's Subcommittee on Intellectual Property and Judicial Administration. It's chairman, the gentleman from New Jersey [Mr. HUGHES] and its ranking minority member, the gentleman from California [Mr. MOORHEAD], both labored long and hard over this legislation. They can be justifiably proud of the product they have achieved, and the support that it has received from Members and interested parties alike.

I also thank my other fine friends and distinguished colleagues—the gentleman from Michigan [Mr. DINGELL], chairman of the Energy and Commerce Committee, and the gentleman from Illinois [Mr. ROSTENKOWSKI], chairman of the Ways and Means Committee—for their leadership on this issue.

1H9033

Everyone involved in H.R. 3204—whether in the private sector or in the Congress—has demonstrated through this legislation their willingness to help this country stay at the forefront of world technological change.

The primary legislative history upon enactment of this legislation will be found in House Report 102-873, part 1. In addition, since the time of passage by the three committees to whom H.R. 3204 was referred, our committees

have agreed upon several changes. Those changes are contained in the compromise package on suspension now, and other Members will address them.

I want to address and emphasize the import of just one of those changes. Section 1006 of H.R. 3204 deals with entitlement to royalty payments under two newly created funds—the sound recording fund and the musical works fund. In H.R. 3204 as reported by the judiciary committee, there was a prefatory phrase—“notwithstanding any contractual obligations to the contrary”—found only in one of the funds. However, the allocation of royalties in both funds is set by statute. Thus, that prefatory phrase is being deleted by agreement as unnecessary. We intend the statutory allocation formula for both funds to control the royalty distribution.

As the Judiciary Committee stated on this point in House Report 102-873, part 1, which remains applicable to our agreement today:

The committee intends the statutory allocations to fix the percentage of royalties that the various groups of interested copyright parties are to receive from the two funds. Contractual provisions, whether existing or future, that would alter these allocations are preempted by this bill. On the other hand, once the distribution of the royalty payment has been made according to the statutory allocation, the bill does not seek to place restrictions on how the recipients may spend their royalties.

Mr. Speaker, H.R. 3204 resolves over a decade of bitter disputes between the electronics and the music industries—with both sides willing to fight indefinitely because of the economic stakes involved in this issue. I recommended that they sue for peace. I am happy and proud that peace, not war, is now the order of the day. I urge my colleagues to vote “aye” on H.R. 3204.

Mr. Speaker, I reserve the balance of my time.

Mr. MOORHEAD. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 3204.

I would like to commend our Judiciary Committee chairman, the gentleman from Texas [Mr. JACK BROOKS] and our subcommittee chairman, the gentleman from new Jersey [Mr. BILL HUGHES] and their staff for their thorough and painstaking analysis of these important but difficult issues. I also would like to commend our ranking member, the gentleman from New York Mr. HAMILTON FISH for his leadership and support of this issue.

Mr. Speaker, H.R. 3204 would make it clear that noncommercial taping of music by consumers is not a violation of copyright law. The debate over home taping of records goes back to 1970 when Congress first extended copyright protection for records but this legislation will end the 22-year-old debate and make it clear that home taping does not constitute copyright infringement.

The problem is that Japanese manufacturers are about to begin importing into the United States copying equipment making it possible to make

quality copies of music discs. The compromise contained in H.R. 3204 provides that such new equipment will have a chip that will prevent any copying of the copies made by the new equipment. In other words, you can make as many noncommercial copies as you wish from the new machine but you will not be able, mechanically, to make a copy of the copy.

The bill also sets up a royalty fund by charging a fee for the sale of blank discs, not blank tapes, and sets a fee on each piece of new disc equipment sold in the United States. For the new equipment the royalty is 2 percent of the transfer price with a minimum fee of \$1 and a maximum fee of \$8 a machine. For blank discs the royalty fee is 3 percent of transfer price. Video recording equipment would not be affected nor would dictation machines, telephone answering machines or professional recording equipment.

American music is the music of choice all over the world. However, pirating and taping have become an enormous problem for the American music community. Taping presently displaces sales amounting to about \$1.5 billion a year, about one-third of the industry's annual revenues, and sales are the only means by which record companies are paid. The impact of displaced sales is obviously felt first by copyright owners and creators who earn their income from the sale of their prerecorded music. But it hurts everyone in the end because less music is produced. The releases of new albums have declined by 43 percent since 1978.

After months of debate with the interested parties I believe we have legislation that is good for all the industries involved and it is also good for the consumer and the country.

These new taping machines that are about to be shipped to this country will revolutionize existing taping technology. The new machines will capture and preserve recordings with near perfect fidelity. If this legislation is not enacted the displacement of sales caused by taping is sure to experience a quantum leap.

I am not aware of any opposition to this bill. It has the support of industry, the Copyright Office, the consumers and the administration.

I urge your support.

Mr. Speaker, I reserve the balance of my time.

Mr. BROOKS. Mr. Speaker, I yield 4 minutes to the gentleman from New Jersey [Mr. HUGHES], chairman of the Subcommittee on Intellectual Property and Judicial Administration.

(Mr. HUGHES asked and was given permission to revise and extend his remarks.)

Mr. HUGHES. Mr. Speaker, I rise in support of H.R. 3204, the Audio Home Recording Act of 1992, which I introduced along with the gentleman from Texas [Mr. BROOKS], chairman of the Judiciary Committee. H.R. 3204 is cosponsored by the gentleman from California [Mr. MOORHEAD], the ranking Republican on the Subcommittee on Intellectual Property and Judi-

cial Administration, which I chair, and by 90 other Members. H.R. 3204 enjoys widespread support because it protects the interests of consumers, copyright owners, and manufacturers and distributors of audio equipment. H.R. 3204 will facilitate the introduction of exciting new digital audio technologies whose entry into the U.S. market has been blocked by litigation. With the holiday season just around the corner, H.R. 3204 will create new manufacturing jobs and give retailers exciting new consumer electronics to market, important benefits in these difficult economic times.

H.R. 3204 is also landmark intellectual property legislation, placing the United States squarely in line with the growing international consensus on how to resolve the difficult issues of new technological uses of copyrighted works. One of those issues—home taping of music—has been of great concern to U.S. consumers. For more than two decades, a legal cloud has hovered over copying by consumers for private use. This was true even though the Supreme Court's 1984 *Betamax* decision permitted time-shifting of free broadcast television programming.

H.R. 3204 removes the legal cloud over home copying of prerecorded music in the most proconsumer way possible: It gives consumers a complete exemption for noncommercial home copying of both digital and analog music, even though the royalty obligations under the bill apply only to digitally formatted music. No longer will consumers be branded copyright pirates for making a tape for their car or for their children.

H.R. 3204 was introduced on August 11, 1991. Hearings were held by our subcommittee on February 19, 1992. H.R. 3204 as reported by our subcommittee and the full Judiciary Committee reflected months of hard work devoted to original rethinking and original redrafting in order to develop the best possible legislation. These labors paid off. H.R. 3204 in its current form preserves the essentials of the compromise agreement reached by record companies, hardware manufacturers, and musical interests, while protecting the broader public interest, in particular consumers and performers.

I would like to explain, briefly, the essential elements of H.R. 3204.

EXEMPTIONS FROM LIABILITY

One of the cornerstones of the bill is section 1008. This provision provides an exemption to consumers for noncommercial copying of both digital and analog musical recordings and an exemption from contributory copyright infringement for manufacturers and distributors of digital and analog audio recording devices and media. These exemptions are complete, notwithstanding the somewhat indirect phrasing of the section, which is couched in terms of a prohibition on the bringing of infringement actions.

INCORPORATION OF SERIAL COPYING CONTROLS

In order to protect the interests of copyright owners from widespread copying that would harm investment, the bill requires that digital audio recording devices and digital audio interface devices contain systems to prevent unauthorized serial copying of copyrighted works. The serial copy management system is one such system. Other systems may also be developed, though, and the bill provides criteria by which these systems may meet the legislation's requirements.

The purpose of these systems is to permit consumers to make copies directly from an authorized, prerecorded musical recording, but to prevent them from making copies from copies. This approach has the benefit of preserving consumers' right under the bill to make home copies and of preventing distribution of copies that might displace sales.

ROYALTY PAYMENTS

Modest royalty payments are required under the bill to compensate copyright owners from the obvious loss of some sales due to home copying. In the case of machines, this royalty is set at 2 percent of the transfer price of the machine, with a general cap of \$8. In the case of blank tapes, the royalty is set at [3] percent of the transfer price of the tape. Only one royalty payment is made.

I am keenly aware of the concerns of computer users that due to the prevalence of digital media, they may have to pay a royalty for blank computer tapes. This will not happen. The bill excludes computer programs from the coverage of the legislation and through the definition of "digital audio recording medium," it carefully requires royalties only for tapes and the like that are primarily marketed or most commonly used by consumers for the purpose of making copies of digitally formatted music by digital audio recording devices.

There are many other important provisions in the bill, and I refer members to the Judiciary Committee report, House Report 102-873, part 1 for a full discussion of the details of the legislation. I will only point out here the differences between the bill as reported out by the Judiciary Committee and as taken up today.

DEFINITIONS

A number of definitions have been refined.

The definition of "digital audio interface device" has been revised to ensure that what is required is the communication of digital audio information and related interface data.

The definition of "digital audio recording device" has been revised to

insert the phrase "of a type commonly distributed to individuals for use by individuals." This amendment clarifies that the defined term "digital audio recording device" refers to individual devices rather than a class of such devices.

The definition of "digital musical recording" has been revised to make clear that the exclusion for incidental material applies to both digital musical recordings and spoken wor[d] recordings.

The important definition of "serial copying" has been carefully revised so that there is no ambiguity about Congress' intention regarding when the prohibitions on multiple copying apply. The legislation is the result of concerns over the fidelity of digital to digital copying. At the same time, technology will shortly be introduced permitting the copying of an analog-formatted work onto digital format. Once in digital format, the work is susceptible to the same ease of copying found in works originally produced in digital format, albeit with a diminished fidelity.

H.R. 3024 addresses these issues in the following way through the definition of "serial copying." Consumers may make copies directly from a digital musical recording as distributed by the authority of the copyright owner for ultimate sale to consumers. However, by virtue of serial copy prevention systems mandated in section 1002 of the bill, copies from these copies may not be made. Where the work has been distributed by the copyright owner in analog format, but is copied by a consumer onto a digital format, no serial copy prevention encoding takes place. Thus, consumers may make two authorized copies, one in making the analog to digital transfer, and the second in making the first digital to digital copy. Copying from this second, digital copy would be prohibited by virtue of the serial copying prevention controls.

INCORPORATION OF COPYING CONTROLS

The bill as taken up today creates a three-tier approach: First, the serial copy management system [SCMS] automatically qualifies as satisfying section 1002's requirements for regulating the serial copying of copyrighted works; second, any future system that has the same functional characteristics as SCMS and which requires that copyright and generation status information be accurately sent, received, and acted upon between devices using that system's method or serial copying regulation and devices using [SCMS] also automatically qualifies as satisfying section 1002; third, other future systems that purport to regulate serial copying of copyrighted works must be certified in advance by the Secretary of Commerce before being distributed in digital audio recording devices.

DEPOSIT OF ROYALTY PAYMENTS

Section 1005 has been amended to make clear that all royalties are to be deposited in the Treasury as off-setting receipts.

ENTITLEMENT TO ROYALTY PAYMENTS

The bill taken up today eliminates the phrase "notwithstanding any contractual obligation to the contrary" from section 1006(B)(2)(B) of the bill as reported by the Judiciary Committee. This language, concerning distribution of royalties from the musical works fund, was not found in the parallel provision in section 1006(b)(1) concerning distribution of royalties from the sound recording fund. Pages 22-23 of the Judiciary Committee's report, House Report 102-873, part 1, discussed this inconsistency, and stated an intention that:

[“]The statutory allocations * * * fix the percentage of royalties that the various groups of interested copyright parties are to receive from the two funds. Contractual provisions, whether existing or future, that would alter these allocations are preempted by this bill. On the other hand, once the distribution of the royalty payment has been made according to the statutory allocation, the bill does not seek to place restrictions on how the recipients may spend their royalties. The presence of the prefatory language in the musical works fund, and its absence in the sound recording fund, is not intended to indicate a different result at either the distribution or post-distribution steps.[”]

In order for there to be no ambiguity that the intention stated in [the] report is carried out, the bill has been amend[ed] to delete the language from the musical works fund.

PROHIBITIONS ON CERTAIN INFRINGEMENT ACTIONS

The bill as reported by the committee deletes the reference to section 337 of the Tariff Act of 1930 in favor of placing the provision in a separate section at the end of the bill.

This concludes my discussion of the changes between the bill we take up today and the bill reported by the Judiciary Committee on August 11, 1992. I urge my colleagues to vote for H.R. 3204.

2000

Mr. Speaker, the legislation has been described both by the distinguished chairman and by the ranking Republican. I will not explain anymore in detail what is in the bill, but it is a major breakthrough that we have been trying for the better part of 10 years to resolve these very difficult issues. That would not be possible without the cooperation of the gentlewoman from Illinois [Mrs. COLLINS], the subcommittee chairman, who worked diligently on

LH9035 this legislation, my colleague, the gentleman from California [Mr. MOORHEAD], our staffs, Hayden Gregory and Bill Patry, who comes to us from the Copyright Office and has been very helpful, Tom Mooney and Joe Wolfe. They worked very hard and they should be congratulated on a very fine, well-balanced piece of legislation.

Mr. BROOKS. Mr. Speaker, I yield 3 minutes to the distinguished gentlewoman from Chicago [Mrs. COLLINS], the chairman of the Subcommittee on Commerce, Consumer Protection, and Competitiveness, of the Committee on Energy and Commerce.

(Mrs. COLLINS of Illinois asked and was given permission to revise and extend her remarks.)

Mrs. COLLINS of Illinois. Mr. Speaker, I thank the gentleman for yielding me this time.

Let me say that we have worked tirelessly and for a very long time on this piece of legislation. I especially want to thank the chairman of the Committee on the Judiciary, the gentleman from Texas [Mr. BROOKS], and of the subcommittee, the gentleman from New Jersey [Mr. HUGHES], and the gentleman from California [Mr. MOORHEAD], the ranking minority member, and the gentleman from North Carolina [Mr. MCMILLAN], the ranking member of the Subcommittee on Commerce, Consumer Protection, and Competitiveness of the Committee on Energy and Commerce, for all the work that they have done on this in a spirit of comity. This is a piece of legislation that certainly needs to be done. I think it is a wonderful thing that we are able to move it now.

Mr. Speaker, digital audio recording technology is not new and neither is the bitter debate that persists between the recording industry, electronic industry and consumers regarding the legality of home taping. The Audio Home Recording Act of 1992 is designed to put an end to these debates and facilitates the wide scale introduction of digital audio recording technology to the American consumer. The substitute amendment to H.R. 3204 is a reflection of the work of the Energy and Commerce, Judiciary, and Ways and Means Committees on this important issue. I support the final passage of this legislation and urge the support of my colleagues.

Compact discs and compact disc players are examples of digital technology. In the mid-1980's, consumer electronics companies decided to market a new wave of digital audio technology to American consumers—the digital audio recorder. Unlike the familiar analog audio recorder, the digital audio recorder is capable of making virtually perfect copies of source music. With analog recorders, as one continues to make copies from copies, the sound quality deteriorates. With digital audio recorders, on the other hand, multigenerational copies—from the 1st generation to the 15th generation—maintain virtually perfect sound quality.

This remarkable, innovative digital audio technology was showcased in my district at the 1992 International Summer Consumer Electronics Show.

Due to the precision of digital audio recording technology, the recording companies, music publishers, artists, musicians and others in the recording industry have been afraid that the digital audio recorders will increase copying by consumers and illegal bootleg companies and thereby reduce sales and royalties. For this reason, the recording industry has threatened lawsuits against manufacturers that consider making digital audio recorders available to American consumers. The music publishers and songwriters eventually did sue a manufacturer. This has had a chilling effect on the manufacturers, who have not made digital audio recording technology widely available to American consumers.

Of course, the ultimate loser in this standoff has been the American consumer, having been denied wide access to revolutionary digital audio recording technology. This year, for the first time, the consumer electronics show was open to the public. To demonstrate their desire to have access to this technology, scores of consumers signed petitions at the show in support of the three [pr]ong solution to the stalemate, which is embodied in this bill.

This compromise solution was reached through difficult negotiations by a coalition of the recording industry; songwriters and music publishers; electronics industry and groups that want consumers to continue to enjoy the benefits of private home taping.

There are three basic provisions of the legislation. First, it guarantees consumers the legal right to make analog or digital copies of musical recordings for noncommercial use. Also it prohibits lawsuits being brought against those that manufacture, import, or distribute a digital or analog audio recorder or medium.

Second, it requires all manufacturers and importers to pay a small royalty fee for every digital audio recorder and digital audio recording medium made available to American consumers. This money eventually will be distributed to copyright holders and creative artists.

Third, it requires all digital audio recorders to incorporate the serial copy management system, a system that has the same functional characteristics as the Serial Copy Management System or any other system certified by the Secretary of Commerce as prohibiting unauthorized serial copying. These systems will allow unlimited recording of original material, but will prevent recording of copied material.

Earlier this year, I introduced H.R. 4567, which embodied the compromise. I introduced the legislation to finally put an end to this most recent and potent dispute in the seemingly never-ending battle between the music and electronic industries regarding home taping: the pending introduction of the most advanced audio recording technology to date—the digital audio recorder—to the American consumer. Further, I wanted to make sure that

songwriters, creative artists and American consumers did not end up with the short end of the stick in the resolution of this ongoing dispute.

H.R. 4567 was referred to three committees: Energy and Commerce, Judiciary, and Ways and Means. This is the first Congress in which audio home recording legislation has been referred jointly. Prior legislation, which only included serial copying limitation systems, was referred to the Energy and Commerce Committee.

The Subcommittee on Commerce, Consumer Protection and Competitiveness, which I chair, held hearings shortly after the bill's introduction. H.R. 4567 was reported out of the Energy and Commerce Committee on August 4, 1992, thus becoming the first audio home recording bill to be reported to the full House.

More recently, the Judiciary Committee and Ways and Means Committee reported a similar bill, H.R. 3204. The substitute amendment to H.R. 3204 before us today reflects a compromise between the three committees, and was introduced today by the chairs and ranking minority members of the Energy and Commerce Committee and Judiciary Committee and their legislative subcommittees. It reflects the work of the committees on H.R. 4567 and H.R. 3204. The legislative history of H.R. 4567 as well as H.R. 3204 is intended to apply to this bill as well.

In short, this bill combines benefits for creative artists, consumers and industry. It can lead the way in improving industry while providing songwriters and creative artists with deserved compensation and consumers with access to exciting technology.

Mr. Speaker, the substitute amendment before us is a combination of H.R. 4567, as reported out of the Energy and Commerce Committee, and H.R. 3204, as reported out of the Judiciary and Ways and Means Committees.

The amendment has the three-prong substantive element and the same spirit as H.R. 4567, some of the language between the bills are different. At this point, I would like to address some pertinent issues.

The scope of this legislation must remain clear. In review, and as clearly stated in the report to H.R. 4567, the audio home legislation before us is designed specifically to respond to the threat that the perfect copying capability of the digital audio recorder presents to those engaged in the professions of creating and introducing music into the American stream of commerce. The legislation would only cover digital audio recording technology, except to the extent that it specifically refers to analog recording in the provisions that deal with the prohibition of certain copyright infringement actions.

Concerning interface devices, the legislation is not meant to cover telecommunications systems and general purpose computers either directly or indirectly through their general purpose interfaces. Further, the legisla-

tion only applies to those interface devices that are generally marketed to and used by individuals.

In terms of recorders, the legislation applies only to digital audio recorders that are designed or marketed primarily for the making of digital audio copied recordings for private use. The recorder must be of a type that is commonly distributed to individuals for use by individuals. The legislation does not cover professional model devices or audio recording[s] equipment designed and marketed primarily for the creation of recording[s] resulting from the fixation of nonmusical sounds, such as dictation machines and answering machines. Also, it does not cover general purpose computers.

Spoken word recordings, such as audio books and books on tape are not covered by the legislation, even if they use ancillary music, such as any music that may be used to link chapters or as occasional background to the spoken words. However, in the case of music genre that frequently rely on spoken phrases, the provisions of the legislation apply.

With respect to recording media, the legislation is only intended to cover those media products primarily marketed or most commonly used by consumers in making digital audio recordings. The legislation would not cover any media products primarily marketed and most commonly used by consumers in making copies of other digitally stored material, including general purpose computer programs.

Also, the legislation does not cover products primarily marketed by the computer industry or most commonly used by its consumers to make copies of computer programs and data or products primarily marketed or most commonly used by consumers to make things other than digital audio copied recordings, such as recording media used to make copies of motion pictures or other audio-visual works or used in telecommunications systems.

Finally, the reported legislation would not cover multimedia products or general purpose computer programs.

The committee compromise requires all digital audio recorders and interface devices imported, manufactured or distributed in commerce in the United States to conform to the serial copy management system, a system that has the same functional characteristics as the serial copy management system or any other system certified by the Secretary of Commerce as prohibiting unauthorized serial copying.

H.R. 4567 as reported by Energy and Commerce Committee, provided similar requirements. In addition to the incorporation of the serial copy management system, H.R. 4567 specifically allowed the Secretary of Commerce to issue additional orders to implement the serial copy management system, if petitioned by an interested manufacturing or copyright party and the Secretary determined that to do so would be in accordance with the purposes of the legislation. The Secretary would have had to consult with the Register of Copyrights in the process of deciding whether or not to issue an order. There

were several categories in which the Secretary would have been able to issue an order. They cover functionally equivalent alternatives, revised general standards, and standards for new devices.

The substitute amendment before us has streamlined the provisions of H.R. 4567, but still allows for the same result; a manufacturer will have several options from which to select to ensure compliance with the requirements of this act.

Mr. Speaker, with the exception of H.R. 3204 as reported by the House Judiciary Committee, all versions of the audio home taping bills this Congress—including H.R. 4567 as reported by Energy and Commerce Committee, H.R. 3204 as introduced and S. 1623 as passed by the Senate—were accompanied by the technical reference document, which sets forth the standards and specifications to provide for the incorporation of the serial copy management system.

The serial copy management system permits the recording of original source material, but does not allow recording from copies.

The Subcommittee on Commerce, Consumer Protection and Competitiveness is the only congressional forum this year to receive testimony specifically on the serial copy management system as defined in the technical reference document. Testimony was received from a variety of witnesses about the serial copy management system most notably Dr. Robert Hebner, Deputy Director, Electronics and Electrical Engineering Laboratory of the National Institute of Standards and Technology.

In addition, the National Institute of Standards and Technology has certified to both the Senate Judiciary and House Energy and Commerce Committees that the serial copy management system as defined in the Technical Reference Document does indeed set forth standards and specifications that adequately incorporate the intended functional characteristics to regulate serial copying and that are not incompatible with existing international digital audio interface standards and existing digital audio technology.

Hearings and subsequent correspondence indicated that the requirements of the serial copy management system would not represent a burden to American and smaller consumer-electronics manufacturers.

While our committee's work indicates that certain fears were unfounded, as a compromise to these concerned about the serial copy management system, the committee compromise does not specifically include the Technical Reference Document, but the serial copy management system is still defined in the legislative history via the reports filed by the Energy and Commerce Committee, House Judiciary Committee and Senate Judiciary Committee. It is our expectation that digital audio recorders will be manufactured in compliance with Technical Reference Document.

Mr. Speaker, the prohibition against certain copyright infringement suits is a significant prong in this legislation. While the language of H.R. 4567 and

this substitute amendment are somewhat different, both pieces of legislation clearly establish that consumers cannot be sued for making analog or digital audio copies of musical recordings for noncommercial use.

Mr. MOORHEAD. Mr. Speaker, I yield myself one-half minute.

Mr. Speaker, I just want to join the others who are commending the members of the Committee on Energy and Commerce for the work they did on this bill also.

The gentlewoman from Illinois [Mrs. COLLINS] did an outstanding job as the chairman of the subcommittee.

The gentleman from New York [Mr. LENT] and the gentleman from North Carolina [Mr. McMILLAN] have done excellent work, and one of the members of the staff that I did not mention was Marie McGlone, who did an outstanding job on the Judiciary Committee staff.

Mr. FISH. Mr. Speaker, I too would like to commend our chairman, the gentleman from Texas for his leadership in bringing this important legislation to the floor and the Copyright Subcommittee, especially the gentleman from New Jersey [Mr. HUGHES] and the gentleman from California [Mr. MOORHEAD] for all of the time and effort they put into the consideration and drafting of this legislation.

H.R. 3204 will facilitate the release into the U.S. market of new recording equipment used to copy musical discs. The introduction into the U.S. consumer market of this new equipment has been blocked due to disputes among hardware manufacturers, record companies, composers, and music publishers. The legislation before us today resolves those disputes by requiring that this equipment contain a new technology that prevents making a copy of a copy and by establishing a system of royalty payments on the new machines and on the blank discs.

At the same time, the bill resolves an issue that has been of great concern to consumers for the last two decades and that is the home taping of music. The bill makes clear that the home taping of music is not a violation of copyright law.

This legislation is sound, fair and workable. Although a number of substantial changes have been made, the basic compromise of the parties remains intact. All creative and proprietary interests are accommodated. Consumers will benefit both from the diversity of creative works and from new recording technologies. The record companies will sell more records. The American creators will share the profits from this new technology. The public will have more music to enjoy.

Mr. Speaker, in my opinion, this legislation represents a historic compromise and will have a positive impact on protection for U.S. authors and copyright owners worldwide. It enjoys wide support with over 100 cosponsors from this House and the other body.

I urge its adoption.

MR. MCMILLAN of North Carolina. Mr. Speaker, I rise today in strong support of H.R. 3204, the Digital Audio Home Recording Act of 199[2]. This bill has been a long time in coming, and we have all worked very hard to see that this compromise agreement reached the floor.

This bill has a number of constructive provisions which can only help to bring this exciting new technology to the marketplace.

First, it implements the serial copy management system which is the fairest system I have seen for ensuring that consumers have the ability to make copies of recordings, while guaranteeing that this privilege is not abused. Second, it establishes a royalty fund on digital recorders and recording media to ensure that artists, composers, writers, and publishers are compensated for any abuse that does occur. Finally, it ensures that this technology will be available to the public by preventing the manufacturers or distributors of digital audio recorders from being sued for providing products the public wants.

This is landmark legislation which clears the way for the next generation of home audio equipment and it was only worked out after years of negotiation.

I would like to offer my thanks to everyone who worked so hard on this bill, especially the distinguished chairman from Illinois, Mrs. COLLINS, who demonstrated her leadership on this issue in the Energy and Commerce Committee.

Mr. Speaker, the consumers of America have waited long enough—I urge my colleagues to support this important measure.

MR. LENT. Mr. Speaker, I join my colleagues in expressing support for H.R. 3204, the Audio Home Recording Act of 199[2]. At a time when we are concerned about additional barriers to our recovery from the recession, it is good to see a bill come forward that will bring a new technology to the marketplace, and with it, new jobs.

This compromise bill benefits everyone concerned—the manufacturers, the recording companies and artists, and, most importantly, the consumers. My distinguished colleague from North Carolina once referred to this bill as a win-win-win proposition, and I am inclined to agree.

H.R. 3204's requirements of the installation of the "serial copy management system," coupled with the royalty payment funds ensures that the consumer will have access to both current and future generations of digital recording technology. This opens new markets and opportunities for manufacturers, sellers, artists, and producers involved in the rapidly expanding digital audio marketplace.

I would like to thank all of those involved with crafting this compromise agreement, especially the ranking minority member of the Subcommittee on Commerce, Mr. MCMILLAN, and the chairman, MRS. COLLINS. They de-

serve much thanks for their efforts in bringing this landmark legislation to the floor.

I urge all of my colleagues to support this legislation and yield back the balance of my time.

Mr. ROSTENKOWSKI. Mr. Speaker, I rise in support of H.R. 3204, as amended, the Audio Home Recording Act of 1992. Passage of this bill will create the necessary legal environment for digital audio technology [DAT] to be commercialized in the United States.

Although DAT technology has been known since 1986, it has not generally been commercialized in this country because of legal uncertainties surrounding its use. DAT technology will allow consumers to make virtually perfect copies of sound recordings, both from the commercial originals and from copies of the originals. While this presents exciting new possibilities for the consumer at home, it also poses the threat that, without regulation, this technology could also lead to large numbers of illegal perfect copies of sound recordings being in circulation, thereby depressing legitimate commercial sales.

H.R. 3204 deals with these issues by providing for an intellectual property-based system regulating the use of DAT technology. It is a sound piece of legislation that is the culmination of nearly 6 years of work by three different Congresses. It has the support of the music recording industry, the electronic hardware industry, and all potentially affected copyright owners from music writers to music performers. The administration also supports this bill.

Finally, there is broad bipartisan support for this bill in the House, as evidenced by the overwhelming support this bill received in the three committees to which it was referred—Energy and Commerce, Judiciary, and Ways and Means.

Mr. Speaker, I urge my colleagues to support passage of this important bill.

Mr. MOORHEAD. Mr. Speaker, I yield back the balance of my time.

Mr. BROOKS. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SANGMEISTER). The question is on the motion offered by the gentleman from Texas [Mr. BROOKS] to suspend the rules and pass the bill, H.R. 3204, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

H.R. REP. NO. 102-873, Pt. 1, 102 Cong., 2d Sess.

AUDIO HOME RECORDING ACT OF 1992

SEPTEMBER 17, 1992.—ORDERED TO BE PRINTED.

Mr. Brooks, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 3204 which on August 2, 1991, was referred jointly to the Committee on the Judiciary, the Committee on Energy and Commerce, and the Committee on Ways and Means]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 3204) to amend title 17, United States Code, to implement a royalty payment system and a serial copy management system for digital audio recording, to prohibit certain copyright infringement actions, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Audio Home Recording Act of 1992."

SEC. 2. IMPORTATION, MANUFACTURE, AND DISTRIBUTION OF DIGITAL, AUDIO RECORDING DEVICES AND MEDIA.

Title 17, United States Code, is amended by adding at the end the following:

"CHAPTER 10—DIGITAL AUDIO RECORDING DEVICES AND MEDIA

"Sec.

- "1001. Definitions.
- "1002. Incorporation of copying controls.
- "1003. Obligation to make royalty payments.
- "1004. Royalty payments.
- "1005. Deposit of royalty payments and deduction of expenses.
- "1006. Entitlement to royalty payments.
- "1007. Procedures for distributing royalty payments.

"1008. Prohibition on certain infringement actions.

"1009. Civil remedies.

"1010. Arbitration of certain disputes.

1"§ 1001. Definitions

"As used in this chapter, the following terms have the following meanings:

"(1) A 'digital audio copied recording' is a reproduction in a digital recording format of a digital musical recording, whether that reproduction is made directly from another digital musical recording or indirectly from a transmission.

"(2) A 'digital audio interface device' is any machine or device that reads or sends copyright and generation status information from a digital musical recording.

"(3) A 'digital audio recording device' is any machine or device, whether or not included with or as part of some other machine or device, the digital recording function of which is designed or marketed for the primary purpose of, and that is capable of, making a digital audio copied recording for private use, except for—

"(A) professional model products, and

"(B) dictation machines, answering machines, and other audio recording equipment that is designed or marketed primarily for the creation of sound recordings resulting from the fixation of nonmusical sounds.

"(4)(A) A 'digital audio recording medium' is any material object in a form commonly distributed for use by individuals, that is primarily marketed or most commonly used by consumers for the purpose of making digital audio copied recordings by use of a digital audio recording device.

"(B) Such term does not include any material object—

"(i) that embodies a sound recording at the time it is first distributed by the importer or manufacturer; or

"(ii) that is primarily marketed and most commonly used by consumers either for the purpose of making copies of motion pictures or other audiovisual works or for the purpose of making copies of nonmusical literary works, including computer programs or data bases.

"(5)(A) A 'digital musical recording' is a material object—

"(i) in which are fixed, in a digital recording format, only sounds, and material, statements, or instructions incidental to those fixed sounds, if any, and

"(ii) from which the sounds and material can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.

“(B) A ‘digital musical recording’ does not include a material object—

“(i) in which the fixed sounds consist entirely of spoken word recordings, or

“(ii) in which one or more computer programs are fixed, except that a digital musical recording may contain statements or instructions constituting the fixed sounds and incidental material, and statements or instructions to be used directly or indirectly in order to bring about the perception, reproduction, or communication of the fixed sounds and incidental material.

“(C) For purposes of this paragraph—

“(i) a ‘spoken word recording’ is a sound recording in which are fixed only a series of spoken words, except that the spoken words may be accompanied by incidental musical or other sounds, and

“(ii) the term ‘incidental’ means related to and relatively minor by comparison.

“(6) ‘Distribute’ means to sell, lease, or assign a product to consumers in the United States, or to sell, lease, or assign a product in the United States for ultimate transfer to consumers in the United States.

“(7) An ‘interested copyright party’ is—

“(A) the owner of the exclusive right under section 106(1) of this title to reproduce a sound recording of a musical work that has been embodied in a musical recording lawfully made under this title that has been distributed;

“(B) the legal or beneficial owner of, or the person that controls, the right to reproduce in a musical recording a musical work that has been embodied in a musical recording lawfully made under this title that has been distributed;

“(C) a featured recording artist who performs on a sound recording that has been distributed; or

“(D) any association or other organization—

“(i) representing persons specified in subparagraph (A), (B), or (C), or

“(ii) engaged in licensing rights in musical works to music users on behalf of writers and publishers.1

“(8) To ‘manufacture’ means to produce or assemble a product in the United States. A ‘manufacturer’ is a person who manufactures.

“(9) A ‘music publisher’ is a person that is authorized to license the reproduction of a particular musical work in a sound recording.

“(10) A ‘professional model product’ is an audio recording device that is designed, manufactured, marketed, and intended for use by recording professionals in the ordinary course of a lawful business, in accordance with such requirements as the Secretary of Commerce shall establish by regulation.

“(11) The term ‘serial copying’ means the duplication of a copyrighted musical work from a copy of a copyrighted digital musical recording. The term ‘copy of a digital musical recording’ does not include a digital musical recording that is distributed, by authority of the copyright owner, for ultimate sale to consumers.

“(12) The ‘transfer price’ of a digital audio recording device or a digital audio recording medium—

“(A) is subject to subparagraph (B)—

“(i) in the case of an imported product, the actual entered value at United States Customs (exclusive of any freight, insurance, and applicable duty), and

“(ii) in the case of a domestic product, the manufacturer’s transfer price (FOB the manufacturer, and exclusive of any direct sales taxes or excise taxes incurred in connection with the sale); and

“(B) shall, in a case in which the transferor and transferee are related entities or within a single entity, not be less than a reasonable arms-length price under the principles of the regulations adopted pursuant to section 482 of the Internal Revenue Code of 1986, or any successor provision to such section.

“(13) A ‘writer’ is the composer or lyricist of a particular musical work.

“§ 1002. Incorporation of copying controls

“(a) PROHIBITION ON IMPORTATION, MANUFACTURE, AND DISTRIBUTION.—

“(1) SYSTEM PROHIBITING COPYING.—No person shall import, manufacture, or distribute any digital audio recording device that does not contain the Serial Copy Management System or other system that prohibits serial copying of copyrighted works embodied in digital musical recordings.

“(2) DIGITAL AUDIO INTERFACE DEVICE.—No person shall import, manufacture, or distribute any machine or device that is designed or marketed for the primary purpose of, and that is capable of, playing back digital musical recordings, unless such machine or device contains a digital audio interface device.

“(b) DEVELOPMENT OF SYSTEM.—The Secretary of Commerce shall, not later than 45 days after the date of the enactment of this chapter, by regulation prescribe the requirements of the Serial Copy Management System or other system described in subsection (a)(1).

“(c) PROHIBITION ON CIRCUMVENTION OF THE SYSTEM.—No person shall import, manufacture, or distribute any device, or offer or perform any service, the primary purpose or effect of which is to avoid, bypass, remove,

deactivate, or otherwise circumvent any program or circuit which implements, in whole or in part, a system described in subsection (a)(1).

“(d) ENCODING OF INFORMATION ON DIGITAL MUSICAL RECORDINGS.—

“(1) PROHIBITION ON ENCODING INACCURATE INFORMATION.—No person shall encode a digital musical recording of a sound recording with inaccurate information relating to the category code, copyright status, or generation status of the source material for the recording.

“(2) ENCODING OF COPYRIGHT STATUS NOT REQUIRED.—Nothing in this chapter requires any person engaged in the importation or manufacture of digital musical recordings to encode any such digital musical recording with respect to its copyright status.

“(e) INFORMATION ACCOMPANYING TRANSMISSIONS IN DIGITAL FORMAT.—Any person who transmits or otherwise communicates to the public any sound recording in digital format is not required under this chapter to transmit or otherwise communicate the information relating to the copyright status of the sound recording. Any such person who does transmit or otherwise communicate such copyright status information shall transmit or communicate such information accurately.

“§ 1003. Obligation to make royalty payments

“(a) PROHIBITION ON IMPORTATION AND MANUFACTURE.—No person shall import into and distribute, or manufacture and distribute, any digital audio recording device or digital audio recording medium unless such person records the notice specified by this section and subsequently deposits the statements of account and applicable royalty payments for such device or medium specified in section 1004.

“(b) FILING OF NOTICE—The importer or manufacturer of any digital audio recording device or digital audio recording medium, within a product category or utilizing a technology with respect to which such manufacturer or importer has not previously filed a notice under this subsection, shall file with the Register of Copyrights a notice with respect to such device or medium, in such form and content as the Register shall prescribe by regulation.

“(c) FILING OF QUARTERLY AND ANNUAL STATEMENTS OF ACCOUNT—

“(1) GENERALLY.—Any importer or manufacturer that distributes any digital audio recording device or digital audio recording medium that it manufactured or imported shall file with the Register of Copyrights, in such form and content as the Register shall prescribe by regulation, such quarterly and annual statements

of account with respect to such distribution as the Register shall prescribe by regulation.

“(2) **CERTIFICATION, VERIFICATION, AND CONFIDENTIALITY.**—Each such statement shall be certified as accurate by an authorized officer or principal of the importer or manufacturer. The Register shall issue regulations to provide for the verification and audit of such statements and to protect the confidentiality of the information contained in such statements. Such regulations shall provide for the disclosure, in confidence, of such statements to interested copyright parties.

“(3) **ROYALTY PAYMENTS.**—Each such statement shall be accompanied by the royalty payments specified in section 1004.

“§ 1004. Royalty payments

“(a) **DIGITAL AUDIO RECORDING DEVICES.**—

“(1) **AMOUNT OF PAYMENT.**—The royalty payment due under section 1003 for each digital audio recording device imported into and distributed in the United States, or manufactured and distributed in the United States, shall be 2 percent of the transfer price. Only the first person to manufacture and distribute or import and distribute such device shall be required to pay the royalty with respect to such device.

“(2) **CALCULATION FOR DEVICES DISTRIBUTED WITH OTHER DEVICES.**—With respect to a digital audio recording device first distributed in combination with one or more devices, either as a physically integrated unit or as separate components, the royalty payment shall be calculated as follows:

“(A) If the digital audio recording device and such other devices are part of a physically integrated unit, the royalty payment shall be based on the transfer price of the unit, but shall be reduced by any royalty payment made on any digital audio recording device included within the unit that was not first distributed in combination with the unit.

“(B) If the digital audio recording device is not part of a physically integrated unit and substantially similar devices have been distributed separately at any time during the preceding 4 calendar quarters, the royalty payment shall be based on the average transfer price of such devices during those 4 quarters.

“(C) If the digital audio recording device is not part of a physically integrated unit and substantially similar devices have not been distributed separately at any time during the preceding 4 calendar quarters, the royalty payment shall be based on a con-

structed price reflecting the proportional value of such device to the combination as a whole.

“(3) **LIMITS ON ROYALTIES.**—Notwithstanding paragraph (1) or (2), the amount of the royalty payment for each digital audio recording device shall not be less than \$1 nor more than the royalty maximum. The royalty maximum shall be \$8 per device, except that in the case of a physically integrated unit containing more than 1 digital audio recording device, the royalty maximum for such unit shall be \$12. During the 6th year after the effective date of this chapter, and not more than once each year thereafter, any interested copyright party may petition the Copyright Royalty Tribunal to increase the royalty maximum and, if more than 20 percent of the royalty payments are at the relevant royalty maximum, the Tribunal shall prospectively increase such royalty maximum with the goal of having no more than 10 percent of such payments at the new royalty maximum.

“(b) **DIGITAL AUDIO RECORDING MEDIA.**—The royalty payment due under section 1003 for each digital audio recording medium imported into and distributed in the United States, or manufactured and distributed in the United States, shall be 3 percent of the transfer price. Only the first person to manufacture and distribute or import and distribute such medium shall be required to pay the royalty with respect to such medium.

“§ 1005. Deposit of royalty payments and deduction of expenses

“The Register of Copyrights shall receive all royalty payments deposited under this chapter and, after deducting the reasonable costs incurred by the Copyright Office under this chapter, shall deposit the balance in the Treasury of the United States, in such manner as the Secretary of the Treasury directs. All funds held by the Secretary of the Treasury shall be invested in interest-bearing United States securities for later distribution with interest under section 1007. The Register shall submit to the Copyright Royalty Tribunal, on a quarterly basis, such information as the Tribunal shall require to perform its functions under this chapter.

“§ 1006. Entitlement to royalty payments

“(a) **INTERESTED COPYRIGHT PARTIES.**—The royalty payments deposited pursuant to section 1005 shall, in accordance with the procedures specified in section 1007, be distributed to any interested copyright party—

“(1) whose musical work or sound recording has been—

“(A) embodied in phonorecords lawfully made under this title that have been distributed, and

“(B) distributed in the form of phonorecords or dissemi-

nated to the public in transmissions, during the period to which such payments pertain; and

“(2) who has filed a claim under section 1007.

“(b) ALLOCATION OF ROYALTY PAYMENTS TO GROUPS.—The royalty payments shall be divided into 2 funds as follows:

“(1) THE SOUND RECORDINGS FUND.—66²/₃ percent of the royalty payments shall be allocated to the Sound Recordings Fund. 2⁵/₈ percent of the royalty payments allocated to the Sound Recordings Fund shall be placed in an escrow account managed by an independent administrator jointly appointed by the interested copyright parties described in section 1001(7)(A) and the American Federation of Musicians (or any successor entity) to be distributed to nonfeatured musicians (whether or not members of the American Federation of Musicians or any successor entity) who have performed on sound recordings distributed in the United States. 1³/₈ percent of the royalty payments allocated to the Sound Recordings Fund shall be placed in an escrow account managed by an independent administrator jointly appointed by the interested copyright parties described in section 1001(7)(A) and the American Federation of Television and Radio Artists (or any successor entity) to be distributed to nonfeatured vocalists (whether or not members of the American Federation Television and Radio Artists or any successor entity) who have performed on sound recordings distributed in the United States. 40 percent of the remaining royalty payments in the Sound Recordings Fund shall be distributed to the interested copyright parties described in section 1001(7)(C), and 60 percent of such remaining royalty payments shall be distributed to the interested copyright parties described in section 1001(7)(A).

“(2) THE MUSICAL WORKS FUND.—

“(A) 33¹/₃ percent of the royalty payments shall be allocated to the Musical Works Fund for distribution to interested copyright parties described in section 1001(7)(B).

“(B) Notwithstanding any contractual obligation to the contrary—

“(i) music publishers shall be entitled to 50 percent of the royalty payments allocated to the Musical Works Fund, and

“(ii) writers shall be entitled to the other 50 percent of the royalty payments allocated to the Musical Works Fund.

“(c) ALLOCATION OF ROYALTY PAYMENTS WITHIN GROUPS.—If all interested copyright parties within a group specified in subsection (b) do not agree on a voluntary proposal for the distribution of the royalty payments within each group, the Copyright Royalty Tribunal shall, pursuant to the

procedures specified under section 1007(c), allocate royalty payments under this section based on the extent to which, during the relevant period—

“(1) for the Sound Recordings Fund, each sound recording was distributed in the form of phonorecords; and

“(2) for the Musical Works Fund, each musical work was distributed in the form of phonorecords or disseminated to the public in transmissions.

“§ 1007. Procedures for distributing royalty payments

16 1“(a) FILING OF CLAIMS AND NEGOTIATIONS.—

“(1) FILING OF CLAIMS.—During the first 2 months of each calendar year after the calendar year in which this chapter takes effect, every interested copyright party seeking to receive royalty payments to which such party is entitled under section 1006 shall file with the Copyright Royalty Tribunal a claim for payments collected during the preceding year in such form and manner as the Tribunal shall prescribe by regulation.

“(2) NEGOTIATIONS.—Notwithstanding any provision of the antitrust laws, for purposes of this section interested copyright parties within each group specified in section 1006(b) may agree among themselves to the proportionate division of royalty payments, may lump their claims together and file them jointly or as a single claim, or may designate a common agent to receive payment on their behalf; except that no agreement under this subsection may modify the allocation of royalties specified in section 1006(b).

“(b) DISTRIBUTION OF PAYMENTS IN THE ABSENCE OF A DISPUTE.—Within 30 days after the period established for the filing of claims under subsection (a), in each year after the year in which this section takes effect, the Copyright Royalty Tribunal shall determine whether there exists a controversy concerning the distribution of royalty payments under section 1006(c). If the Tribunal determines that no such controversy exists, the Tribunal shall, within 30 days after such determination, authorize the distribution of the royalty payments as set forth in the agreements regarding the distribution of royalty payments entered into pursuant to subsection (a), after deducting its reasonable administrative costs under this section.

“(c) RESOLUTION OF DISPUTES.—If the Tribunal finds the existence of a controversy, it shall, pursuant to chapter 8 of this title, conduct a proceeding to determine the distribution of royalty payments. During the pendency of such a proceeding, the Tribunal shall withhold from distribution an amount sufficient to satisfy all claims with respect to which a controversy exists, but shall, to the extent feasible, authorize the distribution of any amounts that are not in controversy. The Tribunal shall, before authorizing

the distribution of such royalty payments, deduct its reasonable administrative costs under this section.

“§ 1008. Prohibition on certain infringement actions

“No action may be brought under this title, or under section 337 of the Tariff Act of 1930, alleging infringement of copyright based on the manufacture, importation, or distribution of a digital audio recording device, a digital audio recording medium, an analogue recording device, or an analogue recording medium, or based on the noncommercial use by a consumer of such a device or medium for making digital musical recordings or analogue musical recordings.

“§ 1009. Civil remedies

“(a) **CIVIL ACTIONS.**—Any interested copyright party injured by a violation of section 1002 or 1003 may bring a civil action in an appropriate United States district court against any person for such violation.

“(b) **OTHER CIVIL ACTIONS.**—Any person injured by a violation of this chapter may bring a civil action in an appropriate United States district court for actual damages incurred as a result of such violation.

“(c) **POWERS OF THE COURT.**—In an action brought under subsection (a), the court—

“(1) may grant temporary and permanent injunctions on such terms as it deems reasonable to prevent or restrain such violation;

“(2) in the case of a violation of section 1002, or in the case of an injury resulting from a failure to make royalty payments required by section 1003, shall award damages under subsection (d);

“(3) in its discretion may allow the recovery of costs by or against any party other than the United States or an officer thereof; and

“(4) in its discretion may award a reasonable attorney’s fee to the prevailing party.

“(d) **AWARD OF DAMAGES.**—

“(1) **DAMAGES FOR SECTION 1002 OR 1003 VIOLATIONS.**—

“(A) **ACTUAL DAMAGES.**—(i) In an action brought under subsection (a), if the court finds that a violation of section 1002 or 1003 has occurred, the court shall award to the complaining party its actual damages if the complaining party elects such damages at any time before final judgment is entered.

“(ii) In the case of section 1003, actual damages shall constitute the royalty payments that should have been paid under section 1004 and deposited under section 1005. In such a case,

the court, in its discretion, may award an additional amount of not to exceed 50 percent of the actual damages.

17 1“(B) STATUTORY DAMAGES FOR SECTION 1002 VIOLATIONS.—

“(i) DEVICE—A complaining party may recover an award of statutory damages for each violation of section 1002(a) or (c) in the sum of not more than \$2,500 per device involved in such violation or per device on which a service prohibited by section 1002(c) has been performed, as the court considers just.

“(ii) DIGITAL MUSICAL RECORDING.—A complaining party may recover an award of statutory damages for each violation of section 1002(d) in the sum of not more than \$25 per digital musical recording involved in such violation, as the court considers just.

“(iii) TRANSMISSION.—A complaining party may recover an award of damages for each transmission or communication that violates section 1002(e) in the sum of not more than \$10,000, as the court considers just.

“(2) REPEATED VIOLATIONS.—In any case in which the court finds that a person has violated section 1002 or 1003 within 3 years after a final judgment against that person for another such violation was entered, the court may increase the award of damages to not more than double the amounts that would otherwise be awarded under paragraph (1), as the court considers just.

“(3) INNOCENT VIOLATIONS OF SECTION 1002.—The court in its discretion may reduce the total award of damages against a person violating section 1002 to a sum of not less than \$250 in any case in which the court finds that the violator was not aware and had no reason to believe that its acts constituted a violation of section 1002.

“(e) PAYMENT OF DAMAGES.—Any award of damages under subsection (d) shall be deposited with the Register pursuant to section 1005 for distribution to interested copyright parties as though such funds were royalty payments made pursuant to section 1003.

“(f) IMPOUNDING OF ARTICLES.—At any time while an action under subsection (a) is pending, the court may order the impounding, on such terms as it deems reasonable, of any digital audio recording device, digital musical recording, or device specified in section 1002(c) that is in the custody or control of the alleged violator and that the court has reasonable cause to believe does not comply with, or was involved in a violation of, section 1002.

“(g) REMEDIAL MODIFICATION AND DESTRUCTION OF ARTICLES.—In an action brought under subsection (a), the court may, as part of a final judgment or decree finding a violation of section 1002, order the remedial modifi-

cation or the destruction of any digital audio recording device, digital musical recording, or device specified in section 1002(c) that—

“(1) does not comply with, or was involved in a violation of, section 1002, and

“(2) is in the custody or control of the violator or has been impounded under subsection (f).

“§ 1010. Arbitration of certain disputes

“(a) SCOPE OF ARBITRATION.—Before the date of first distribution in the United States of a digital audio recording device or a digital audio interface device, any party manufacturing, importing, or distributing such device, and any interested copyright party may mutually agree to binding arbitration for the purpose of determining whether such device is subject to section 1002.

“(b) INITIATION OF ARBITRATION PROCEEDINGS.—Parties agreeing to such arbitration shall file a petition with the Copyright Royalty Tribunal requesting the commencement of an arbitration proceeding. The petition may include the names and qualifications of potential arbitrators. Within 2 weeks after receiving such a petition, the Tribunal shall cause notice to be published in the Federal Register of the initiation of an arbitration proceeding. Such notice shall include the names and qualifications of 3 arbitrators chosen by the Tribunal from a list of available arbitrators obtained from the American Arbitration Association or such similar organization as the Tribunal shall select, and from potential arbitrators listed in the parties’ petition. The arbitrators selected under this subsection shall constitute an Arbitration Panel.

“(c) STAY OF JUDICIAL PROCEEDINGS.—Any civil action brought under section 1009 against a party to arbitration under this section shall, on application of one of the parties to the arbitration, be stayed until completion of the arbitration proceeding.

“(d) ARBITRATION PROCEEDING.—The Arbitration Panel shall conduct an arbitration proceeding with respect to the matter concerned, in accordance with such procedures as it may adopt. The Panel shall act on the basis of a fully documented written record. Any party to the arbitration may submit relevant information and proposals to the Panel. The parties to the proceeding shall bear the entire cost thereof in such manner and proportion as the Panel shall direct.

“(e) REPORT TO COPYRIGHT ROYALTY TRIBUNAL.—Not later than 60 days after publication of the notice under subsection (b) of the initiation of an arbitration proceeding, the Arbitration Panel shall report to the Copyright Royalty Tribunal its determination concerning whether the device concerned is subject to section 1002. Such report shall be accompanied by the written record, and shall set forth the facts that the Panel found relevant to its determination.

“(f) ACTION BY THE COPYRIGHT ROYALTY TRIBUNAL.—Within 60 days after receiving the report of the Arbitration Panel under subsection (e), the Copyright Royalty Tribunal shall adopt or reject the determination of the Panel. The Tribunal shall adopt the determination of the Panel unless the Tribunal finds that the determination is clearly erroneous. If the Tribunal rejects the determination of the Panel, the Tribunal shall, before the end of that 60-day period, and after full examination of the record created in the arbitration proceeding, issue an order setting forth its decision and the reasons therefor. The Tribunal shall cause to be published in the Federal Register the determination of the Panel and the decision of the Tribunal under this subsection with respect to the determination (including any order issued under the preceding sentence).

“(g) JUDICIAL REVIEW.—Any decision of the Copyright Royalty Tribunal under subsection (f) with respect to a determination of the Arbitration Panel may be appealed, by a party to the arbitration, to the United States Court of Appeals for the District of Columbia Circuit, within 30 days after the publication of the decision in the Federal Register. The pendency of an appeal under this subsection shall not stay the Tribunal’s decision. The court shall have jurisdiction to modify or vacate a decision of the Tribunal only if it finds, on the basis of the record before the Tribunal, that the Arbitration Panel or the Tribunal acted in an arbitrary manner. If the court modifies the decision of the Tribunal, the court shall have jurisdiction to enter its own decision in accordance with its final judgment. The court may further vacate the decision of the Tribunal and remand the case for arbitration proceedings as provided in this section.”

SEC. 3. TECHNICAL AMENDMENTS.

(a) FUNCTIONS OF REGISTER.—Chapter 8 of title 17, United States Code is amended—

(1) in section 801(b)—

(A) by striking “and” at the end of paragraph (2);

(B) by striking the period at the end of paragraph (3) and inserting “; and”; and

(C) by adding the following new paragraph at the end;

“(4) to distribute royalty payments deposited with the Register of Copyrights under section 1003, to determine the distribution of such payments, and to carry out its other responsibilities under chapter 10”; and

(2) in section 804(d)—

(A) by inserting “or (4)” after “801(b)(3)”; and

(B) by striking “or 119” and inserting “119, or 1007.”

(b) DEFINITIONS.—Section 101 of title 17, United States Code, is

amended by striking "As used" and inserting "Except as otherwise provided in this title, as used."

(c) MASK WORKS.—Section 912 of title 17, United States Code, is amended—

- (1) in subsection (a) by inserting "or 10" after "8"; and
- (2) in subsection (b) by inserting "or 10" after "8".

SEC 4. EFFECTIVE DATE.

This Act and the amendments made by this Act shall take effect on the date of the enactment of this Act.

EXPLANATION OF AMENDMENT

Inasmuch as H.R. 3204 was ordered reported with a single amendment in the nature of a substitute, the contents of this report constitute an explanation of that amendment.

SUMMARY AND PURPOSE

19

The purpose of H.R. 3204 is to provide a legal and administrative framework within which digital audio recording technology may be made available to consumers.

INTRODUCTION

Legislative consideration of proposals regarding home taping of copyrighted music in digital format began with two bills introduced in 1987, H.R. 1384 (Waxman, March 3rd) and S. 506 (Gore, February 5th), requiring that digital audio recording devices contain a copyguard system in order to be imported into or distributed in the United States. CBS Records had developed such a system, known as "Copycode." This controversial system would have removed a portion of the audio signal in order to prohibit the reproduction of copyrighted sound recordings and musical compositions embodied therein. The controversy over the Copycode system stemmed from disputes about whether it adversely affected the quality of the music and whether the system functioned effectively. These issues were explored at an April 2, 1987, joint hearing held by the Subcommittee on Courts, Civil Liberties, and the Administration of Justice and the Senate Judiciary Committee's Subcommittee on Patents, Copyrights, and Trademarks.¹

¹ "Copyright Issues Presented By Digital Audio Tape: Joint Hearing Before the Senate Subcommittee on Patents, Copyrights, and Trademarks of the Senate Judiciary Committee and the House Subcommittee on Courts, Civil Liberties, and the Administration of Justice of the House Judiciary Committee," 100th

In response to questions raised about the Copycode System at the April hearing, the Subcommittees requested the National Bureau of Standards (NBS) to test the system. The results of this test were unfavorable. NBS found that the Copycode system adversely affected the quality of the sound, occasionally failed to prevent copying, and could easily be circumvented.

As a result of the deficiencies in the Copycode system, the Serial Copy Management System (SCMS) was developed. SCMS does not alter the audio signal. Instead, SCMS encodes information on the first copy of a "digital musical recording" as defined in Section 1001 of the bill. In conjunction with software and hardware specifications, copying from the copy is prohibited.² Because the information is only encoded on the first such copy made, an infinite number of copies can be made directly from the digital musical recording as purchased over-the-counter.

World-wide negotiations between record companies and hardware manufacturers were undertaken with the goal of facilitating, through implementation of SCMS, the importation and distribution of digital audio tape machines. On July 28, 1989, in Athens, Greece, an agreement between these two groups was announced. Under their agreement, mandatory incorporation of SCMS by legislation would be sought. In April 1990, bills were introduced in Congress reflecting that agreement.³

At a June 1990 hearing on S. 2358, before the Subcommittee on Communications of the Senate Commerce, Science, and Transportation Committee, songwriters, music publishers, and performing rights societies opposed the legislation on the grounds that no provision was made for royalty payments and that the legislation must include all digital audio recording technology.⁴ The opponents took their dispute to the courts the next month by filing suit against the Sony Corporation for contributory copyright infringement.⁵

Negotiations among record companies, hardware manufacturers, music publishers, songwriters, and performing rights societies then took place, resulting in agreement in June 1991. That agreement was reflected in two companion bills, H.R. 3204, introduced by Chairman Brooks and Subcommittee

Cong., 1st Sess. (1987) [House Committee on the Judiciary Serial No. 6]. See in particular pages 54-61 (describing Copycode system); 69-85 (criticizing Copycode system).

² If the original tape is an analog formatted sound recording, one additional copy may be made because the transfer from analog to digital does not result in SCMS encoding under current technology. The encoding will thus occur at the next step, when the digital copy made from the analog source is itself copied.

³ H.R. 4096 (Waxman); S. 2358 (DeConcini), 101st Cong., 2d Sess.

⁴ The Philips Corporation had announced plans for a Digital Compact Cassette player capable of playing both digital and analog tapes, and the Sony Corporation had announced plans to introduce a "Mini-Disc" player.

⁵ *Cahn v. Sony Corporation*, 90 Civ. 4537 (S.D.N.Y. filed July 9, 1990).

Chairman Hughes on August 2, 1991, and S. 1623, introduced by Senator DeConcini and numerous cosponsors on August 1, 1991.⁶ The Subcommittee on Intellectual Property and Judicial Administration held hearings on H.R. 3204 on February 19, 1992. Testimony was received from: singer and songwriter Barry Manilow; Stanson Nimiroski, Vice President, Pitman Manufacturing, Sony Music Entertainment; Joseph Smith, President and CEO, Capitol EMI Music, Inc.; John Roach, President, Chairman of the Board and CEO, Tandy Corporation; George David Weiss, President, Songwriters Guild of America; Professor Jessica Litman, Wayne State University Law School; Dr. Irwin Lebow (engineer); and Wayne Green, publisher of "CD Review."

COMMITTEE VOTE

On August 11, 1992, a reporting quorum being present, the Committee ordered H.R. 3204 reported to the full House by voice vote, as amended.

LEGISLATIVE HISTORY

H.R. 3204 was introduced on August 2, 1991 by Mr. Brooks and Mr. Hughes, and was referred jointly to the Committees on the Judiciary, Energy and Commerce, and Ways and Means. Based on the hearing record developed during the 101st Congress and this Congress, the Subcommittee on Intellectual Property and Judicial Administration marked up H.R. 3204 on July 31, 1992.

DISCUSSION

111

BACKGROUND

Issues concerning federal copyright liability for home taping of audio recordings may be traced to the early 1970's, when Congress first extended protection to sound recordings.⁷ Language in this Committee's 1971 report⁸

⁶ On March 25, 1992, H.R. 4567, a similar bill, was introduced by Ms. Collins, and referred jointly to the Committees on the Judiciary, Energy and Commerce, and Ways and Means. On June 2, 1992, the Energy and Commerce Committee ordered H.R. 4567 to be favorably reported with an amendment in the nature of a substitute. On August 5, 1992, the Energy and Commerce Committee filed its report, H.R. Rep. No. 102-780, Part 1.

⁷ Act of October 15, 1971, P.L. 92-140, 92d Cong., 1st Sess., 85 Stat. 391 (effective February 15, 1972).

⁸ See H.R. Rep. No. 487, 92d Cong., 1st Sess. 7 (1971): "In approving the creation of a limited copyright in sound recordings it is the intention of the Committee that this limited copyright not grant any broader rights than are accorded to other copyright proprietors under existing title 17. Specifically, it is not the

and in floor remarks,⁹ gave support to those claiming that home taping does not constitute copyright infringement. Others,¹⁰ however, have taken the position that home taping may be actionable, based on the absence of similar language in the 1971 Senate report and in any of the reports accompanying the 1976 Act.¹¹

intention of the Committee to restrain the home recording from broadcasts or from tapes or records, of recorded performances, where the home recording is for private use and with no purpose of reproducing or otherwise capitalizing commercially on it. This practice is common and unrestrained today, and the record producers and performers would be in no different position from that of the owners of copyright in recorded musical compositions in the past 20 years." This language did not appear in the Senate report.

⁹ 117 Cong. Rec. H34748-34749 (October 4, 1971):

Mr. KAZEN, Am I correct in assuming that the bill protects copyrighted material that is duplicated for commercial purposes only?

Mr. KASTENMEIER. Yes.

Mr. KAZEN. In other words, if your child were to record off of a program which comes through the air on the radio or television, and then used it for his or her own personal pleasure, this use would not be included under the penalties of this bill?

Mr. KASTENMEIER. This is not included in the bill. I am glad the gentleman raises the point.

On page 7 of the report, under "Home Recordings," Members will note that under the bill the same practice which prevails today is called for, namely, this is considered both presently and under the proposed law to be fair use. The child does not do this for commercial purposes. This is made clear in the report.

For comments on this colloquy and a similar one at "Hearings on S. 646 and H.R. 6927 Before Subcommittee No. 3 of the House Committee on the Judiciary," 92d Cong., 1st Sess. 22-23 (1971), see *Sony Corp. of America v. Universal City Studios, Inc.*, 480 F. Supp. 429, 445-446 (C.D. Cal. 1979); rev'd 659 F.2d 963, 968 n.8 (9th Cir. 1981); rev'd, 464 U.S. 417, 470-474 (1984) (Justice Blackmun, dissenting).

¹⁰ See Statement of Register of Copyrights Before the Subcommittee on Intellectual Property and Judicial Administration, House Committee on the Judiciary, February 19, 1992 at pages 3-10; Nimmer, "Copyright Liability for Audio Home Recording; Dispelling the Betamax Myth," 68 Va. L. Rev. 1505 (1982).

¹¹ Compare H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 66 (1976) ("It is not intended to give [taping] any special status under the fair use provision or to sanction any reproduction beyond the normal and reasonable limits of fair use") with S. Rep. No. 94-473, 94th Cong., 1st Sess. 2d 66 (1975) ("The committee does not intend to suggest, however, that off-the-air recording for convenience would under any circumstances, be considered fair use"). Additionally, the provisions of the 1971 Sound Recording Act did not and were not intended to survive the omnibus revision of the 1976 Act. See also May 25, 1971 letter from the Librarian of Congress, reproduced in H.R. Rep. No. 92-487, 92d Cong., 1st Sess. 10 (1971): "Upon enactment of the revision bill [this bill] would, of course, be merged into the larger pattern of the revised statute as a whole."

The issue of home taping arose again in 1984, when the Supreme Court decided *Sony Corporation of America, Inc. v. Universal City Studios, Inc.*¹² This case involved a suit for contributory infringement against the manufacturer of the Betamax videocassette recorder for "time-shifting" of free, over-the-air broadcast programming by consumers. Based on the fact that the copyrighted works were broadcast on free television, the time-shifting purpose of the taping, and other factors, the Court permitted the copying as fair use.

Although the precedential value of the *Betamax* decision for audio home taping has been sharply debated, the Court's ruling led to calls for a royalty regime for both video and audio works. Congress did not prove receptive to such proposals. The *Betamax* decision did coincide, though, with the introduction of digital audio recording technology, initially in the form of compact discs. Because compact discs could not be recorded over, they did not pose a significant home-taping issue.¹³ This situation changed in 1987, with the development of digital audio tape (DAT) machines. Because of the digital nature of the medium, record companies believed that near perfect serial copies of DAT tapes could be made. Negotiations with hardware manufacturers to include copy prevention circuitry were unsuccessful, although the manufacturers did agree to adopt a different digital sampling rate for DAT machines than for compact discs, thereby making impossible direct CD to DAT copies.¹⁴ At this point, the record companies sought their own technological solution, in the form of the CBS Copycode system discussed above.

112

H.R. 3204 AS INTRODUCED

As introduced on August 2, 1992, H.R. 3204 reflected the June 1991 agreement among record companies, hardware manufacturers, songwriters, music publishers, and performing rights societies. The essential elements of the agreement were:

An exemption from copyright infringement for consumers engaging in noncommercial copying of digital and analog music.

Inclusion of all digital recording technologies (DAT, DCC, Mini-Disc, etc.).

A requirement that these technologies include a system to prevent serial copying, with an exclusion for professional models.

¹² 464 U.S. 417 (1984).

¹³ See H.R. Rep. No. 100-776, 100th Cong., 2d Sess. 2 (1988) (in discussing the 1984 Record Rental Amendment, the Committee stated "although the advent of compact discs was foreseen, it was not predicted that they would eventually comprise a large part of the market for sales of prerecorded music").

¹⁴ One could, though, copy a CD onto an analog tape, and then copy the analog tape on to a DAT tape. The quality of the copy would, however, deteriorate.

Royalty payments for import or manufacture of digital audio recording devices set at 2 percent of transfer price with a minimum payment of \$1 and a maximum payment of \$8 for single machines and \$12 for dual port machines.

Royalty payments for import or manufacture of digital audio recording media set at 3 percent of the transfer price.

Royalties to be divided into two separate funds as follows:

Music Works Fund ($\frac{1}{3}$ of the royalties): 50 percent to songwriters, 50 percent to music publishers;

Sound Recording Fund ($\frac{2}{3}$ of the royalties): $2\frac{3}{8}$ percent to the American Federation of Musicians for the benefit of nonfeatured musicians, $1\frac{3}{8}$ percent to the American Federation of Television and Recording Artists for the benefit of nonfeatured vocalists.

The remaining 96 percent to be divided as follows:

60 percent to record companies;

40 percent to featured performers.

113

These elements were embodied in a 57-page bill that incorporated by reference a 37-page "Technical Reference Document" setting forth the specifications for the "Serial Copy Management Systems."¹⁵ Obviously, H.R. 3204 as introduced contained a great many details beyond the essential features.

AMENDMENTS

In the period from the Subcommittee's February 19, 1992 hearing until its July 31, 1992 mark-up, considerable effort was made to improve the bill through redrafting. The Subcommittee succeeded in this effort, producing a 28-page bill that preserves the essentials of the agreement. The major amendments made to H.R. 3204 may be summarized as follows:

STRUCTURE OF THE BILL

H.R. 3204 as reported by the Committee rearranges the order of the sections of the bill as introduced to track more closely the flow of the obligations and penalties contained in the legislation. One section, section 1016 of the bill as introduced, was deleted in its entirety. This provision permitted privately negotiated alternative collection and distribution systems. The Committee deleted this provision after concluding that a statutory scheme

¹⁵ Under H.R. 3204 as introduced, the Technical Reference Document was to appear in this report and be published in the Federal Register by the Secretary of Commerce within ten days from the date of enactment. Although section 1022(a) of S. 1623 as passed also includes the Federal Register requirement, S. 1623 includes the Technical Reference as section 5 of the bill.

will better protect the interests of individual composers and performers, and smaller publishers and record companies.

DEFINITIONS

Added definitions

A definition of "digital musical recording" has been added, with revisions reflecting exemptions for talking books and computer programs.

A definition of "serial copying" has been added reflecting the approach taken in new section 1002 permitting systems other than "Serial Copy Management System" to be implemented so long as they prevent serial copying of digital musical recordings.

Amended definitions

The definition of "interested copyright party" has been amended to include featured performers.

Deleted definitions

"Interested Manufacturing Party." This definition[] was deleted principally in light of amendments made to the remedies section, discussed below under section 1009, and the deletion of the negotiated collection and distribution provision.

"Serial Copy Management System" and "Technical Reference Document." These definitions were deleted in light of the alternative forms for preventing serial copying, discussed below in the section-by-section analysis under section 1002, and the Committee's policy decision to avoid any inappropriate delegation of Congressional responsibility to private parties.

114

The definition of "Serial Copy Management System" in the bill as introduced referred to the system for regulating serial copying by digital audio recording devices as set forth in the "Technical Reference Document," or to a system covered by an order of the Secretary of Commerce, or to a system that conformed to the requirements of old section 1021(a)(1)(C). This was less a definition and more an incorporation of the "Technical Reference Document." The Technical Reference Document does not, however, contain a definition of the "Serial Copy Management System." Instead, the Technical Reference Document describes the functional and technical characteristics of that system, while also containing narrative discussion of other issues, such as copying of analog source material, that raise important policy questions.

After considera[ble] review of the Serial Copy Management System and the Technical Reference Document, the Committee concluded that any incorporation of the entire Technical Reference Document directly into legisla-

tion or indirectly through an agency regulation is inconsistent with Congress's responsibility to make the policy decisions implied by that document. Nor does the Committee believe that the "Serial Copy Management System" need be the sole serial copying regulation system. Accordingly, both definitions have been deleted.

Although current section 1002(a)(1) specifies that the "Serial Copy Management System" is an acceptable system for preventing serial copying, the term is left undefined. The Committee intends the term "Serial Copy Management System" to be construed as meaning only the functional and technical characteristics as set forth in the Technical Reference Document, as reproduced in the report of the Energy and Commerce Committee, H.R. Rep. No. 102-780, Pt. 1, 102d Cong., 2d Sess. 32-50 (1992). This citation to that Technical Reference Document should not be construed as incorporating by reference that entire document. The Committee intends merely to provide interested parties with a convenient place to review the technical and functional characteristics of the "Serial Copy Management System."

OTHER DELETIONS

The Committee deleted a provision found in section 1002(b)(4) of the bill as introduced which would have given the Secretary of Commerce authority to issue an order approving standards and specifications for regulating the serial copying of copyrighted works input through an analog converter contained in a digital audio recording device in a manner equivalent to that currently used for copyrighted works input in a digital format. The Committee believes that this issue raises policy questions that are appropriately addressed in the future by the Congress. The deletion reserves this issue to the Congress.

115 The bill as reported by the Committee deletes a provision in section 1031(a) of the bill as introduced that would have granted an "interested manufacturing party" and the Attorney General standing to sue. The Committee believes it unnecessary to grant the Attorney General standing[,] while interested manufacturing parties are no longer eligible to receive actual or statutory damages under current section 1009(d).

Section 1031(e) of the bill as introduced contained a provision barring the bringing of more than one action, and more than one award of statutory damages, for failure to pay royalty payments. The bill as reported by the Committee deletes this provision as unnecessary.

As introduced, section 1032 of H.R. 3204 had a provision for mandatory, binding arbitration of any disputes between interested manufacturing parties and interested copyright parties. This provision, found in current section 1010, has been revised to be consensual, and limited to arbitration before first distribution in the United States of digital audio re-

ording devices or digital audio interface devices for the purpose of determining whether such devices are subject to the serial copy prevention requirements of section 1002. The Committee in making these revisions was concerned that mandatory, binding arbitration might be unfair, such as to small music publishers, record companies, and performers. The arbitration provisions in current section 1010 are patterned after those in section 119 of title 17.

INCORPORATION OF COPYING CONTROLS

This provision is found in section 1002 of the current bill and was in section 1021 of the bill as introduced. As introduced, the bill mandated use of the Serial Copy Management System (SCMS) or a system that achieved the same functional characteristics as and was compatible with the prevailing method for implementing SCMS. By contrast, the approach now taken in the bill is result-oriented: SCMS and systems that have the same functional characteristics as and are compatible with SCMS automatically qualify under the bill. Any other system certified by the Secretary of Commerce as prohibiting serial copying of copyrighted works embodied in digital musical recordings meets the requirements of the Act. Because of this alternative to SCMS, all references to the Technical Reference Document have been deleted for the bill.

ENTITLEMENT TO ROYALTY PAYMENTS

In contrast to section 1014 of the bill as introduced, section 1006 of the bill as reported permits featured performers to receive directly the 40 percent of the Sound Recording Fund allocated to them. Record companies wanted to collect these royalties and disburse them to featured performers solely according to the terms of their general contracts. Under those contracts, record companies typically advance monies to performers and then recoup the advance from record sales and other revenue generating sources. So-called "cross-collateralization" contracts extend this arrangement for multiple album deals. The Committee is strongly of the view that the statutory allocation formula should result in distribution according to that formula. Accordingly, through the above-discussed change in the definition of "interested copyright party" featured performers may receive their royalties directly.

A final change in this section reflects an amendment made to the 4 percent of the Sound Recordings Fund received by nonfeatured musicians and vocalists. $2\frac{5}{8}$ percent of this 4 percent is to be placed into an escrow account managed by an independent administrator jointly appointed by the interested copyright parties described in section 1001(7)(A) and the American Federation of Musicians (or any successor entity) for the benefit of

nonfeatured musicians (whether or not they are members of the AFM) who have performed on sound recordings distributed in the United States. The remaining 1 $\frac{3}{8}$ percent of the 4 percent is to be placed in an escrow account to be managed by an independent administrator jointly appointed by the record companies and the American Federation of Television and Radio Artists (or any successor entity) for the benefit of nonfeatured vocalists (whether or not they are members of AFTRA) who have performed on sound recordings distributed in the United States.

NEGOTIATED COLLECTION AND DISTRIBUTION ARRANGEMENTS

Section 1016 of H.R. 3204 as introduced permitted interested copyright parties and interested manufacturing parties to negotiate among themselves for alternative methods to the statutory scheme for collection, distribution, or verification of royalty payments.

The Committee believes that former section 1016 vested too much authority in private parties to alter a legislative scheme, and with possibly adverse effects on independent record companies and small music publishers. Accordingly, the section was deleted from the bill as reported.

CIVIL REMEDIES

H.R. 3204 limits liability to civil penalties. As introduced, the bill contained high mandatory minimum statutory damages coupled with substantial maximum statutory damages. Additionally, defined "interested manufacturing parties" were permitted to sue and to receive statutory damages for other manufacturers' violations of the serial copy prevention requirements. As reported, H.R. 3204 scales back the amount of statutory damages, eliminates statutory damages for violations of the royalty obligation provisions, and eliminates the eligibility of manufacturing parties to receive actual or statutory damages for violations of sections 1002 and 1003. In order to provide a deterrence for those who would refuse to pay royalties until sued, the bill gives courts the discretion to award up to 50 percent additional damages for first time violations, and to double the damages for repeat violations committed by the same person within three years of final judgment for a previous violation.

SECTION-BY-SECTION ANALYSIS OF THE AMENDMENT IN THE NATURE OF A SUBSTITUTE

SECTION 1001: DEFINITIONS

Section 1001 contains definitions of a number of key terms in the bill. These include:

1 *"Digital Audio Interface Device" (§ 1001(2))*

As introduced, the bill defined "digital audio interface device" by reference to the Technical Reference Document. As reported by the Committee, the bill no longer refers in any way to the Technical Reference Document. Accordingly, the definition of "digital audio interface device" was amended to describe the function of such a device, namely, to communicate digital audio information regarding the copyright and generation status of the work to a digital audio recording device.

"Digital Musical Recording" (§ 1001(5))

The principal purpose of the new term "digital musical recording" is to avoid using the term "phonorecord" as currently defined in section 101 of title 17 to define the material objects covered by H.R. 3204. The Committee concluded that use of "phonorecord" in this context is undesirable for two reasons. First, recorded literary works such as "talking books" are fixed in "phonorecords" rather than in "copies." Since talking books are excluded from the bill, use of "phonorecord" would have required an amendment to that definition to avoid sweeping in recorded literary works. The Committee believes that the better approach is to adopt a new term that addresses the copying of digitally-formatted music, and thus "digital musical recording" was selected.¹⁶ Second, using this new term in lieu of "phonorecord" avoids any impact on other unamended provisions of the current Copyright Act, such as section 115, which grants a compulsory license for the making and distributing of phonorecords of nondramatic musical works.

In drafting a definition of "digital musical recording," the Committee faced certain difficulties. Digitally-formatted music is played back or reproduced in part through a series of statements or instructions to digital music equipment that resembles, if not, comprises, a computer program as defined in 17 USC § 101 (1980). As with "talking books," the bill specifically excludes computer programs (which generally are classified under the Copyright Act as literary works). In addition to containing an express exclusion of computer programs in the definition of "digital musical recording," the Committee expressly includes the technical embodiment of statements of instruc-

¹⁶ See section 1001(5)(B)(i) of the bill, which excludes from the definition of "digital musical recording" a material object "in which the fixed sounds consist entirely of spoken word recordings," and section 1005(C)(i) (defining "spoken word recording"). Another issue with respect to spoken word recordings concerns "incidental musical or other sounds" that may accompany a spoken word recording. Some talking books contain short bridge passages denoting page breaks or the end of chapters. Where such music is incidental (defined in section 1005(C)(ii) as "related to and relatively minor by comparison") it is not covered by the provisions of the bill.

tions incidental to the playback or reproduction of music by referencing such statements or instructions in both sections 1001(5)(A)(i) and (B)(ii).

“Distributed” (§ 1001(6))

“Distributed” is defined as the sale, lease, or assignment of a product to consumers in the United States, or for ultimate transfer to consumers in the United States.

118

1 *“Interested Copyright Party” (§ 1001(7))*

This definition has significance for a number of provisions of the bill, including distribution of royalties from the Copyright Royalty Tribunal, ability to enter into negotiated agreements regarding distribution, and standing to sue.

Section 1008(b)(1) provides that of the 66 $\frac{2}{3}$ percent of the royalty payments deposited pursuant to section 1005, 60 percent of such amount is to be distributed to owners of exclusive rights under section 106(1) of title 17 to reproduce a sound recording of a musical work (typically a record company), and 40 percent is to be distributed to featured recording artists who perform on distributed sound recordings, after first deducting 4 percent for the benefit of nonfeatured musicians and nonfeatured vocalists. Since featured recording artists are defined as “interested copyright parties,” they may receive directly their royalties, enter into negotiated arrangements for royalty distribution under section 1007(a)(2), and sue for violations of the Act.

The term “featured recording artist” is not defined since it is a term of art in the industry. Generally, however, the term includes instrumentalists, vocalists, conductors, narrators, or other persons who play in, sing, or otherwise perform a musical work or sound recording.

Other provisions of the definition of “interested copyright party” bear explanation. Section 1001(7)(D) refers to any association or other organization representing (1) owners of exclusive rights to reproduce sound recordings of musical works; (2) legal or beneficial owners of, or persons who control the right to reproduce musical works in digital or analog musical recordings; (3) featured recording artists performing on sound recordings; and, (4) any association or organization that is “engaged in licensing rights in musical works to music users on behalf of writers and publishers,” i.e., performing rights societies such as ASCAP and BMI. These various associations and organizations are not themselves directly entitled to receive royalties: only those individuals or organizations specified in section 1006(a) receive royalties directly. Nevertheless, these associations and organizations may be designated as common agents to negotiate and receive payment for royalties on behalf of others pursuant to section 1007(a)(2).

“Music Publisher” (§ 1001(9))

Section 1001(9) defines a “music publisher” as “a person authorized to license the reproduction of a particular musical work in a sound recording.”

“Serial Copying” (§ 1001(11))

A definition of “serial copying” has been added which reflects the approach taken in section 1002. That section permits systems other than the Serial Copy Management System (SCMS) to be implemented as long as they can prevent unauthorized serial copying of digital musical recordings. The genesis of the legislation was concern by copyright owners that the fidelity of digital reproductions of recorded music would lead to massive unauthorized copying, significantly displacing sales. SCMS was designed to provide a technological method of prohibiting such copying without impairing the sound quality. Under SCMS (or any alternative future serial copying regulation system), consumers will be able to make an unlimited number of copies from a digital musical recording. However, due to encoding that takes place on a digitally-formatted copy made from a digital musical recording, no further copies may be made from that copy. To paraphrase a Supreme Court opinion in a different context, consumers “are free to copy from the original, but they may not copy from the copy.”¹⁷ “Serial copying” is copying from the copy.

119

Even though the focus of the legislation is on digitally-formatted music, the Committee recognizes both that a significant amount of such music was (or may continue to be) recorded by analog rather than digital means, and, that recorded music issued in an analog format may also be copied onto a digital format. The term “serial copying” encompasses musical works and sound recordings whether originally recorded in a digital or an analog format and then copied into digital form.

“Transfer Price” (§ 1001(12))

The “transfer price” of a digital audio recording device or a digital audio recording medium is defined in this section, with provisions for both imported and domestic products, and products where the transferor and transferee are related entities or within a single entity.

“Writer” (§ 1001(13))

Section 1001(13) defines “writer” as “the composer or lyricist of a particular musical work.”

¹⁷ *Bleistein v. Donaldson Lithographing Company*, 188 U.S. 239 (1903).

SECTION 1002: INCORPORATION OF COPYING CONTROLS

Section 1002(a) contains a key component of the legislation: the requirement that digital audio recording devices and digital audio interface devices contain a system of regulating serial copying of copyrighted musical works embodied in digital musical recordings.

The Committee recognizes that SCMS has been subjected to extensive review by the affected industries and relevant international scientific standards bodies and that substantial investments have been made in products utilizing SCMS. For these reasons, SCMS automatically qualifies under the bill as satisfying the requirements of section 1002(a). At the same time, the Committee does not wish to discourage the future development of alternative methods of regulating serial copying which achieve the desired result of prohibiting unauthorized serial copying of copyrighted works embodied in digital musical recordings.

Under section 1002(a) any other system besides SCMS that prohibits unauthorized serial copying of such works may also be utilized. Section 1002(b) directs the Secretary of Commerce to prescribe, by regulation, its requirements.

120 Section 1002(c) prohibits the importation, manufacture, or distribution of devices, or the offer to perform or performance of any service, the primary purpose of which is to avoid, bypass, remove, deactivate, or otherwise circumvent serial copy regulation systems.

Sections 1002(d) and (e) concern encoding of inaccurate information. Although section 1002(d)(2) states that no person engaged in the importation or manufacture of digital musical recordings is required to encode the copyright status of a musical composition or sound recording on such a digital musical recording, under section 1002(d)(1), no person may encode inaccurate information relating to the category code, copyright status, or generation status of the source material for a sound recording. However, if such information is encoded, the bill requires that it be encoded accurately. A parallel provision with respect to copyright status of sound recordings broadcast to the public is provided in section 1002(e).

SECTION 1003: OBLIGATION TO MAKE ROYALTY PAYMENTS

This provision requires persons who import and distribute, or manufacture and distribute, any digital audio recording device or digital audio recording medium, to file quarterly and annually with the Copyright Office the notices and statements of account prescribed by sections 1003(b) and (c), and to deposit with the Copyright Office the appropriate royalty payments specified in section 1004.

Section 1003(c)(2) requires that each statement of account be certified as accurate by an authorized officer or principal of the importer or manufac-

turer. Due to the nature of the material contained in the statements of account, this section also directs the Register of Copyrights to issue regulations providing for the verification and audit of these statements, and protecting the confidentiality of the information contained therein. These regulations shall provide for the disclosure, in confidence, of such statements to interested copyright parties.

SECTION 1004: ROYALTY PAYMENTS

Section 1004 sets forth the royalty payments due under section 1003 for each digital audio recording device and digital audio recording medium imported into and distributed in the United States, or manufactured and distributed in the United States. As the provisions of § 1004(a)(1) and (b) make clear, only the first person to import and distribute or manufacture and distribute the device or medium is required to make the royalty payment. Thus, only one royalty payment is to be made per device or medium.

Royalties for digital audio recording devices

The royalty for digital audio recording devices is set, in section 1004(a)(1), at 2 percent of the transfer price of the device.¹⁸ Special considerations apply, however, for digital audio recording devices first distributed in combination with one or more similar devices or other components, such as tuners and receivers, whether as a physically integrated unit, or as separate components:

1 Where the device is part of a physically integrated unit, the royalty is based on the transfer price of the unit, reduced by any royalty previously paid for any digital audio recording device previously distributed separately from the physically integrated unit but now a part thereof.

121

Where the device is not part of a physically integrated unit, but is sold in combination with other devices, and substantially similar devices have been distributed separately at any time during the preceding 4 calendar quarters, the royalty payment is based on the average transfer price of such substantially similar devices during those 4 quarters.

Where the device is not part of a physically integrated unit, but is sold in combination with other devices, and substantially similar devices have not been separately distributed at any time during the preceding 4 calendar quarters, the royalty is based on a constructed price reflecting the proportional value of the device to the combination of devices as a whole.

The first example above concerns so-called "boom boxes." The last two

¹⁸ The term "transfer price" of a digital audio recording device or digital audio recording medium is defined in § 1001(12).

examples concern digital audio recording devices sold as part of a retail package along with other stereo components.

A minimum of \$1 and a maximum of \$8 for each digital audio recording device is provided, except in the case of a physically integrated unit containing more than one such device, where the maximum payment is \$12 (§ 1004(a)(3)).

Royalties for digital audio recording

The royalty for digital audio recording media is set at 3 percent of the transfer price (§ 1004(b)).

SECTION 1005: DEPOSIT OF ROYALTY PAYMENTS

This section requires the Register of Copyrights to receive all royalties under this Chapter and, after deducting reasonable costs incurred in carrying out the responsibilities under this Chapter, to deposit such royalties in the United States Treasury. These royalties are to be treated as off-setting receipts.

The Copyright Office is also required to submit to the Copyright Royalty Tribunal, on a quarterly basis, such information as that Tribunal requires to perform its functions under this Chapter.

SECTION 1006: ENTITLEMENT TO ROYALTY PAYMENTS

Section 1006 sets forth which interested copyright parties are entitled to royalties under the bill: those whose musical work or sound recording has been embodied in lawfully made, distributed¹⁹ phonorecords, or in transmissions to the public.

Royalty funds

Royalties received by the Copyright Office and deposited into the United States Treasury are to be divided into two funds: the Sound Recording Fund and the Musical Works Fund.

122 *Sound recording fund (§ 1006(b)(1))*

The Sound Recording Fund is to receive $66\frac{2}{3}$ percent of all royalties, and is to be divided as follows among the various groups.

¹⁹ The term "distributed" is defined in § 1001(6).

Nonfeatured musicians and nonfeatured vocalists

Of the $66\frac{2}{3}$ percent of all royalties, 4 percent is first to be placed into two escrow accounts for the benefit of nonfeatured musicians and nonfeatured vocalists. Of this 4 percent, $2\frac{5}{8}$ percent is to be placed into an escrow account managed by an independent administrator appointed jointly by record companies and the American Federation of Musicians (or any successor entity), and distributed to nonfeatured musicians (regardless of whether they are members of the AFM or any successor entity) who have performed on sound recordings distributed in the United States.²⁰ The remaining $1\frac{3}{8}$ percent of the 4 percent is to be placed into an escrow account managed by an independent administrator appointed jointly by record companies and the American Federation of Television and Radio Artists (or any successor entity), and distributed to nonfeatured vocalists (regardless of whether they are members of AFTRA or any successor entity) who have performed on sound recordings distributed in the United States.²¹

Record companies and featured performers

The remaining amount of the Sound Recording Fund (96 percent of the $66\frac{2}{3}$ percent of the total royalties) is to be divided 60 percent to record companies and 40 percent to featured performers.

The 60 percent portion goes to "the interested copyright parties described in section 1001(7)(A)." Section 1001(7)(A) describes such an interested copyright party as "the owner of the exclusive right under section 106(1) of this title to reproduce a sound recording of a musical work that has been embodied in a musical recording lawfully made under this title that has been distributed." Typically this will be a record company; however, it is possible that an individual could own the right.

The 40 percent portion goes to "the interested copyright parties described in section 1001(7)(C)." Section 1001(7)(C) describes such an interested copyright party as "a featured recording artist who performs on a sound recording that has been distributed." The reference in this report to "featured performer" is merely a shorthand for the more precise definition in section 1001(7)(C).

Musical works fund (§ 1006(b)(2))

$33\frac{1}{3}$ percent of the total royalties are allocated to the Musical Works

²⁰ The performance need not have been recorded in the United States, since the bill is not limited to United States authors or performers.

²¹ As with the fund for nonfeatured musicians, the performance by nonfeatured vocalists need not have been recorded in the United States, since the bill is not limited to United States authors or performers.

Fund. This 33 $\frac{1}{3}$ percent is to be divided 50 percent to music publishers and 50 percent to writers.

Concern has been expressed about the prefatory language in section 1006(b)(2)(B) that this 50-50 division is to be accomplished "Notwithstanding any contractual obligation to the contrary," especially in light of the absence of similar language in the divisions for the Sound Recording Fund. The Committee intends the statutory allocations to fix the percentage of royalties that the various groups of interested copyright parties are to receive from the two funds. Contractual provisions, whether existing or future, that would alter these allocations are preempted by this bill. On the other hand, once the distribution of the royalty payment has been made according to the statutory allocation, the bill does not seek to place restrictions on how the recipients may spend their royalties. The presence of the prefatory language in the Musical Works Fund, and its absence in the Sound Recording Fund, is not intended to indicate a different result at either the distribution or post-distribution steps.

Agreements on division of royalties within groups (§§ 1006(c), 1007(a)(2))

Section 1007(a)(2) permits all interested copyright parties within a group entitled to royalties under section 1006(b), free of antitrust liability, to agree among themselves as to the proportionate division of royalty payments, to lump their claims together and to file them jointly or as a single claim, and to designate a common agent to receive payment and negotiate on their behalf, but not to modify the allocation of royalties specified in section 1006(b). For example, with respect to the 50 percent of the Musical Works Fund allocated to writers, writers eligible to file a claim can negotiate among themselves regarding who should receive how much of the 50 percent, or could appoint common agents, for example, one of the other interested copyright parties defined in section 1001(7)(D), to negotiate and file claims on their behalf.

Section 1006(c) states that if these negotiations are not successful, the Copyright Royalty Tribunal shall allocate the royalties. For the Sound Recording Fund, this allocation shall be based on the extent to which during the relevant period "each sound recording was distributed in the form of phonorecords." (§ 1006(c)(1)). For the Musical Works Fund, this allocation shall be based on the extent to which "each musical work was distributed in the form of phonorecords or disseminated to the public in transmission." "Phonorecords" includes analog recordings.

SECTION 1007: PROCEDURES FOR DISTRIBUTING ROYALTY PAYMENTS

Section 1007 concerns the procedures for distributing royalties. Within the first two months of each calendar year after the calendar year in which this chapter takes effect, every interested copyright party seeking to receive

royalty payments is required to file a claim with the Copyright Royalty Tribunal (CRT) for royalties collected during the preceding year (§ 1007(a)(1)). Section 1007(b) states that within 30 days after the period for filing claims, the CRT shall determine whether there is a controversy concerning the distribution of royalties within the various groups entitled to receive royalties, e.g., whether within the 50 percent of the Musical Works Fund allocated to writers, all writers who have filed claims agree or disagree concerning which writers are to receive how much of that 50 percent. If no such controversy exists, the CRT is directed to authorize the distribution of royalties as set forth in the parties' agreement, after the CRT deducts its reasonable administrative costs.

124

If the CRT finds a controversy does exist, under section 1007(c) it must conduct a proceeding to determine the distribution of royalty payments. Where an agreement has been reached for distribution of some of the funds, the Tribunal is directed to authorize the distribution of royalty payments covered by the agreement, and to withhold an amount sufficient to satisfy all claims with respect to which a controversy exists after deducting reasonable administrative costs.

SECTION 1008: PROHIBITION ON CERTAIN INFRINGEMENT ACTIONS

Section 1008 covers one of the critical components of the legislation: exemptions from liability for suit under title 17 for home taping of copyrighted musical works and sound recordings, and, for contributory infringement actions under title 17 against manufacturers, importers, and distributors of digital and analog audio recording devices and recording media. In the case of home taping, the exemption protects all noncommercial copying by consumers of digital and analog musical recordings. Manufacturers, importers, and distributors of digital and analog recording devices and media have a complete exemption from copyright infringement claims based on the manufacture, importation, or distribution of such devices and media.

SECTION 1009: CIVIL REMEDIES

Section 1009 sets forth the provisions on standing to sue and the relief available for violations of the Act.

Section 1009(a) permits any interested copyright party who is injured by a violation of the requirement to include a serial copy regulation system or to pay the appropriate royalties to bring a civil action in the United States District Courts against any person for such violation.

Section 1009(b) is catchall provision; it permits any person who can demonstrate injury from a violation of the Act to sue for actual damages incurred as a result of that injury.

Section 1009(c) permits, but does not mandate, the courts to issue tem-

porary and permanent injunctions (§ 1009(c)(1)); to allow the recovery of costs by or against any party other than the United States (§ 1009(c)(3)); and, to award a reasonable attorney's fee to the prevailing party (§ 1009(c)(4)). Section 1009(c)(2) states that in the case of a violation of the serial copying regulation requirements of section 1002, or, in the case of a failure to pay the proper royalties under section 1003, the court shall award damages under section 1009(d). Section 1009(f) permits the court to order the impounding of any digital audio recording device, digital recording medium, or device for circumventing serial copying prevention as specified in section 1002(c) during the pendency of an action brought under section 1009(a) if in the custody or control of the alleged violator and if the court has reasonable cause to believe that it does not comply with, or was involved with, a violation of the serial copying prevention requirements of section 1002. Section 1009(g) permits the court, as part of a final judgment or decree finding a violation of section 1002, to order the remedial modification or destruction of any digital audio recording device, digital audio recording, or bypass device specified in section 1002(c), if such device or recording does not comply with, or was involved in a violation of section 1002 and is in the custody or control of the violator, or was impounded under section 1009(f).

125

Section 1009(d) sets forth the two types of damages that the court may award, actual and statutory.

Actual damages: (§ 1009(d)(1)(A))

Section 1009(d)(1)(A) covers awards of actual damages for violations of sections 1002 and 1003. Clause (A)(i) has the effect of permitting the complaining party to elect between actual or statutory damages at any time before final judgment is entered. Clause (A)(ii) states that in the case of violations of the royalty provisions of section 1003, actual damages are the royalty payments which should have been paid under section 1004 and deposited with the Copyright Office. This clause also gives the court the discretion to increase the award by an amount not to exceed 50 percent of the actual damages, in order to provide a deterrence to those who fail to pay royalties or who fail to pay the proper royalties.

Statutory damages: (§ 1009(d)(1)(B))

Statutory damages, provided for in section 1009(d)(1)(B), are limited to violations of the section 1002 requirements on serial copying regulation. For importation, manufacture, or distribution of digital audio recording devices that do not conform to an approved method of serial copying regulation, the court may award statutory damages for each violation in an amount of not more than \$2,500 per device (§ 1009(d)(1)(B)(i)). For importation, manufacture, or distribution of any device, or the offer or performance of any service,

the primary purpose or effect of which is to avoid, bypass, remove, deactivate or otherwise circumvent the implementation of an approved serial copy regulation system, the court may award statutory damages for each device involved in the violation in an amount of not more than \$2,500 per device (§ 1009(d)(1)(B)(i)). For encoding of inaccurate information on a digital musical recording in violation of section 1002(d), the court may award statutory damages in an amount of not more than \$25 per digital musical recording involved in such violation (§ 1009(d)(1)(B)(ii)). For each transmission or communication of a sound recording in a digital format that contains inaccurate information regarding the copyright status of the sound recording in violation of section 1002(e), the court may award statutory damages for each such transmission or communication in an amount not to exceed \$10,000 (§ 1009(d)(1)(B)(iii)).

General principles of res judicata or collateral estoppel will apply to all suits brought under section 1009. Since awards of royalty payments go into a pool, rather than to individual litigants, the first award of statutory damages should be for the entire amount due the pool, thereby eliminating any incentive for repetitive suits. These same principles apply to litigation over alleged failure to comply with the serial copying regulation requirements: once it has been determined by a court that a digital device does or does not comply with the statutory requirements, the Committee believes it unlikely that further actions would be brought against the particular device. Of course, further actions could be brought for future violations.

126

Repeat violations: (§ 1009(d)(2))

This section is also concerned with deterrence. It permits the courts to increase the amount of damages to not more than double the amounts that would otherwise be awarded under paragraph (d)(1) in the case of persons who have violated the serial copy prevention requirements of section 1002 or the royalty provisions of section 1003 within three years after a final judgment against that person for another violation was entered.

Innocent violations of section 1002: (§ 1009(d)(3))

Where the court finds that a person who violated the serial copy regulation requirements of section 1002 was unaware and had no reason to believe that his or her acts violated that section, the court may reduce the award of damages to not less than \$250.

Damages to be deposited into royalty pool: (§ 1009(e))

All awards of damages under section 1009(d) are to be deposited with the Register of Copyrights pursuant to section 1005 for distribution to inter-

ested copyright parties and treated exactly like royalty payments made pursuant to section 1003. Thus, suits brought under section 1009(a) are to vindicate the rights of all interested copyright parties entitled to receive royalties, and not [] benefit solely those interested copyright parties who actually bring the suit.

SECTION 1010: ARBITRATION OF CERTAIN DISPUTES

Section 1010 permits consensual arbitration for disputes before distribution in the United States of digital audio recording devices or digital audio interface devices regarding whether such devices are subject to the serial copy prevention requirements of section 1002. The arbitration provisions are patterned after those in section 119 of title 17.

EFFECTIVE DATE

The Act and the amendments made by the Act shall take effect on the date of enactment.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

127

COMMITTEE ON GOVERNMENT OPERATIONS OVERSIGHT FINDINGS

No findings or recommendations of the Committee on Government Operations were received as referred to in clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 2(l)(3)(B) of House Rule XI is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill H.R. 3204, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
September 17, 1992.

Hon. JACK BROOKS,
*Chairman, Committee on the Judiciary,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 3204, the Audio Home Recording Act of 1992, as ordered reported by the House Committee on the Judiciary on August 11, 1992, and reflecting floor amendments proposed by the committee.

Because this bill would affect direct spending, it would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985. As a result, the estimate required under clause 8 of House Rule XXI is attached.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 3204.
2. Bill title: The Audio Home Recording Act of 1992.
3. Bill status: As ordered reported by the House Committee on the Judiciary on August 11, 1992, and reflecting floor amendments proposed by the Committee.

4. Bill purpose: H.R. 3204 would protect manufacturers, importers, and distributors of digital audio recorders and blank media from lawsuits claiming copyright infringement. The bill would require importers and manufacturers to pay royalties, which would be collected by the Copyright Office and deposited as offsetting receipts into two funds in the Treasury, a Sound Recordings Fund and a Musical Works Fund. The amounts in these funds would then be allocated among persons and groups whose audio works had been distributed to the public.

H.R. 3204 would designate those entitled to a share of the funds. The bill would establish a formula for dividing the royalty payments between the funds and for distributing the amounts in the funds. It also would establish a schedule of damages to be paid by those who violate requirements of the act. Finally, H.R. 3204 would direct the Copyright Office to oversee payments into the funds and the Copyright Royalty Tribunal (CRT) to administer their distribution.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1992	1993	1994	1995	1996	1997
Net direct spending:						
Estimated budget authority.....	0	-50	-2	-2	-1	-1
Estimated outlays	0	-50	-2	-2	-1	-1
Spending subject to appropriate action: ¹						
Estimated authorization level	0	(2)	(2)	(2)	(2)	(2)
Estimated outlays	0	(2)	(2)	(2)	(2)	(2)
Net increase or decrease (-) in the deficit	.0	-50	-2	-2	-1	-1

¹Approximately \$115,000 over the 1983-1997 period.²Less than \$500,000.

The budgetary impact of this bill falls within function 370.

Basis of estimate

Estimates of royalty payments are based on information provided by the Copyright Office and on an assumed enactment date early in fiscal year 1993. Payments for each quarter would be deposited into the funds within 45 days of the end of the quarter, would be recorded as offsetting receipts (that is, negative budget authority and outlays), and would accrue interest until disbursed. (Under the reported bill, royalty collections by the government would be categorized as federal revenues; the committee's floor amendments would specify that they be deposited as offsetting receipts to the Treasury.) Royalty payments into the funds are estimated to be \$73 million in fiscal year 1993, \$105 million in 1994, and larger amounts in subsequent years. Disbursements to interested parties would be mandatory and would count as direct spending, as would amounts paid to the Copyright Office and the CRT to cover costs associated with administration of the funds.

We assume that distributors would begin marketing digital audio recording devices and tapes in the first quarters of fiscal year 1993; therefore, we expect the Treasury to begin receiving royalty payments in February 1993. Disbursements to interested parties would be based on royalties accrued over the previous calendar year. Thus, while receipts would accrue over the entire 1993 fiscal year, disbursements in that year would include only the \$23 million in copyright payments accrued in calendar year 1992 (i.e., the first quarter of fiscal year 1993). As a result, receipts in fiscal year 1993 would exceed disbursements by about \$50 million. In later years, receipts and disbursements would both include amounts for an entire year.

¹Based on information from the CRT and the Copyright Office, CBO estimates that implementing H.R. 3204 would cost the federal government \$1.15 million over the next five years. Of this amount, \$115,000 would not be

recovered from payments to the funds. While the bill would provide that the Copyright Office and the CRT can recover costs associated with administering the funds, the Copyright Office would incur some unrecoverable costs in establishing the funds. As specified in appropriation bills, the CRT recovers only costs associated with fund distribution, which in 1992 are approximately 85 percent of total costs.

CBO assumes that the Congress will appropriate the full amounts authorized. We estimate accrued interest consistent with CBO baseline assumptions. Outlay estimates are based on historical spending patterns for similar activities.

6. Pay-as-you-go considerations: The Budget Enforcement Act of 1990 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. Enacting H.R. 3204 would affect direct spending, and the bill would therefore be subject to pay-as-you-go procedures. The following table summarizes the estimated pay-as-you-go impact of this bill.

[By fiscal year, in millions of dollars]

	1992	1993	1994	1995
Change in outlays	0	-50	-2	-2
Change in receipts	(¹)	(¹)	(¹)	(¹)

¹Not applicable.

As specified in the committee amendments, royalty payments paid into the funds would be counted as offsetting receipts, which are shown as negative outlays. Payments to interested parties would be mandatory and would count as direct spending, as would amounts paid to the Copyright Office and the CRT to cover costs associated with administration of the funds. CBO estimates that the impact of this bill for pay-as-you-go purposes would be a net decrease in the deficit of \$50 million in 1993 and smaller amounts in subsequent years.

7. Estimated cost to State and local governments: None.

8. Estimate comparison: None.

9. Previous CBO estimate: On June 9, 1992, the Congressional Budget Office prepared a cost estimate for S. 1623, a similar bill reported by the Senate Committee on the Judiciary on November 27, 1991, and reflecting floor amendments proposed by that committee. The estimated budgetary impact of H.R. 3204 is the same as that for S. 1623.

10. Estimate prepared by: John Webb.

11. Estimate approved by: Paul Van de Water for C.G. Nuckols, Assistant Director for Budget Analysis.

CONGRESSIONAL BUDGET OFFICE ESTIMATE¹

The applicable cost estimate of this act for all purposes of sections 252 and 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be as follows:

[By fiscal year, in millions of dollars]

	1992	1993	1994	1995
Change in outlays	0	-50	-2	-2
Change in receipts	(1)	(1)	(1)	(1)

¹Not applicable.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that H.R. 3204 will have no significant inflationary impact on prices and costs in the national economy.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter if printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 17, UNITED STATES CODE

§ 101. Definitions

[As used] *Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:*

An "anonymous work" is a work on the copies or phonorecords of which no natural person is identified as author.

* * * * *

¹ An estimate of H.R. 3204 as ordered reported by the House Committee on the Judiciary on August 11, 1992 and reflecting floor amendments proposed by the committee. This estimate was transmitted by the Congressional Budget Office on September 17, 1992.

CHAPTER 8—COPYRIGHT ROYALTY TRIBUNAL

§ 801. Copyright Royalty Tribunal: Establishment and purpose

(a) * * *

(b) Subject to the provisions of this chapter, the purposes of the Tribunal shall be—

(1) * * *

(2) to make determinations concerning the adjustment of the copyright royalty rates in section 111 solely in accordance with the following provisions:

1(A) * * *

* * * * *

(D) The gross receipts limitations established by section 111(d)(1)(C) and (D) shall be adjusted to reflect national monetary inflation or deflation or changes in the average rates charged cable system subscribers for the basic service of providing secondary transmissions to maintain the real constant dollar value of the exemption provided by such section; and the royalty rate specified therein shall not be subject to adjustment; [and]

(3) to distribute royalty fees deposited with the Register of Copyrights under sections 111, 116, and 119(b), and to determine, in cases where controversy exists, the distribution of such fees[.]; and

(4) to distribute royalty payments deposited with the Register of Copyrights under section 1003, to determine the distribution of such payments, and to carry out its other responsibilities under chapter 10.

131

§ 804. Institution and conclusion of proceedings

(a) * * *

* * * * *

(d) With respect to proceedings under section 801(b)(3) or (4), concerning the distribution of royalty fees in certain circumstances under section 111, 116, [or 119] 119, or 1007, the Chairman of the Tribunal shall, upon determination by the Tribunal that a controversy exists concerning such distribution, cause to be published in the Federal Register notice of commencement of proceedings under this chapter.

* * * * *

CHAPTER 9—PROTECTION OF SEMICONDUCTOR CHIP PRODUCTS

* * * * *

§ 912. Relation to other laws

(a) Nothing in this chapter shall affect any right or remedy held by any person under chapters 1 through 8 or 10 of this title, or under title 35.

(b) Except as provided in section 908(b) of this title, references to "this title" or "title 17" in chapters 1 through 8 or 10 of this title shall be deemed not to apply to this chapter.

* * * * *

CHAPTER 10—DIGITAL AUDIO RECORDING DEVICES AND MEDIA

Sec.

1001. Definitions.

1002. Incorporation of copying controls.

132 1003. Obligation to make royalty payments.

1004. Royalty payments.

1005. Deposit of royalty payments and deduction of expenses.

1006. Entitlement to royalty payments.

1007. Procedures for distributing royalty payments.

1008. Prohibition on certain infringement actions.

1009. Civil remedies.

1010. Arbitration of certain disputes.

§ 1001. Definitions

As used in this chapter, the following terms have the following meanings:

(1) A "digital audio copied recording" is a reproduction in a digital recording format of a digital musical recording, whether that reproduction is made directly from another digital musical recording or indirectly from a transmission.

(2) A "digital audio interface device" is any machine or device that reads or sends copyright and generation status information from a digital musical recording.

(3) A "digital audio recording device" is any machine or device, whether or not included with or as part of some other machine or device, the digital recording function of which is designed or marketed for the primary purpose of, and that is capable of, making a digital audio copied recording for private use, except for—

(A) professional model products, and

(B) dictation machines, answering machines, and other audio recording equipment that is designed or marketed primarily for the creation of sound recordings resulting from the fixation of nonmusical sounds.

(4)(A) A "digital audio recording medium" is any material object in a form commonly distributed for use by individuals, that is primarily marketed or most commonly used by consumers for the

purpose of making digital audio copied recordings by use of a digital audio recording device.

(B) Such term does not include any material object—

(i) that embodies a sound recording at the time it is first distributed by the importer or manufacturer; or

(ii) that is primarily marketed and most commonly used by consumers either for the purpose of making copies of motion pictures or other audiovisual works or for the purpose of making copies of nonmusical literary works, including computer programs or data bases.

(5)(A) A “digital musical recording” is a material object—

(i) in which are fixed, in a digital recording format, only sounds, and material, statements, or instructions incidental to those fixed sounds, if any, and

(ii) from which the sounds and material can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.

(B) A “digital musical recording” does not include a material object—

(i) in which the fixed sounds consist entirely of spoken word recordings, or

⊥(ii) in which one or more computer programs are fixed, except that a digital musical recording may contain statements or instructions constituting the fixed sounds and incidental material, and statements or instructions to be used directly or indirectly in order to bring about the perception, reproduction, or communication of the fixed sounds and incidental material.

(C) For purposes of this paragraph—

(i) “spoken word recording” is a sound recording in which are fixed only a series of spoken words, except that the spoken words may be accompanied by incidental musical or other sounds, and

(ii) the term “incidental” means related to and relatively minor by comparison.

(6) “Distribute” means to sell, lease, or assign a product to consumers in the United States, or to sell, lease, or assign a product in the United States for ultimate transfer to consumers in the United States.

(7) An “interested copyright party” is—

(A) the owner of the exclusive right under section 106(1) of this title to reproduce a sound recording of a musical work that has been embodied in a musical recording lawfully made under this title that has been distributed;

(B) the legal or beneficial owner of, or the person that controls, the right to reproduce in a musical recording a musical work that has been embodied in a musical recording lawfully made under this title that has been distributed;

(C) a featured recording artist who performs on a sound recording that has been distributed; or

(D) any association or other organization—

(i) representing persons specified in subparagraph (A), (B), or (C), or

(ii) engaged in licensing rights in musical works to music users on behalf of writers and publishers.

(8) To “manufacture” means to produce or assemble a product in the United States. A “manufacturer” is a person who manufactures.

(9) A “music publisher” is a person that is authorized to license the reproduction of a particular musical work in a sound recording.

(10) A “professional model product” is an audio recording device that is designed, manufactured, marketed, and intended for use by recording professionals in the ordinary course of a lawful business, in accordance with such requirements as the Secretary of Commerce shall establish by regulation.

(11) The term “serial copying” means the duplication of a copyrighted musical work from a copy of a copyrighted digital musical recording. The term “copy of a digital musical recording” does not include a digital musical recording that is distributed, by authority of the copyright owner, for ultimate sale to consumers.

(12) The “transfer price” of a digital audio recording device or a digital audio recording medium—

1(A) is, subject to subparagraph (B)—

(i) in the case of an imported product, the actual entered value at United States Customs (exclusive of any freight, insurance, and applicable duty), and

(ii) in the case of a domestic product, the manufacturer’s transfer price (FOB the manufacturer, and exclusive of any direct sales taxes or excise taxes incurred in connection with the sale); and

(B) shall, in a case in which the transferor and transferee are related entities or within a single entity, not be less than a reasonable arms-length price under the principles of the regulations adopted pursuant to section 482 of the Internal Revenue Code of 1986, or any successor provision to such section.

(13) A “writer” is the composer or lyricist of a particular musical work.

§ 1002. Incorporation of copying controls**(a) PROHIBITION ON IMPORTATION, MANUFACTURE, AND DISTRIBUTION.—**

(1) **SYSTEM PROHIBITING COPYING.**—No person shall import, manufacture, or distribute any digital audio recording device that does not contain the Serial Copy Management System or other system that prohibits serial copying of copyrighted works embodied in digital musical recordings.

(2) **DIGITAL AUDIO INTERFACE DEVICE.**—No person shall import, manufacture, or distribute any machine or device that is designed or marketed for the primary purpose of, and that is capable of, playing back digital musical recordings, unless such machine or device contains a digital audio interface device.

(b) **DEVELOPMENT OF SYSTEM.**—The Secretary of Commerce shall, not later than 45 days after the date of the enactment of this chapter, by regulation prescribe the requirements of the Serial Copy Management System or other system described in subsection (a)(1).

(c) **PROHIBITION ON CIRCUMVENTION OF THE SYSTEM.**—No person shall import, manufacture, or distribute any device, or offer or perform any service, the primary purpose or effect of which is to avoid, bypass, remove, deactivate, or otherwise circumvent any program or circuit which implements, in whole or in part, a system described in subsection (a)(1).

(d) ENCODING OF INFORMATION ON DIGITAL MUSICAL RECORDINGS.—

(1) **PROHIBITION ON ENCODING INACCURATE INFORMATION.**—No person shall encode a digital musical recording of a sound recording with inaccurate information relating to the category code, copyright status, or generation status of the source material for the recording.

(2) **ENCODING OF COPYRIGHT STATUS NOT REQUIRED.**—Nothing in this chapter requires any person engaged in the importation or manufacture of digital musical recordings to encode any such digital musical recording with respect to its copyright status.

(e) **INFORMATION ACCOMPANYING TRANSMISSIONS IN DIGITAL FORMAT.**—Any person who transmits or otherwise communicates to the public any sound recording in digital format is not required under this chapter to transmit or otherwise communicate the information relating to the copyright status of the sound recording. Any such person who does transmit or otherwise communicate such copyright status information shall transmit or communicate such information accurately.

135

§ 1003. Obligation to make royalty payments

(a) **PROHIBITION ON IMPORTATION AND MANUFACTURE.**—No person

shall import into and distribute, or manufacture and distribute, any digital audio recording device or digital audio recording medium unless such person records the notice specified by this section and subsequently deposits the statements of account and applicable royalty payments for such device or medium specified in section 1004.

(b) *FILING OF NOTICE.*—The importer or manufacturer of any digital audio recording device or digital audio recording medium, within a product category or utilizing a technology with respect to which such manufacturer or importer has not previously filed a notice under this subsection, shall file with the Register of Copyrights a notice with respect to such device or medium, in such form and content as the Register shall prescribe by regulation.

(c) *FILING OF QUARTERLY AND ANNUAL STATEMENTS OF ACCOUNT.*—

(1) *GENERALLY.*—Any importer or manufacturer that distributes any digital audio recording device or digital audio recording medium that it manufactured or imported shall file with the Register of Copyrights, in such form and content as the Register shall prescribe by regulation, such quarterly and annual statements of account with respect to such distribution as the Register shall prescribe by regulation.

(2) *CERTIFICATION, VERIFICATION, AND CONFIDENTIALITY.*—Each such statement shall be certified as accurate by an authorized officer or principal of the importer or manufacturer. The Register shall issue regulations to provide for the verification and audit of such statements and to protect the confidentiality of the information contained in such statements. Such regulations shall provide for the disclosure, in confidence, of such statements to interested copyright parties.

(3) *ROYALTY PAYMENTS.*—Each such statement shall be accompanied by the royalty payments specified in section 1004.

§ 1004. Royalty payments

(a) *DIGITAL AUDIO RECORDING DEVICES.*—

(1) *AMOUNT OF PAYMENT.*—The royalty payment due under section 1003 for each digital audio recording device imported into and distributed in the United States, or manufactured and distributed in the United States, shall be 2 percent of the transfer price. Only the first person to manufacture and distribute or import and distribute such device shall be required to pay the royalty with respect to such device.

(2) *CALCULATION FOR DEVICES DISTRIBUTED WITH OTHER DEVICES.*—With respect to a digital audio recording device first distributed in combination with one or more devices, either as a physi-

cally integrated unit or as separate components, the royalty payment shall be calculated as follows:

(A) If the digital audio recording device and such other devices are part of a physically integrated unit, the royalty payment shall be based on the transfer price of the unit, but shall be reduced by any royalty payment made on any digital audio recording device included within the unit that was not first distributed in combination with the unit.

(B) If the digital audio recording device is not part of a physically integrated unit and substantially similar devices have been distributed separately at any time during the preceding 4 calendar quarters, the royalty payment shall be based on the average transfer price of such devices during those 4 quarters.

(C) If the digital audio recording device is not part of a physically integrated unit and substantially similar devices have not been distributed separately at any time during the preceding 4 calendar quarters, the royalty payment shall be based on a constructed price reflecting the proportional value of such device to the combination as a whole.

(3) LIMITS ON ROYALTIES.—Notwithstanding paragraph (1) or (2), the amount of the royalty payment for each digital audio recording device shall not be less than \$1 nor more than the royalty maximum. The royalty maximum shall be \$8 per device, except that in the case of a physically integrated unit containing more than 1 digital audio recording device, the royalty maximum for such unit shall be \$12. During the 6th year after the effective date of this chapter, and not more than once each year thereafter, any interested copyright party may petition the Copyright Royalty Tribunal to increase the royalty maximum and, if more than 20 percent of the royalty payments are at the relevant royalty maximum, the Tribunal shall prospectively increase such royalty maximum with the goal of having no more than 10 percent of such payments at the new royalty maximum.

(b) DIGITAL AUDIO RECORDING MEDIA.—The royalty payment due under section 1003 for each digital audio recording medium imported into and distributed in the United States, or manufactured and distributed in the United States, shall be 3 percent of the transfer price. Only the first person to manufacture and distribute or import and distribute such medium shall be required to pay the royalty with respect to such medium.

§ 1005. Deposit of royalty payments and deduction of expenses

The Register of Copyrights shall receive all royalty payments deposited

under this chapter and, after deducting the reasonable costs incurred by the Copyright Office under this chapter, shall deposit the balance in the Treasury of the United States, in such manner as the Secretary of the Treasury directs. All funds held by the Secretary of the Treasury shall be invested in interest-bearing United States securities for later distribution with interest under section 1007. The Register shall submit to the Copyright Royalty Tribunal, on a quarterly basis, such information as the Tribunal shall require to perform its functions under this chapter.

137

1§ 1006. Entitlement to royalty payments

(a) **INTERESTED COPYRIGHT PARTIES.**—*The royalty payments deposited pursuant to section 1005 shall, in accordance with the procedures specified in section 1007, be distributed to any interested copyright party—*

(1) *whose musical work or sound recording has been—*

(A) *embodied in phonorecords lawfully made under this title that have been distributed, and*

(B) *distributed in the form of phonorecords or disseminated to the public in transmissions, during the period to which such payments pertain; and*

(2) *who has filed a claim under section 1007.*

(b) **ALLOCATION OF ROYALTY PAYMENTS TO GROUPS.**—*The royalty payments shall be divided into 2 funds as follows:*

(1) **THE SOUND RECORDINGS FUND.**—*66²/₃ percent of the royalty payments shall be allocated to the Sound Recordings Fund. 2⁵/₈ percent of the royalty payments allocated to the Sound Recordings Fund shall be placed in an escrow account managed by an independent administrator jointly appointed by the interested copyright parties described in section 1001(7)(A) and the American Federation of Musicians (or any successor entity) to be distributed to nonfeatured musicians (whether or not members of the American Federation of Musicians or any successor entity) who have performed on sound recordings distributed in the United States. 1¹/₈ percent of the royalty payments allocated to the Sound Recordings Fund shall be placed in an escrow account managed by an independent administrator jointly appointed by the interested copyright parties described in section 1001(7)(A) and the American Federation of Television and Radio Artists (or any successor entity) to be distributed to non-featured vocalists (whether or not members of the American Federation of Television and Radio Artists or any successor entity) who have performed on sound recordings distributed in the United States. 40 percent of the remaining royalty payments in the Sound Recordings Fund shall be distributed to the interested copyright parties described in section*

1001(7)(C), and 60 percent of such remaining royalty payments shall be distributed to the interested copyright parties described in section 1001(7)(A).

(2) *THE MUSICAL WORKS FUND.*—

(A) $33\frac{1}{3}$ percent of the royalty payments shall be allocated to the Musical Works Fund for distribution to interested copyright parties described in section 1001(7)(B).

(B) Notwithstanding any contractual obligation to the contrary—

(i) music publishers shall be entitled to 50 percent of the royalty payments allocated to the Musical Works Fund, and

(ii) writers shall be entitled to the other 50 percent of the royalty payments allocated to the Musical Works Fund.

(c) *ALLOCATION OF ROYALTY PAYMENTS WITHIN GROUPS.*—If all interested copyright parties within a group specified in subsection 1(b) do not agree on a voluntary proposal for the distribution of the royalty payments within each group, the Copyright Royalty Tribunal shall, pursuant to the procedures specified under section 1007(c), allocate royalty payments under this section based on the extent to which, during the relevant period—

138

(1) for the Sound Recordings Fund, each sound recording was distributed in the form of phonorecords; and

(2) for the Musical Works Fund, each musical work was distributed in the form of phonorecords or disseminated to the public in transmissions.

§ 1007. Procedures for distributing royalty payments

(a) *FILING OF CLAIMS AND NEGOTIATIONS.*—

(1) *FILING OF CLAIMS.*—During the first 2 months of each calendar year after the calendar year in which this chapter takes effect, every interested copyright party seeking to receive royalty payments to which such party is entitled under section 1006 shall file with the Copyright Royalty Tribunal a claim for payments collected during the preceding year in such form and manner as the Tribunal shall prescribe by regulation.

(2) *NEGOTIATIONS.*—Notwithstanding any provision of the antitrust laws, for purposes of this section interested copyright parties within each group specified in section 1006(b) may agree among themselves to the proportionate division of royalty payments, may lump their claims together and file them jointly or as a single claim, or may designate a common agent to receive payment on their behalf; except that no agreement under this subsection may modify the allocation of royalties specified in section 1006(b).

(b) *DISTRIBUTION OF PAYMENTS IN THE ABSENCE OF A DISPUTE.*—Within 30 days after the period established for the filing of claims under subsection (a), in each year after the year in which this section takes effect, the Copyright Royalty Tribunal shall determine whether there exists a controversy concerning the distribution of royalty payments under section 1006(c). If the Tribunal determines that no such controversy exists, the Tribunal shall, within 30 days after such determination, authorize the distribution of the royalty payments as set forth in the agreements regarding the distribution of royalty payments entered into pursuant to subsection (a), after deducting its reasonable administrative costs under this section.

(c) *RESOLUTION OF DISPUTES.*—If the Tribunal finds the existence of a controversy, it shall, pursuant to chapter 8 of this title, conduct a proceeding to determine the distribution of royalty payments. During the pendency of such a proceeding, the Tribunal shall withhold from distribution an amount sufficient to satisfy all claims with respect to which a controversy exists, but shall, to the extent feasible, authorize the distribution of any amounts that are not in controversy. The Tribunal shall, before authorizing the distribution of such royalty payments, deduct its reasonable administrative costs under this section.

§ 1008. Prohibition on certain infringement actions

139 No action may be brought under this title, or under section 337 of the Tariff Act of 1930, alleging infringement of copyright based on the manufacture, importation, or distribution of a digital audio recording device, a digital audio recording medium, an analogue recording device, or an analogue recording medium, or based on the noncommercial use by a consumer of such a device or medium for making digital musical recordings or analogue musical recordings.

§ 1009. Civil remedies

(a) *CIVIL ACTIONS.*—Any interested copyright party injured by a violation of section 1002 or 1003 may bring a civil action in an appropriate United States district court against any person for such violation.

(b) *OTHER CIVIL ACTIONS.*—Any person injured by a violation of this chapter may bring a civil action in an appropriate United States district court for actual damages incurred as a result of such violation.

(c) *POWERS OF THE COURT.*—In an action brought under subsection (a), the court—

- (1) may grant temporary and permanent injunctions on such terms as it deems reasonable to prevent or restrain such violation;
- (2) in the case of a violation of section 1002, or in the case of an injury resulting from a failure to make royalty payments required by section 1003, shall award damages under subsection (d);

(3) in its discretion may allow the recovery of costs by or against any party other than the United States or an officer thereof; and

(4) in its discretion may award a reasonable attorney's fee to the prevailing party.

(d) AWARD OF DAMAGES.—

(1) DAMAGES FOR SECTION 1002 OR 1003 VIOLATIONS.—

(A) ACTUAL DAMAGES.—(i) In an action brought under subsection (a), if the court finds that a violation of section 1002 or 1003 has occurred, the court shall award to the complaining party its actual damages if the complaining party elects such damages at any time before final judgment is entered.

(ii) In the case of section 1003, actual damages shall constitute the royalty payments that should have been paid under section 1004 and deposited under section 1005. In such a case, the court, in its discretion, may award an additional amount of not to exceed 50 percent of the actual damages.

(B) STATUTORY DAMAGES FOR SECTION 1002 VIOLATIONS.—

(i) DEVICE.—A complaining party may recover an award of statutory damages for each violation of section 1002(a) or (c) in the sum of not more than \$2,500 per device involved in such violation or per device on which a service prohibited by section 1002(c) has been performed, as the court considers just.

(ii) DIGITAL MUSICAL RECORDING.—A complaining party may recover an award of statutory damages for each violation of section 1002(d) in the sum of not more than \$25 per digital musical recording involved in such violation, as the court considers just.

(iii) TRANSMISSION.—A complaining party may recover an award of damages for each transmission or communication that violates section 1002(e) in the sum of not more than \$10,000, as the court considers just.

(2) REPEATED VIOLATIONS.—In any case in which the court finds that a person has violated section 1002 or 1003 within 3 years after a final judgment against that person for another such violation was entered, the court may increase the award of damages to not more than double the amounts that would otherwise be awarded under paragraph (1), as the court considers just.

(3) INNOCENT VIOLATIONS OF SECTION 1002.—The court in its discretion may reduce the total award of damages against a person violating section 1002 to a sum of not less than \$250 in any case in which the court finds that the violator was not aware and had no reason to believe that its acts constituted a violation of section 1002.

(e) *PAYMENT OF DAMAGES*.—Any award of damages under subsection (d) shall be deposited with the Register pursuant to section 1005 for distribution to interested copyright parties as though such funds were royalty payments made pursuant to section 1003.

(f) *IMPOUNDING OF ARTICLES*.—At any time while an action under subsection (a) is pending, the court may order the impounding, on such terms as it deems reasonable, of any digital audio recording device, digital musical recording, or device specified in section 1002(c) that is in the custody or control of the alleged violator and that the court has reasonable cause to believe does not comply with, or was involved in a violation of, section 1002.

(g) *REMEDIAL MODIFICATION AND DESTRUCTION OF ARTICLES*.—In an action brought under subsection (a), the court may, as part of a final judgment or decree finding a violation of section 1002, order the remedial modification or the destruction of any digital audio recording device, digital musical recording, or device specified in section 1002(c) that—

(1) does not comply with, or was involved in a violation of, section 1002, and

(2) is in the custody or control of the violator or has been impounded under subsection (f).

§ 1010. Arbitration of certain disputes

(a) *SCOPE OF ARBITRATION*.—Before the date of first distribution in the United States of a digital audio recording device or a digital audio interface device, any party manufacturing, importing, or distributing such device, and any interested copyright party may mutually agree to binding arbitration for the purpose of determining whether such device is subject to section 1002.

(b) *INITIATION OF ARBITRATION PROCEEDINGS*.—Parties agreeing to such arbitration shall file a petition with the Copyright Royalty Tribunal requesting the commencement of an arbitration proceeding. The petition may include the names and qualifications of potential arbitrators. Within 2 weeks after receiving such a petition, the Tribunal shall cause notice to be published in the Federal Register of the initiation of an arbitration proceeding. Such notice shall include the names and qualifications of 3 arbitrators chosen by the Tribunal from a list of available arbitrators obtained from the American Arbitration Association or such similar organization as the Tribunal shall select, and from potential arbitrators listed in the parties' petition. The arbitrators selected under this subsection shall constitute an Arbitration Panel.

(c) *STAY OF JUDICIAL PROCEEDINGS*.—Any civil action brought under section 1009 against a party to arbitration under this section shall, on application of one of the parties to the arbitration, be stayed until completion of the arbitration proceeding.

(d) *ARBITRATION PROCEEDING*.—The Arbitration Panel shall conduct

an arbitration proceeding with respect to the matter concerned, in accordance with such procedures as it may adopt. The Panel shall act on the basis of a fully documented written record. Any party to the arbitration may submit relevant information and proposals to the Panel. The parties to the proceeding shall bear the entire cost thereof in such manner and proportion as the Panel shall direct.

(e) REPORT TO COPYRIGHT ROYALTY TRIBUNAL.—Not later than 60 days after publication of the notice under subsection (b) of the initiation of an arbitration proceeding, the Arbitration Panel shall report to the Copyright Royalty Tribunal its determination concerning whether the device concerned is subject to section 1002. Such report shall be accompanied by the written record, and shall set forth the facts that the Panel found relevant to its determination.

(f) ACTION BY THE COPYRIGHT ROYALTY TRIBUNAL.—Within 60 days after receiving the report of the Arbitration Panel under subsection (e), the Copyright Royalty Tribunal shall adopt or reject the determination of the Panel. The Tribunal shall adopt the determination of the Panel unless the Tribunal finds that the determination is clearly erroneous. If the Tribunal rejects the determination of the Panel, the Tribunal shall, before the end of that 60-day period, and after full examination of the record created in the arbitration proceeding, issue an order setting forth its decision and the reasons therefor. The Tribunal shall cause to be published in the Federal Register the determination of the Panel and the decision of the Tribunal under this subsection with respect to the determination (including any order issued under the preceding sentence).

(g) JUDICIAL REVIEW.—Any decision of the Copyright Royalty Tribunal under subsection (f) with respect to a determination of the Arbitration Panel may be appealed, by a party to the arbitration, to the United States Court of Appeals for the District of Columbia Circuit, within 30 days after the publication of the decision in the Federal Register. The pendency of an appeal under this subsection shall not stay the Tribunal's decision. The court shall have jurisdiction to modify or vacate a decision of the Tribunal only if it finds, on the basis of the record before the Tribunal, that the Arbitration Panel or the Tribunal acted in an arbitrary manner. If the court modifies the decision of the Tribunal, the court shall have jurisdiction to enter its own decision in accordance with its final judgment. The court may further vacate the decision of the Tribunal and remand the case for arbitration proceedings as provided in this section.

C. FAIR USE OF UNPUBLISHED WORKS

P.L. 102-492, 106 Stat. 3145

FAIR USE OF COPYRIGHTED WORKSH. REP. NO. 102-836, 102d Cong., 2d Sess. (1992)

AUGUST 11, 1992.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BROOKS, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany H.R. 4412]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 4412) to amend title 17, United States Code, relating to fair use of copyrighted works, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

That section 107 of title 17, United States Code, is amended by adding at the end the following:

“The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.”

EXPLANATION OF AMENDMENT

Inasmuch as H.R. 4412 was ordered reported with a single amendment in the nature of a substitute, the contents of this report constitute an explanation of that amendment.

SUMMARY AND PURPOSE

The purpose of H.R. 4412 is to clarify the intent of Congress that there be no per se rule barring claims of fair use of published works. Instead, consistent with Congress's codification of fair use in the 1976 Copyright Act, the courts are to determine the affirmative defense of fair use of unpublished works on a case-by-case basis, after consideration of all the factors set forth in Section 107, title 17 United States Code, as well as any other factors a court may find relevant. The purpose of this legislation is thus to direct the courts to give proper weight to all factors; it is not the committee's

intention to direct the courts how much weight to give to any factor in a particular case.

¹Copyright legislation involves a balancing of many interests: the public, authors of unpublished works, and authors seeking to use portions of other authors' unpublished works. The goal of H.R. 4412 is to direct the courts to strike the correct balance on the facts before it, free from any *per se* rules.

12

HEARINGS

Proposals to amend the fair use provisions of the Copyright Act were made in the 101st Congress.¹ A joint hearing on those proposals was held by the House Subcommittee on Courts, Intellectual Property, and [the] Administration of Justice, Committee on the Judiciary and the Senate Subcommittee on Patents, Copyrights and Trademarks, Committee on the Judiciary, on July 11, 1990. Testimony was received from the following witnesses: William F. Patry, Policy Planning Advisor to the Register of Copyrights; a panel of federal judges consisting of the Honorable James L. Oakes, Chief Judge of the United States Court of Appeals for the Second Circuit, the Honorable Roger J. Miner, Circuit Judge, U.S. Court of Appeals for the Second Circuit, and the Honorable Pierre N. Leval, United States District Judge, U.S. District Court for the Southern District of New York; authors Taylor Branch and J. Anthony Lukas; a panel consisting of Floyd Abrams, Esq., Barbara Ringer (former Register of Copyrights) and Jonathan W. Lubell, Esq.; and, a panel from the computer industry consisting of A.G.W. Biddle (Computer and Communications Industry Association) and James M. Burger (CBEMA and Software Publishers Association).

In the 102d Congress, Mr. Hughes and Mr. Moorhead introduced H.R. 2372. H.R. 2372 consisted of three-titles, title I of which contained a provision on fair use of unpublished works.² The Subcommittee on Intellectual Property and Judicial Administration held two days of hearings on title I of H.R. 2372 on May 30 and June 6, 1991. Testimony was received on May 30th from the following witnesses: a panel representing publishing interests (Floyd Abrams, Esq., Authors Guild; Kati Marton, an author; Mark Morrill, Esq., Association of American Publishers; and, Kenneth M. Vittor, Esq., Magazine Publishers of America); and, a panel representing computer companies (James M. Burger, Esq., Apple Computer, Inc., and William Neukom Esq., Software Publishers Association). Testimony was received on June 6th from: Scott Turow, Esq., and author; Register of Copyrights Ralph Oman; a panel consisting of Edward J. Black, Esq. (Computer and Communications Industry Association); August W. Steinhilber (Educators' Ad Hoc Committee on Copyright Law); Professor Shira Perlmutter (Catholic University of America, Columbus School of Law); and, Robert C. Waggoner, Video Monitoring Services of America, Inc.).

Title I of H.R. 2372 was deleted when the bill was marked up by the Subcommittee on Intellectual Property and Judicial Administration on October 1, 1991.

COMMITTEE VOTE

On April 30, 1992, a reporting quorum being present, the Committee ordered H.R. 4412 reported to the full House by voice vote, as amended.

¹ H.R. 4263 (Kastenmeier), S. 2370 (Simon).

² The remaining two titles, dealing with copyright automatic renewal and the National Film Preservation Board, were subsequently passed on June 4, 1992 as part of S. 756.

LEGISLATIVE HISTORY

H.R. 4412 was introduced on March 5, 1992 by Mr. Hughes, Mr. Moorhead, Mr. Synar, Mr. Coble, Mr. Glickman, and Mr. Sangmeister, and was referred to the Committee on the Judiciary on March 9, 1992. Based on the hearing record developed during the 101st and 102d Congresses, the Subcommittee on Intellectual Property and Judicial Administration marked up H.R. 4412 on March 12, 1992.

On April 30, 1992, the full Committee marked up H.R. 4412, and, a quorum of Members being present, approved the amendment in the nature of a substitute and favorably reported the bill by voice vote.

DISCUSSION

BACKGROUND

Fair use is an affirmative defense,³ and as such is relevant only after a copyright owner has made out a prima facie case of infringement. A prima facie case of infringement consists of ownership of the right asserted and unauthorized appropriation by the defendant of a material amount of expression. The copying of facts or of a de minimis amount of expression will not support a prima facie case of infringement. Fair use thus excuses the copying of a material amount of expression, with the test of materiality involving both quantitative and qualitative inquiries.

Fair use was developed by the courts and was codified for the first time in Section 107 of the 1976 Copyright Act. As United States District Judge Pierre Leval has written, the purpose of fair use is to "serve the copyright objective of stimulating productive thought and public instruction without excessively diminishing the incentives for creativity."⁴ This Committee's 1976 report noted that "[a]lthough the courts have considered and ruled upon the fair use doctrine over and over again, no real definition of the concept has ever emerged. Indeed, since the doctrine is an equitable rule of reason, no generally applicable definition is possible, and each case raising the question must be decided on its own facts."⁵

In order to provide some guidance, however, Section 107 contains crite-

³ Harper & Row, Pub., Inc. v. Nation Ent., 471 U.S. 539, 561 (1985). In *College Entrance Examination Board v. Cuomo*, 90-CV-437 (N.D.N.Y. filed March 23, 1992), slip opinion at p. 11 footnote 7, the district court erroneously held that where the copyright owner seeks a preliminary injunction, the copyright owner bears the burden of disproving the defense. When the copyright owner seeks summary judgment, the burden of proving the defense, according to the court, is with the defendant. The *College Entrance Examination Board* opinion is contrary to the statute and the Supreme Court's *Harper & Row* opinion: the burden of proving fair use is always on the party asserting the defense, regardless of the type of relief sought by the copyright owner.

⁴ Leval, "Toward a Fair Use Standard," 103 Harv. L. Rev. 1103, 1110 (1990).

⁵ H. Rept. No. 94-1476, 94th Cong., 2d Sess. 65 (1976).

ria derived from earlier court decisions. The preamble to Section 107 lists six illustrative⁶ types of uses that may be analyzed under the doctrine: criticism, comment, news reporting, teaching, scholarship, and research. These uses are not, however, presumptively fair.⁷ Instead, the courts are directed to examine the use according to four statutory factors: "(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." While all four factors must be considered in each fair use case, additional factors may also be considered in the court's discretion.

All claims of fair use must be judged on the totality of the facts in the particular case by balancing all the factors. For this reason, fair use litigation will always be piecemeal: no legislative solution can answer in advance the outcome of a given dispute.

14

FAIR USE OF UNPUBLISHED WORKS

H.R. 4412 was introduced as a result of concerns⁸ by some biographers, historians, and publishers that their ability to use unpublished primary source material such as copyrighted letters and diaries had been limited [by] two decisions from the United States Court of Appeals for the Second Circuit,

⁶ Section 107 uses the terms "including" and "such as." Section 101 of the Copyright Act defines these terms as being "illustrative and not limitative." Accordingly, types of uses beyond the six enumerated in the preamble to Section 107 may also be considered. Parody is a common example of such a use. See *Fisher v. Dees*, 794 F.2d 432, 437-438 (9th Cir. 1986).

⁷ *Harper & Row, Pub., Inc. v. Nation Ent.*, 471 U.S. 539, 561 (1985): "The drafters resisted pressures from special interest groups to create presumptive categories of fair use, but structured the provision as an affirmative defense requiring a case-by-case analysis."

⁸ See, e.g., written statement of author J. Anthony Lukas, "Fair Use and Unpublished Works: Joint Hearing Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary and the Subcomm. on Courts, Intellectual Property, and the Administration of Justice," 101st Cong., 2d Sess. 176 (1990) (if the *Salinger* and *New Era* rulings are "permitted to stand as the guiding precedent in this area, [we] will increasingly find fewer works of compelling history and biography available on * * * bookshelves and eventually in * * * libraries"); statement of author Taylor Branch, *id.* at 160 ("The quotation, in modest and appropriate amounts, of source materials is crucial to providing intimacy, immediacy, ambience, and re-creation of motives and values that history requires and readers need").

Salinger v. Random House, Inc.,⁹ and *New Era Publications, International ApS v. Henry Holt & Company*.¹⁰ In order to understand these complaints, a brief review of the fair use doctrine as applied to such material is required.

Before the 1976 Copyright Act, copyright law in the United States was divided between federal and state protection. Published works were protected by the federal copyright law, while unpublished works were generally protected by state common law.¹¹ The common law, going back to late eighteenth century English cases, had been strict in prohibiting fair use of unpublished works under the theory that the author should decide when and in what form his or her work should first reach the public.¹²

The 1976 Copyright Act extended protection to all copyrightable published and unpublished works, preempting equivalent state protection.¹³ In codifying fair use in Section 107 of title 17, United States Code, however, the statute did not draw a distinction between published and unpublished works. The report of this Committee accompanying the Act did, though, state an intention not to "change, narrow, or enlarge [the present judicial doctrine of fair use] in any way."¹⁴ The only direct discussion of unpublished works occurs in the 1975 Senate report: "The applicability of the fair use doctrine to unpublished works is narrowly limited, since although the work is unavailable, this is the result of a deliberate decision on the part of the copyright owner. Under ordinary circumstances, the copyright owner's 'right of first publication' would outweigh any needs of reproduction for classroom purposes."¹⁵

⁹ 650 F. Supp. 413 (S.D.N.Y. 1986), rev'd, 811 F.2d 90 (2d Cir.), cert. denied, 484 U.S. 890 (1987).

¹⁰ 684 F. Supp. 808 (S.D.N.Y. 1988); 695 F. Supp. 1493 (S.D.N.Y. 1988), aff'd on other grounds, 873 F.2d 576 (2d Cir.), petition for rehearing en banc denied, 884 F.2d 659 (2d Cir. 1989), cert. denied, 110 S. Ct. 1168 (1990).

¹¹ An exception was made in the federal statute for works such as motion pictures and speeches that were not intended for sale in copies. See 17 U.S.C. § 12 (1909).

¹² See written testimony of the Register of Copyrights, "Fair Use of Unpublished Works: Hearing on Title I of H.R. 2372 Before the Subcomm. on Intellectual Property and Judicial Administration of the House Comm. on the Judiciary," 102d Cong., 1st Sess. (June 6, 1991); "Fair Use and Unpublished Works: Joint Hearing on S. 2370 and H.R. 4263 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary and the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary," 101st Cong., 2d Sess. 28-38 (1990).

¹³ 17 U.S.C. § 301(a) (1978).

¹⁴ H. Rept. No. 94-1476, 94th Cong., 2d Sess. 66 (1976).

¹⁵ S. Rept. No. 94-473, 94th Cong., 1st Sess. 64 (1975). In *Harper & Row, Pub., Inc. v. Nation Ent.*, 471 U.S. 539, 553-554 (1985), the Supreme Court interpreted this Committee's 1976 report as incorporating by reference the quoted language from the 1975 Senate report language because the language had been contained in a 1966 House Judiciary Committee report which the 1976 report

In 1985, the Supreme Court addressed the question of fair use of unpublished works in *Harper & Row, Publishers, Inc. v. Nation Enterprises*.¹⁶ The Court reversed the Second Circuit and held that The Nation magazine's publication of excerpts from President Gerald Ford's then unpublished autobiography "A Time to Heal" was not fair use. In reaching this result, the Court relied on the common law rule and the legislative history of Section 107 of the 1976 Copyright Act. The Court rejected defendant's argument that fair use was intended by Congress to apply in *pari materia* to published and unpublished works,¹⁷ holding that "[t]he fact that a work is unpublished is a critical part of its 'nature.' * * * [T]he scope of fair use is narrower with respect to unpublished works."¹⁸ The unpublished nature of a work was stated to be a "key, though not necessarily determinative factor" tending to negate a defense of fair use.¹⁹ Under "ordinary circumstances," the "author's right to control the first public appearance of his undisseminated expression will outweigh a claim of fair use."²⁰

SALINGER V. RANDOM HOUSE, INC.

The Second Circuit's first opinion after *Harper & Row* involved a suit brought by author J.D. Salinger against Random House over a biography that reproduced passages from unpublished letters Salinger had sent to friends and to his editor. The letters had been donated by the recipients or their heirs to university libraries. The biographer obtained access to the letters through the libraries. Salinger sued after seeing galley proofs of the then unreleased biography.

U.S. District Judge Pierre Leval refused, on fair use grounds, to issue a preliminary injunction against publication of the biography. The Second Circuit reversed and remanded, ordering that an injunction be issued. The court of appeals differed with Judge Leval on a number of issues. Two passages from the circuit court opinion proved particularly troublesome to some publishers and authors. First, the court of appeals rejected Judge Leval's concern that a biographer wishing to use copyrighted unpublished material was faced with the dilemma of either risking infringement by copying verbatim, or, distorting his or her subject's meaning by putting the passage in the biographer's own words. According to the *Salinger* court, if a biographer copies more

referred to favorably. *Harper & Row* also rejected an argument that the passage should be limited to classroom reproduction of unpublished works. 471 U.S. at 554.

¹⁶ 471 U.S. 539 (1985).

¹⁷ 471 U.S. at 552.

¹⁸ 471 U.S. at 564.

¹⁹ 471 U.S. at 554.

²⁰ 471 U.S. at 555.

than minimal amounts of expression "he deserves to be enjoined."²¹ Second, the court of appeals found ambiguous the Supreme Court's statement in *Harper & Row* that the scope of fair use is narrower with respect to unpublished works. According to the Second Circuit, the passage could mean either that the circumstances in which fair use can be found are fewer in number, or, that the amount of unpublished material that can be copied is less. The court of appeals opted for the first interpretation, concluding that unpublished works "normally enjoy complete protection against copying any protected expression."²²

The combination of the court of appeals' comment that biographers who take too much "deserve to be enjoined" and its statement that unpublished works "normally enjoy complete protection" caused great concern in the publishing community. That concern was heightened by the Second Circuit's next fair use decision, *New Era Publications International ApS v. Henry Holt & Company*.

*NEW ERA PUBLICATIONS INTERNATIONAL APS V. HENRY HOLT
& COMPANY*

Judge Leval was also the trial judge in this next Second Circuit dispute over fair use of unpublished works. The plaintiff was the copyright owner by assignment of unpublished letters and diaries of L. Ron Hubbard, founder of the Church of Scientology. Again Judge Leval refused to issue an injunction of fair use grounds.

The Second Circuit upheld Judge Leval's decision not to issue an injunction, but on the different ground of laches. The majority's remarks on the narrow scope of fair use for unpublished works and on injunctive relief echoed the *Salinger* opinion and increased publishers' and authors' concerns that substantial risks are involved in any history or biography using appreciable amounts of copyrighted expression. The court of appeals majority engaged in extended dicta disagreeing with much of Judge Leval's discussion of fair use, and indicated that but for the laches problem an injunction should have issued. Chief Judge Oakes concurred in the result, but issued an opinion strongly endorsing Judge Leval's fair use ruling and criticizing elements of the *Salinger* opinion.

A petition for rehearing en banc was filed and denied. The denial was

²¹ 811 F.2d at 96.

²² 811 F.2d at 97. In a concluding remark that is frequently overlooked, the court of appeals added: "We seriously doubt whether a critic reviewing a published collection of the letters could justify as fair use the extensive amount of expressive material [the biographer] has copied." 811 F.2d at 100. Thus, despite the emphasis on the unpublished nature of the *Salinger* letters, it is obvious that the extent of the copying—the third fair use factor—also played a critical role in the court of appeals' decision.

accompanied, however, by two opinions, one by Judge Newman (the author of the *Salinger* opinion) joined by Judges Oakes, Kearsse, and Winter, the other by Judge Miner (the author of the *New Era* panel decision) joined by Judges Meskill, Pierce, and Altimari. These two opinions are noteworthy for both the sharp division that they reveal within the Second Circuit, and for their authors' softening of statements made in the earlier opinions. Judge Miner proposed to change a passage in the *New Era* panel opinion to state that an injunction would follow a finding of infringement only under "ordinary circumstances." He also noted that no decision of the Second Circuit had barred the copying of small amounts of expression, even when done to "enliven the text." Judge Newman took the opportunity to state that one of the most controversial passages in *Salinger* should have been phrased to read that under ordinary circumstances the consequence of copying more than a minimal amount of unpublished expression is to be considered an infringer (as opposed to being enjoined, as the original passage read).

WRIGHT V. WARNER BOOKS, INC.

While legislative efforts to clarify that there is no per se rule barring fair use of unpublished works were being debated in the Congress, a third case was wending its way through the Second Circuit, *Wright v. Warner Books, Inc.* The trial judge this time was then-district (subsequently Circuit) Judge John Walker. The *Wright* case involved unpublished letters of famous author Richard Wright sent to the biographer. Suit was brought by Wright's widow.

Judge Walker found, on a motion for summary judgment, that fair use protected the biographer's quotation of excerpts from the letters.²³ The Second Circuit affirmed in an opinion by Judge Meskill.²⁴ Judge Meskill's opinion carefully analyzed both the purpose of the fair use defense and each of the four statutory factors. Regarding the first factor—the purpose of the use—Judge Meskill agreed with Judge Walker that biographies "fit comfortably" within the statutorily enumerated fair use purposes and that this factor "clearly favors" the biographer. The second factor—the nature of the work, here unpublished material—led to the only disagreement with Judge Walker. Judge Walker had weighed this factor in the biographer's favor. Unpublished works, are, according to the court of appeals, "the favorite sons of factor two." After quoting from the Supreme Court's *Harper & Row* opinion and the Second Circuit's *Salinger* and *New Era* opinions, the *Wright* panel con-

²³ 748 F. Supp. 105 (S.D.N.Y. 1990).

²⁴ 953 F.2d 731 (2d Cir. 1991). It is perhaps significant that Judge Meskill had joined Judge Miner's opinion in *New Era* concurring in the Second Circuit's refusal to hear that case en banc, and that Judge Meskill was the dissenter from the panel decision in *Harper & Row v. Nation Enterprises* which had found fair use. Judge Meskill is also a former member of this Committee.

cluded: "Our precedents, then, leave little room for discussion of this factor once it has been determined that the copyrighted work is unpublished."²⁵ The third factor—the amount and substantiality of the material used—and the fourth factor—the market effect of the use—were both weighed in the biographer's favor.

In summary, three of the four factors weighed in the biographer's favor. The only factor weighed against the biographer was the unpublished nature of the work, thereby joining the very issue addressed by H.R. 4412. The court of appeals' discussion on this issue is instructive:

The district court correctly held that defendants were entitled to summary judgment. Three of the four fair use factors clearly favor the defendants. The one that does not—the nature of the copyrighted work—raises an obstacle to this conclusion, but not an insurmountable one. * * * Neither *Salinger*, *Harper & Row*, nor any other case, however erected a per se rule regarding unpublished works. The fair use test remains a totality inquiry tailored to the particular facts of each case. Because this is not a mechanical determination, a party need not "shut-out" her opponent on the four factor tally to prevail.²⁶

The Committee believes that the *Wright* opinion properly balanced all the fair use factors. The Committee also notes that the *Wright* opinion did not reach the outer limits of what might be regarded as fair use. The *Wright* opinion affirmed the trial court's grant of defendant's motion for summary judgment, a procedural posture in which all ambiguities and reasonable inferences were resolved in favor of the non-moving party, in this instance the copyright owner of the unpublished letters. Certainly uses beyond those permitted in *Wright* may also be fair use, depending upon the facts of a particular case. For example, in some circumstances it would be a fair use to copy an author's unpublished expression where necessary to report fairly and accurately a fact set forth in the author's writings.²⁷ Additionally, as Judge Leval has written: "Often, it is the words used by [a] public figure (or the particular manner of expression) that are the facts calling for comment."²⁸

POST-WRIGHT CONCERNS

While the *Wright* opinion takes major steps in the direction of ending the

²⁵ 953 F.2d at 737.

²⁶ 953 F.2d at 740.

²⁷ See *New Era Publications International, ApS v. Henry Holt & Company*, 884 F.2d 565, 660 (2d Cir. 1989) (Newman, J., with whom Oakes, C.J., Kearse and Winter, JJ., joined, dissenting from denial of rehearing en banc), cert. denied, 110 S. Ct. 1168 (1990).

²⁸ *Id.*, *New Era*, 695 F. Supp. 1493, 1502 (S.D.N.Y. 1988).

Second Circuit's flirtation with a *per se* rule, concern has been expressed that the *Wright* decision did not disavow certain troublesome language in the *Salinger* opinion, in particular, Salinger's statement that unpublished works "normally enjoy complete protection against copying any protected expression."²⁹

The origins of this passage were explored by the Copyright Office in its written statement for the joint 1992 hearings and are worth reviewing since they bear directly on the perceived *per se* rule in the Second Circuit.

The *Salinger* passage is the result of the court of appeals' conclusion that the Supreme Court's holding in *Harper & Row, Pub., Inc. v. Nation Enterprises* that "the scope of fair use is narrower with respect to unpublished works"³⁰ contains an ambiguity. According to the *Salinger* court, the term "scope" could mean either that "the circumstances in which copying will be found to be fair use will be fewer in number for unpublished works than for published works," or, that "the amount of copyrighted material that may be copied as fair use is a lesser quantity for unpublished works than for published works."³¹ The *Salinger* court opted for the first interpretation, holding that "[n]arrower 'scope' seems to refer to the diminished likelihood that copying will be fair use when the copyrighted material is unpublished."³²

The Copyright Office disagreed with this interpretation. Moreover, the Office saw in the disagreement over the proper interpretation of *Harper & Row's* passage "the crux of the concern that [the Second Circuit has created a virtual *per se* rule prohibiting fair use of unpublished works."³³

The Committee agrees with the Copyright Office that the Second Circuit in *Salinger* went astray in its treatment of the unpublished nature of the work as leading to a diminished likelihood that the fair use defense, as a whole, will in every case not be available. Of course, in making any evaluation of a claim of fair use of unpublished material, the Supreme Court's holding that for purposes of the second statutory factor, the unpublished nature of the work is a "key, though not necessarily determinative" factor tending to negate a defense of fair use,³⁴ remains the law.

ANALYSIS

H.R. 4412 amends Section 107 of title 17, United States Code, by adding the following new sentence at the end of that section: "The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made

²⁹ 811 F.2d at 97.

³⁰ 471 U.S. at 464.

³¹ 811 F.2d at 97.

³² *Id.*

³³ Joint Hearings at 51-52.

³⁴ 471 U.S. at 555.

upon consideration of all the above factors." This sentence has a narrow, but important purpose: to reiterate Congress's intention in codifying fair use that in evaluating a claim of fair use, including claims involving unpublished works, the courts are to examine all four statutory factors set forth in Section 107, as well as any other factors deemed relevant in the court's discretion.

This intention is accomplished in two ways. First, the word "itself" is designed to ensure that the courts do not erect a per se rule barring any fair use of unpublished works. Each claim of fair use of an unpublished work should involve a careful consideration of all four statutory factors as well as any other factors the court deems relevant. The decision of the Second Circuit in the *Wright* opinion is instructive in this regard. At the same time, it is not the Committee's intention to alter the weight currently given by the courts to the unpublished nature of a work under the second fair use factor. The general principles regarding fair use of unpublished works set forth by the Supreme Court in *Harper & Row v. Nation Enterprises* still apply.

The second way in which the Committee's intention is manifested is through the concluding phrase "all the above factors." As introduced, H.R. 4412 directed the courts to examine "all the factors set forth in paragraphs (1) through (4)" of Section 107. At the Subcommittee's mark-up, this formulation was deleted in favor of the current language. The purpose of the change is straightforward: As the Supreme Court held in *Harper & Row v. Nation Enterprises*,³⁵ the courts, in their discretion may weigh factors in addition to those set forth in the statute.

The Committee was concerned that as introduced, H.R. 4412 might have been inadvertently construed to discourage courts from looking at additional factors. The phrase "all the above factors" is intended to encompass the terms "including" and "such as" embodied in the preamble to Section 107, terms that are defined in Section 101 of title 17 as being "illustrative and not limitative."³⁶ Thus, for unpublished works as for all other copyrighted works, the courts must consider all four statutory factors, but they may, at their discretion, consider any other factors they deem relevant.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of the report.

³⁵ 471 U.S. 539, 562-563 (1985) (considering the defendant's bad faith in using a purloined manuscript).

³⁶ See note 6, *supra*.

STATEMENT OF THE COMMITTEE ON GOVERNMENT OPERATIONS

No findings or recommendations of the Committee on Government Operations were received as referred to in clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives is inapplicable because the proposed legislation does not provide new budgetary authority or increased tax expenditures.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that the bill will have no significant inflationary impact on prices or costs in the national economy.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 2(l)(C)(3) of rule XI of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill H.R. 4412, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act of 1974:

U.S. CONGRESS
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 11, 1992.

HON. JACK BROOKS,
*Chairman, Committee on the Judiciary,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 4412, a bill to amend section 107 of title 17, United States Code, relating to fair use of copyrighted works, as ordered reported by the House Committee on the Judiciary on April 30, 1992.

CBO estimates that enactment of H.R. 4412 would result in no significant additional costs to the federal government, based on information provided by the Copyright Office. The bill would clarify the criteria for determining whether the use of unpublished materials is an infringement of copyright.

Enactment of H.R. 4412 would not affect direct spending or receipts. Therefore, pay-as-you-go procedures would not apply to the bill. No costs

would be incurred by state or local governments as a results of enactment of this bill.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is John Webb.

Sincerely,

ROBERT D. REISCHAUER,
Director.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 107 OF TITLE 17, UNITED STATES CODE

§ 107. Limitations on exclusive rights: Fair use

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

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

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

HOUSE FLOOR STATEMENTS
138 CONG. REC. H7991 (August 11, 1992)

USE OF COPYRIGHTED UNPUBLISHED WORKS

Mr. HUGHES. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4412) to amend title 17, United States Code, relating to fair use of copyrighted works, as amended.

The Clerk read as follows:

HR. 4412

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

That section 107 of title 17, United States Code, is amended by adding at the end the following: "The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors."

2020

The SPEAKER pro tempore (Mr. McNULTY). Pursuant to the rule, the gentleman from New Jersey [Mr. HUGHES] will be recognized for 20 minutes, and the gentleman from California [Mr. MOORHEAD] will be recognized for 20 minutes.

The Chair recognizes the gentleman from New Jersey [Mr. HUGHES].

Mr. HUGHES. Mr. Speaker, I yield myself such time as I may consume.

(Mr. HUGHES asked and was given permission to revise and extend his remarks.)

Mr. HUGHES. Mr. Speaker, H.R. 4412 amends the fair use provisions of the copyright law with respect to unpublished works. At the urging of historians, biographers, and publishers that decisions from the U.S. Court of Appeals for the [S]econd [C]ircuit were hampering their use of unpublished letters, diaries, and other materials, bills were introduced in the 101st and 102d Congresses. Joint hearings were held with the Senate in 1990. The Subcommittee on Intellectual Property and Judicial Administration, which I chair, held two hearings in 1991.

The fair use doctrine is codified in section 107 of the Copyright Act. Fair use is a judicial doctrine, and is intended to be applied in a flexible manner, based on the particular facts before the court. Fair use is an exception to the general rule that one may not use substantial parts of a copyrighted work without the permission of the copyright owner. The exception exists so that biographers, historians, teachers, drama critics, news reporters and others may utilize portions of the copyrighted work for purposes of criticism and comment.

The concerns which prompted this legislation grew out of two decisions in the second circuit which suggested that the circuit was reading into the

doctrine a degree of rigidity never intended by the Congress. The purpose of the bill is restore the desired flexibility to fair use. H.R. 4412 is straightforward legislation addressed to a specific problem.

H.R. 4412 accomplishes its purpose by adding a single sentence at the end of section 107 of title 17:

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

This language will clarify the intent of Congress that there be no per se rule barring the affirmative defense of fair use of unpublished works. The courts are directed to evaluate the defense by considering all the facts in a case according to all four statutory fair use factors and any others found relevant.

It is not, however, the intention of the Congress to direct the courts how much weight to give to any one factor in any particular case, nor to overrule or diminish in any way the Supreme Court's decision in *Harper & Row, Publishers versus Nation Enterprises*. Each factor should be separately weighed and then evaluated as a whole in conjunction with all the other factors. This totality approach is at the heart of the equitable rule of reason that characterizes the fair use defense.

H.R. 4412 should allay the concerns of some authors and publishers that they are absolutely prohibited from using any unpublished, copyrighted material for biographical or historical purposes. I urge your support of this modest but important legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. MOORHEAD. Mr. Speaker. I yield myself such time as I may consume. I rise in support of H.R. 4412 relating to the fair use of unpublished works. The purpose of H.R. 4412 is to clarify the intent of Congress that there be no per se rule barring claims of fair use of unpublished works. This legislation represents the culmination of work begun last Congress by the Subcommittee on Intellectual Property and Judicial Administration on the fair use issue. To his credit the chairman of the subcommittee, the distinguished gentleman from New Jersey [MR. HUGHES], took the time to schedule 2 days of very thorough hearings on this issue earlier this Congress and as a result I believe that we now have a better bill. I would like to commend the gentleman from New Jersey [Mr. HUGHES] for his diligent work on this issue as well as the members of the subcommittee for their excellent work on the issue.

During our hearings it was suggested that the second circuit in *Sal[i]nger versus Random House, Inc.*, and the *New Era Publications, International Aps versus Henry Holt & Co.* had not absolutely barred the fair use defense in the unpublished works context. But in my opinion this misses the point, which is whether or not the courts' language has had a chilling effect on the

production and publication of the works of historians, biographers, and journalists.

Evidence was presented at our hearings that reasonable attorneys because of the specter of the second circuit decisions are routinely advising publishers from relying on a fair use defense when they are dealing with unpublished works. As a result, the public is being denied access to the raw materials that are the life blood of these authors. Therefore, I believe it is appropriate for Congress to intervene in this instance in an effort to restore the appropriate balance between the effected parties by clarifying that the fact a work is unpublished should continue to be only one of several considerations that courts must weigh in making fair use determinations.

The House Report on H.R. 4412 makes it clear that:

“The purpose of H.R. 4412 is to clarify the intent of Congress that there be no per se rule barring claims of fair use of unpublished works. Instead, consistent with Congress’ codification of fair use of unpublished works on a case-by-case basis, after consideration of all the factors set forth in section 107, title 17, United States Code, as well as other factors a court may find relevant.”

LH7992

It is not the intent of H.R. 4412 to in any way broaden the scope of fair use of unpublished works nor to overrule or modify the Supreme Court’s decision in Harper and Row versus the Nation wherein the court set out general principles regarding the fair use of unpublished works.

Mr. Speaker, numerous parties have played important roles in crafting H.R. 4412. They include representatives of author’s groups, book and magazine publishers, and the computer industry. They are all to be commended for their work on H.R. 4412 for which I urge my colleagues’ support.

Mr. HUGHES. Mr. Speaker. I have no further requests for time, and I yield back the balance of my time.

Mr. MOORHEAD. Mr. Speaker. I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New Jersey [Mr. HUGHES] that the House suspend the rules and pass the bill, H.R. 4412, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

S. REP. NO. 102-141, 102d Cong., 1st Sess. (1991)

FAIR USE OF UNPUBLISHED WORKS

AUGUST 29, 1991.—Ordered to be printed

Filed, under authority of the order of the Senate of July 23 (legislative day
July 8), 1991

MR. BIDEN, from the Committee on the Judiciary, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 1035]

The Committee on the Judiciary, to which was referred the bill (S. 1035) to clarify the application of the fair use doctrine to unpublished works, having considered the same, reports favorably thereon, and recommends that the bill do pass.

CONTENTS

	Page
I. Purpose	1
II. Legislative history	2
III. Discussion	2
IV. Vote of the committee	6
V. Text of S. 1035.....	7
VI. Section-by-section analysis	7
VII. Cost estimate	7
VIII. Regulatory impact statement	7
IX. Changes in existing law.....	8
X. Additional views of Senator Orrin G. Hatch	9

I. PURPOSE

The purpose of the proposed legislation is to clarify the application of the fair use doctrine to unpublished works, in response to recent decisions of the United States Court of Appeals for the Second Circuit.

II. LEGISLATIVE HISTORY

This legislation derives from a proposal originally introduced in the 101st Congress. Senator Simon introduced S. 2370, on March 29, 1990, together with Senator Leahy. Companion legislation, H.R. 4263, had been introduced in the House of Representatives by Representative Kastenmeier. A joint hearing was held on July 11, 1990, before the Senate Judiciary Subcommittee on Patents, Copyrights and Trademarks and the House Judiciary Subcommittee on Courts, Intellectual Property and the Administration of Justice, co-chaired by Senator DeConcini and Representative Kastenmeier, and subsequently by Senator Simon.

Testimony was heard from: William Patry, on behalf of Ralph Oman, U.S. Register of Copyrights; the Honorable Pierre Leval, U.S. District Court Judge for the Southern District of New York; the Honorable Roger J. Miner, judge, U.S. Court of Appeals for the Second Circuit; the Honorable James L. Oakes, chief judge, U.S. Court of Appeals for the Second Circuit; Taylor Branch, author; J. Anthony Lukas, author; Floyd Abrams, Esq., on behalf of the American Historical Association, the Organization of American Historians, the National Writers Union, the Author's Guild, Inc., PEN American Center and the Association of American Publishers; Barbara Ringer, Esq., former U.S. Register of Copyrights; Jonathan W. Lubell, Esq.; A.G.W. Bidle, president, Computer and Communications Industry Association; and James M. Burger, chief counsel, Government, of Apple Computer, Inc., on behalf of the Computer and Business Equipment Manufacturers Association and the Software Publishers Association. Additional written testimony was submitted by: Kenneth M. Vittor, Esq., on behalf of the Magazine Publishers of America; the American Library Association; Dr. Bruce Perry, author; Andres J. Valdespino; Irwin Karp, Esq.; the Educational Testing Service, along with several testing organizations; and Fair Test the National Center for Fair & Open Testing.

S. 2370 was not considered by the Subcommittee on Patents, Copyrights and Trademarks before the conclusion of the 101st Congress.

In the 102d Congress, after extensive consultation with representatives of interested industry groups, Senators Simon and Leahy introduced S. 1035 on May 9, 1991. Senators Hatch, DeConcini, Kennedy, Kohl, and Brown also joined as original cosponsors. S. 1035 was unanimously polled out of the Subcommittee on Patents, Copyrights and Trademarks on May 17th, 1991. It was ordered favorably reported by the full Judiciary Committee on June 13th, 1991, by unanimous consent.

III. DISCUSSION

FAIR USE OF UNPUBLISHED WORKS

13 Prior to the 1976 Copyright Act, unpublished works were generally protected by common law rather than by Federal statute. For such works, common-law copyright was, essentially, the right of first publication: the right to control whether, when, and how the author would reveal his or her work to the public.

Under the judicially developed fair use doctrine, portions of an author's published work could be used by another in the creation of a new work. The fair use doctrine was premised on the author's implied consent to reasonable and customary use when he published his work. As a result, the doctrine traditionally was not applied to unpublished works. It was recognized that the use of an author's expression before he or she has authorized its dissemination could seriously impair the author's right of first publication. However, "[t]his absolute rule * * * was tempered in practice by the equitable nature of the fair use doctrine." *Harper & Row v. Nation Enterprises*, 471 U.S. 539, 551.

In 1976, Congress passed a broad revision of copyright law which generally preempted common-law copyright in favor of a unified system of Federal protection. As part of this revision, Congress codified the fair use doctrine in section 107 of title 17, announcing its intent to "restate the present judicial doctrine of fair use, not to change, narrow or enlarge it in any way." S. Rep. No. 94-473, 94th Cong., 1st sess. (1975), H. Rep. No. 94-1476, 94th Cong., 2d sess. at 66 (1976). At the same time, Congress did not limit the fair use doctrine to published works.

In 1985, the Supreme Court addressed the issue of the fair use of unpublished works in its decision in *Harper & Row v. Nation Enterprises*, 471 U.S. 539 (1985). That case involved the unauthorized publication of excerpts from President Ford's then unpublished memoirs. The Court, after thoroughly considering all four statutory fair use factors, held that the quotations went beyond what was permitted as a fair use.

The Court rejected the contention that the fair use provision was intended to apply equally to published and unpublished works. It concluded that "the unpublished nature of a work is '[a] key, though not necessarily determinative, factor' tending to negate a defense of fair use." The Court further stated that "the scope of fair use is narrower with respect to unpublished works," and that the author's right of first publication "weighs against" fair use. The Court did not impose a *per se* rule against fair use.

SALINGER AND NEW ERA

In two subsequent cases—*Salinger v. Random House*, 811 F.2d 90 (2d

Cir.), cert. denied, 484 U.S. 890 (1987), and *New Era v. Henry Holt*, 873 F.2d 576 (2d Cir.), reh'g denied 884 F.2d 659 (2d Cir. 1989), cert. denied, 110 S. Ct. 1168 (1990)—the U.S. Court of Appeals for the Second Circuit purported to interpret the Supreme Court's ruling in *Harper & Row*. Unfortunately, these two cases have cast a chilling uncertainty over the publishing community with respect to the fair use of unpublished works.

The rulings of the second circuit in this area of the law are particularly influential because this circuit has jurisdiction over the core of the Nation's book and magazine publishing industry. In *Salinger*, the second circuit ordered the lower court to issue a preliminary injunction barring the publication of a serious biography of author J.D. Salinger because it contained unauthorized quotations from Salinger's unpublished letters. In so ruling, the court of appeals, while formally applying each of the four statutory fair use factors, stated that unpublished works "normally enjoy complete protection against copying any protected expression."

14

In *New Era*, the second circuit stated that the publisher of a highly critical biography about L. Ron Hubbard, the founder of the Church of Scientology, had infringed copyrights in Hubbard's unpublished dairies and journals by publishing excerpts from them. The court made it clear that an injunction barring publication would have been ordered but for the plaintiff's unreasonable delay in commencing the lawsuit. The court cited with approval the *Salinger* formulation that unpublished works normally enjoy complete protection. The court also said that "[t]he copying of 'more than minimal amounts' of unpublished expressive material calls for an injunction barring the unauthorized use * * *." (873 F.2d at 584.) However, in denying the petition for rehearing en banc, the court retreated from the idea that an injunctive remedy necessarily flows from a finding of infringement. The Supreme Court denied certiorari in *New Era* on February 20, 1990.

The committee is aware that district courts in the second circuit have faced the question of the fair use of unpublished works after the *Salinger* and *New Era* cases. In *Wright v. Warner Books*, 748 F. Supp. 105 (S.D.N.Y. 1990), and *Arica Institute, Inc. v. Palmer*, 761 F. Supp. 1056 (S.D.N.Y. 1991), the United States District Court for the Southern District of New York found fair use of unpublished materials for biographical or critical purposes. Nevertheless, the Court of Appeals for the Second Circuit has not renounced its basic formulation in *Salinger* and *New Era* that unpublished works "normally enjoy complete protection against copying." Consequently, the pall that those cases cast over the publishing world remains.

Although some commenters have discounted the significance of the *Salinger* and *New Era* decisions, it became clear from testimony at the congressional hearing that others, including publishers, authors, and their advisors, had great apprehensions, and were inhibited in pursuing their professions by these rulings. Witnesses testified that, in the wake of these two decisions,

copyright counsel for historians, biographers, other authors and publishers routinely advise their clients that almost any unauthorized use of previously unpublished materials will subject them to a serious risk of liability for copyright infringement. Consequently, a copyright owner or the owner's estate may exercise virtual veto power over uses of unpublished materials—a veto likely to be exercised in precisely those cases where the materials could cast their author in an unfavorable light. Publishers and editors, confronted with the prospect of copyright litigation, have refrained from publishing works that quote from unpublished primary source materials such as letters, journals, and diaries. Some authors have been forced to produce two copies of works in progress: one fully supported with direct quotation from source material, and one sharply curtailed, with all direct quotation deleted.

In his prepared statement, Mr. Abrams testified that—

[a]s a result of these rulings, history cannot now be written, biographies prepared, non-fiction works of almost any kind drafted without the gravest concern that even highly limited quotations from letters, diaries or the like will lead to a finding of copyright liability and the consequent issuance of an injunction against publication.

Author Taylor Branch testified that—

[t]he practical implications of these rulings * * * are so chilling that I don't know how the kind of work I do would continue to be done *—*—*.

Author J. Anthony Lukas emphasized that—

* * * if [*New Era*] is permitted to stand as the guiding precedent in this area, [the people of America] will increasingly find fewer works of compelling history and biography available on their bookshelves and eventually in their libraries.

LEGISLATIVE INTENT OF S. 1035

S. 2370 from the 101st Congress was introduced as a starting point for discussion of the appropriate legislative remedy, and died at the end of the 101st Congress. S. 1035 as introduced in the 102d Congress is the result of extensive discussion and consultation with interested parties. In his statement of introduction, Senator Simon said:

If scholars and historians can be prohibited from citing primary sources, their work would be severely impaired.

* * * [I]f this trend continues, it could cripple the ability of society at large to learn from history and thereby to avoid repeating its mistakes. * * * [T]his is a straightforward bill which would direct the courts to apply the full fair use analysis to all copyrighted

works, rather than peremptorily dismissing any and all citation to unpublished works as infringements.

The bill is intended to overrule the overly restrictive language of *Salinger* and *New Era* with respect to the use of unpublished materials and to return to the law of fair use as it was expressed in *Harper & Row*. It is intended to address a specific concern arising from particular language in *Salinger* and *New Era*. It establishes that, contrary to what some language in *Salinger* and *New Era* suggests, the unpublished nature of a work does not trigger a virtual per se ruling against a finding of fair use. In all cases, consistent with *Harper & Row*, while "[t]he fact that a work is unpublished is an important element which tends to weigh against a finding of fair use," that fact "* * * shall not bar a finding of fair use, if such finding is made upon full consideration of all the above factors."

In his statement of introduction, Senator Leahy said:

The aim of this legislation, in brief, is to return the fair use doctrine to the status quo of *Harper & Row*. In that case, the Supreme Court struck the proper balance between encouraging the broad dissemination of ideas and safeguarding the rights to first publication and privacy. Thus, we intend to roll back the virtual per se rule of *Salinger* and *New Era*, but we do not mean to depart from *Harper & Row*.

16

Senator Leahy added, "Nothing in this legislation is intended to broaden the fair use of unpublished computer software * * *."

In order to ensure that the specific note taken of this element does not, by negative implication, alter the weight and interpretation given to other fair use considerations, the legislation makes clear that the fact that a work is unpublished "shall not diminish the importance traditionally accorded to any other consideration under this section * * *." For example, the Court in *Harper* stated that the effect of the use upon the potential market for or value of the copyrighted work "is undoubtedly the single most important element of fair use."

Furthermore, the bill makes clear that, rather than considering only one factor, any finding of fair use must be "* * * made upon full consideration of all the above factors." Here, "the above factors" refers to any factor that may properly be considered in section 107. The committee intends that the review of these factors be complete and meaningful. The bill makes clear that a finding of fair use of an unpublished work may be made on the basis of such a review and shall not be barred by the absence of publication. However, in saying that the unpublished nature of a quoted work "shall not bar a finding of fair use," the committee does not intend to imply that the absence of publication cannot be the element that persuades a court to rule against fair use. The absence of publication may, in a given case, be such an element, as may

other elements under section 107, provided that the court must give full consideration to all the factors set forth in section 107.

The bill is not intended to affect the law of fair use with respect to unpublished business or technical documents, including materials containing scientific or technical descriptions of projects, processes or products under research, study or development. Furthermore, the bill is not intended to reduce the protection of secure tests, the utility of which is especially vulnerable to unauthorized disclosure, nor to affect current protection of broadcast programming.

The Committee is well aware that serious concerns have been expressed in testimony and by members of the committee about decompilation of computer programs. Nothing in the bill is intended in any way to broaden fair use of unpublished computer programs.

This bill does not preempt, limit or otherwise change any trade secret law or other State law remedies for the protection of confidential business of technical documents that exist under the 1976 Copyright Act, as amended.

The bill is effective on its date of enactment. It applies to uses of letters, diaries and other unpublished copyrighted works created before, on or after that date. It governs all lawsuits filed on or after that date, whether the conduct at issue occurred before, on or after that date.

17

LIV. VOTE OF THE COMMITTEE

On June 13, 1991, with a quorum present, the Committee on the Judiciary, by unanimous consent, ordered the bill, S. 1035, favorably reported.

V. TEXT OF S. 1035

[102d Cong., 1st sess.]

A BILL To amend section 107 of title 17, United States Code, relating to fair use with regard to unpublished copyrighted works

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 107 of title 17, United States Code, is amended by adding at the end thereof the following:

“The fact that a work is unpublished is an important element which tends to weigh against a finding of fair use, but shall not diminish the importance traditionally accorded to any other consideration under this section, and shall not bar a finding of fair use, if such finding is made upon full consideration of all the above factors.”

VI. SECTION-BY-SECTION ANALYSIS

The sole provision of this bill is described above.

VII. COST ESTIMATE

U.S. CONGRESS
CONGRESSIONAL BUDGET OFFICE
Washington, DC, July 30, 1991.

HON. JOSEPH R. BIDEN,
*Chairman, Committee on the Judiciary,
U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN. The Congressional Budget Office has reviewed S. 1035, a bill to amend section 107 of title 17, United States Code, relating to fair use with regard to unpublished copyrighted works, as ordered reported by the Senate Committee on the Judiciary on June 13, 1991.

CBO estimates that enactment of S. 1035 would result in no significant additional costs to the Federal Government based on information provided by the Copyright Office. The bill would clarify the criteria for determining whether the use of unpublished materials is an infringement of copyright.

Enactment of S. 1035 would not affect direct spending or receipts. Therefore, pay-as-you-go procedures would not apply to the bill. No costs would be incurred by state or local governments as a result of enactment of this bill.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is John Webb, who can be reached at 226-2860.

Sincerely,

ROBERT D. REISCHAUER,
Director.

LVIII. REGULATORY IMPACT STATEMENT

18

Pursuant to paragraph 11(b), rule XXVI of the Standing Rules of the Senate, the committee, after due consideration, concludes that S. 1035 will not have any direct regulatory impact.

IX. CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italic; existing law in which no change is proposed is shown in roman):

* * * * *

TITLE 17, UNITED STATES CODE

* * * * *

CHAPTER 1. SUBJECT MATTER AND SCOPE

§ 107. Limitations on exclusive rights; Fair use

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

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

The fact that a work is unpublished is an important element which tends to weigh against a finding of fair use, but shall not diminish the importance traditionally accorded to any other consideration under this section, and shall not bar a finding of fair use, if such finding is made upon full consideration of all the above factors.

LX. ADDITIONAL VIEWS OF MR. HATCH

I agree entirely with the committee report's summary outlining the problems and uncertainties associated with the fair use quotation of unpublished works. I also support its statement of the intent of the committee in passing S. 1035 and its view of the need for enactment at this time.

I do, however, view the historical development of this area of the law in terms different from those reflected in the committee report. Because it is my belief that the power of Congress to legislate in this area is limited, and because alternative proposals to address the fair use issue appear to exceed the scope of congressional authority, it may be useful to set out my views at this time.

The most troubling aspect of the debate on this subject has been the unstated assumption, by witnesses and writers alike, that authors' rights

somehow represent a corpus of rights that may be distributed or redistributed from one group of authors to another in the discretion of Congress. The view seems to be that if a sufficiently convincing reason why one author should have the right previously thought to be the property of another author, Congress is free to redistribute the right for that reason. This, I submit, is inimicable to the true nature of authors' rights as property protected by the fifth amendment, and it is incompatible with our international obligations under the Berne Convention for the Protection of Literary and Artistic Works. Moreover, in the specific context of Federal copyright law, this perspective ignores the limited nature of Congress' legislative powers under the Constitution and further ignores the specific limiting language of the Patent and Copyright Clause. Art. I, sec. 8, cl. 8.

While I believe that S. 1035, as passed by the committee, is free from any constitutional deficiency, I raise these cautions because, in my view, previous drafts of this bill, as well as other suggested compromises that may yet be offered as amendments to this bill, contain serious constitutional flaws.

PROPERTY RIGHTS PROTECTED AT COMMON LAW

As former Register of Copyright Barbara A. Ringer reminded the two congressional subcommittees at their joint hearing last summer, any effort to alter the existing protections afforded unpublished works through amendment of the Copyright Act raises fundamental questions concerning the law of personal property. As she stated at that time, "There are historical reasons why unpublished works cannot simply be treated the same as published works with respect to fair use." (Testimony, p. 1.)

The most important of these historical reasons is the fact that an author's interest in his or her unpublished works is a property right that was recognized at common law, that predates the ratification of the Constitution, and that does not derive from any congressionally granted entitlement such as copyright. *Wheaton v. Peters*, 33 U.S. (8 Pet.) 590, 654-656 (1834). The common-law property rights of authors are thus entitled to the full protection of the fifth amendment. Indeed, the Constitution itself suggests this conclusion by empowering Congress to "secure" rather than to "create" authors' rights. (The Constitution echoes the language of earlier copyright statutes in Massachusetts, Connecticut, New York, and Virginia, all of which purported to "secure" preexisting common-law rights of authors.) The Constitution, and the statutes passed under its authority, thus "pre-suppose the existence of a right, which is to be secured, and not a right originally created by the statute." *Wheaton, supra* at 684 (Thompson, J., dissenting).

The Copyright Act of 1976 extended the Federal law of copyright to unpublished works (section 102(a)). In so doing, it subjected those works to the same limited quotation exception—fair use—that had previously been

recognized for published works. The right to quote, even under fair use principles, from unpublished works did not exist to any significant extent prior to the enactment of the Copyright Act of 1976. 2 M. Nimmer, *Copyright*, sec. 8.23, at 8-273.

By this expansion of copyright, the 1976 act, in the view of many, deprived the owners of common-law copyright of their absolute and perpetual rights in unpublished works. Whether that is a reading of the act that can be squared with the Constitution is an open and, for me, problematic question. (See testimony of former Register of Copyrights Barbara A. Ringer, p. 3.) I believe the better view to be that passage of the 1976 act did not completely abolish the common-law right.

The committee's statement that, "In 1976 Congress passed a broad revision of copyright law which generally preempted common law copyright in favor of a unified system of federal protection" is useful as a shorthand expression of the major effect of the 1976 act on unpublished works. There are scholars who make the larger claim that the 1976 act entirely abolished common-law copyright, bringing the right of first publication under the exclusive jurisdiction of Federal copyright law. But because both views fail to recognize the constitutional limitations on the congressional power to legislate in this area, as well as the narrowness of the preemption standard set forth in section 301 of the act itself, they are misleading. (It is not necessary to say anything further on the preemption question except to note the truism that the power of Congress to preempt State law, on any subject, is coterminous with its power to legislate on that subject.)

Even if Congress did intend, in 1976, to abolish common-law copyright or to subject unpublished works to the exclusive jurisdiction of Federal copyright law, its ability to do so is not unlimited. I submit that neither of these ends can be entirely achieved under either the commerce clause authority of Congress or under the copyright clause. It is true that the range of human conduct not reachable by the commerce clause, as presently interpreted, is extremely limited. But if any activity can be viewed as having no perceivable effect on interstate commerce then surely the action of a solitary writer who locks his or her manuscript in a desk never intending it for publication must be such an activity. One must look elsewhere than the commerce clause to find the authority for Congress to act in this area.

Turning to the copyright clause (art. I, sec. 8, cl. 8), the following questions arise. Is the regulation of the rights of authors in unpublished works a proper subject of copyright? Can one who has not sought to profit from the Government-granted monopoly that we know as copyright—since he or she has failed even to publish their work—be characterized as a proper object of the goals of the copyright clause? And is there any value in the copyright in an unpublished work for so long as it remains unpublished? Is it thus a "right" under the meaning of the copyright clause at all? If the claim is that

an existing property right has been abolished by Congress on the authority of its copyright clause powers, one is entitled to ask how the progress of science and the useful arts is promoted by thrusting unasked for rights on authors of unpublished works, when the grant of the illusory new "right" may have the effect of extinguishing a real and valuable preexisting common-law right.

The specific limitations contained in the copyright clause must also be recognized by Congress. Clause 8 of article I, section 8, limits congressional discretion by specifying that rights granted under the authority of the copyright clause must be of limited duration, that those rights must be "exclusive," and that the rights created must go, in the first instance, to "authors and inventors" and not to third parties. The fair use issue engages all three limitations.

The limited duration requirement prohibits Congress from replacing the common-law right with anything approaching the perpetual right that unpublished works once enjoyed. Thus the life of the right beyond the term of congressional protection will always be a matter of common-law protection, if it is to be protected at all. To the extent that congressional legislation provides the sole basis for a secondary author to exercise, to some degree, an original author's right of first publication, the "exclusive right" limitation of the copyright clause may also be infringed. Finally, it is clear that, to the extent that congressional legislation allows a secondary author to exercise, and by so exercising destroy, a right (e.g., the right to first publication) before the original author has chosen to exercise it, the third limitation of the clause—that "authors and inventors" shall be the beneficiaries of the rights created under the copyright clause—is ignored.

All of these limitations on the power of Congress to act to protect unpublished works in the manner to which they have been legally protected since the founding of the Republic convince me that no complete abolition of the common-law right, and the protections that only the common law can afford, was intended, or even permitted, by enactment of the Copyright Act of 1976.

If it were true that the common-law right no longer exists in any significant way, a question would arise as to the purpose of the 1976 codification of the principle of "fair use" in section 107. As the committee report notes, the House Judiciary Committee report on S. 22 in the 94th Congress stated that "Section 107 is intended to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way." The House report reflects the prevailing view that fair use was and would continue to be exclusively a product of judicial decision, with broad guidance provided by section 107. This development ensured, as Barbara Ringer testified before the subcommittee—

that the legal norms governing the fair use of unpublished works would still be governed by existing case law, and that the right to

control first publication * * * would not be destroyed by a statutory fair use provision equating unpublished and published works for all purposes.

Conflicting assertions as to the effect of the codification of section 107 make explicit the constitutional tension that underlies this area of the law. It is the possibility of a common-law right having been destroyed through adoption of section 107 that raises now, even if it did not raise in 1976, a question concerning the constitutionality of Federal fair use legislation under a fifth amendment takings analysis. It seems inevitable that the more that section 107 is viewed as an engine for the reordering or other redistribution of property rights in copyright, rather than as a reflection of the broad guidelines developed through the case law on fair use, then the more its constitutionality will be called into question.

Because I believe that the compromise language adopted by the committee stops short, but just short, of this constitutional precipice, I support it. By recognizing that unpublished works enjoy a strong presumption against fair use quotation, but can in some cases be appropriately quoted, S. 1035 clarifies a question that has become needlessly confused in the case law. It is my hope that any future legislative alteration of the fair use doctrine will also respect the constitutional restraints that bind our legislative judgment.

PRIVACY INTERESTS PROTECTED BY THE COMMON-LAW RIGHT OF FIRST PUBLICATION

I agree with the committee that the Supreme Court in *Harper & Row v. Nation Enterprises*, 471 U.S. 539 (1985), struck the proper balance between encouraging the broad dissemination of ideas and safeguarding the rights to first publication and privacy. It is for this reason as well that I resist the view that the common-law right has been entirely abolished and that this area of the law has been "federalized" by the enactment of the 1976 act. But for the continued existence of the common-law right, the Supreme Court would have, in the context of the private relations of citizens, no right of privacy to protect. Because the protection of individual privacy is so important, particularly in this technologically advanced age, it is too important to be left solely within the necessarily limited control of the Federal Government.

Judge Roger Miner, of the second circuit, reminded the subcommittees who heard testimony on this subject in 1990 that the common-law right of first publication protects substantial privacy interests of the author. Judge Miner viewed privacy as one of several rights embodied in the right of first publication:

The ability of an author to withhold a work from public dissemination just as long as he or she deems it proper to do so implicates notions of privacy, freedom to refrain from speaking and

control of material. At bottom here is a substantial property interest.

The fundamental privacy interests of individuals in their unpublished writings have been recognized by most American common-law jurisdictions. Only in this context are individuals protected from private as well as public infringements of their privacy. Moreover, the common-law right has the distinct advantage of being embodied in explicit case law, recognized for over two centuries. See, e.g., *Miller v. Taylor*, 4 Burr, 2302 (1769) (per Mansfield, C.J.); *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591, 657 (1834).

As has been noted by others, the seminal Harvard Law Review article by Warren & Brandeis on the right of privacy specifically illustrates its point by reference to the common-law right of authors to control their unpublished works. Warren & Brandeis, *The Right to Privacy*, 4 Harv. L. Rev. 193, 205 (1890). No fair use dispute brought to the attention of the subcommittees involved state action, the proper subject of the privacy right protected by the Federal Constitution. Instead, all of the cases related to the private rights of individuals against one another. Privacy in this situation is protected not by the Constitution, but by the common law.

The fair use debate presents a rare opportunity for Congress to recognize the importance of long-standing privacy interests. I am pleased that this compromise has been drafted in a manner that protects those interests.

SENATE FLOOR STATEMENTS
138 CONG. REC. S17358 (October 7, 1992)

CLARIFICATION OF FAIR USE DOCTRINE

Mr. FORD. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of H.R. 4412, a bill to clarify the application of the fair use doctrine to unpublished copyrighted materials received from the House, that the bill be deemed read three times, passed and the motion to reconsider be laid upon the table; that a statement jointly signed by Senators SIMON, LEAHY, KENNEDY, GRASSLEY, METZENBAUM, and KOHL be insert in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

There being no objection, the joint statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATORS SIMON, LEAHY, KENNEDY, GRASSLEY, METZENBAUM, AND KOHL

Last September, the Senate approved S. 1035, a bill introduced by Senator Leahy and Senator Simon, that clarified the application of the fair use doctrine to unpublished, copyrighted, materials. In August of this year, the House approved a similar bill, H.R. 4412, which is before us now for consideration.

We endorse the House bill, H.R. 4412 serves the same goals and achieves the same objectives as S. 1035. While the House version contains slightly different language, the effects of the two bills are identical. Thus, the Senate Report interpreting the objectives of S. 1035 and discussing the history of fair use can be applied in all respects to H.R. 4412, as well.

In order to remove any question about the scope of the bill, a few additional comments may be helpful. As Senators Leahy and Simon noted when they introduced the Senate version in May of 1991, the fair use bill was triggered by two Second Circuit decisions, *Salinger v. Random House*, 311 F.2d 90 (2d Cir.), cert. denied, 484 U.S. 890 (1987), and *New Era v. Henry Holt*, 873 F.2d 576 (2d Cir.), reh'g denied, 884 F.2d 659 (2d Cir. 1989), cert. denied, 110 S. Ct. 1168 (1990), that severely narrowed the scope of the fair use doctrine as applied to unpublished works. These cases threatened to establish a virtual per se rule against the fair use of any unpublished materials, such as letters or diaries. As the court said in *New Era*, unpublished works "normally enjoy complete protection" against copying.

Since the vast majority of publishing and magazine companies are based in the Second Circuit's jurisdiction, the effect of the *Salinger* and *New Era* decisions has been profound, resulting in chilling uncertainty and serious apprehension in the publishing community regarding fair use of unpublished works. We think it no exaggeration to say that if the trend were to continue,

it could severely damage the ability of journalists and scholars to use unpublished primary materials. This would be a crippling blow to accurate scholarship and reporting.

H.R. 4412, like its Senate counterpart, is thus designed to undo the harm caused by the overly restrictive standards adopted in *Salinger and New Era*, and to clearly and indisputably reject the view that the unpublished nature of the work triggers a virtual per se ruling against a finding of fair use. While the fact that a work is unpublished is "an important element which tends to weigh against a finding of fair use," the unpublished nature of the copyrighted material is not necessarily determinative of whether or not a particular use is considered a fair use.

By rejecting the per se approach, this bill serves to reaffirm the general principles regarding fair use of unpublished works as set forth in the Supreme Court's landmark decision *Harper & Row v. Nation Enterprises*, 471 U.S. 538 (1985). That decision makes clear that, rather than considering only one factor, a finding of fair use must be made upon a full consideration of all the factors under section 107 of the copyright laws. The review of these factors must be complete and meaningful. A more detailed discussion of *Harper* is set forth in the Senate report.

To some observers, one Second Circuit decision handed down after the Senate's passage of S. 1035, *Wright v. Warner Brooks*, 953 F.2d 731 (2d Cir. 1991), seems to portend a more reasonable approach by the Second Circuit. However, since the *Wright* decision did not explicitly disavow the narrow formulation of the fair use doctrine espoused in *Salinger and New Era*, the pall that the latter two cases cast over the publishing world remains. Moreover, as the Senate noted in its report: "[S. 1035] is intended to overrule the overly restrictive language of *Salinger and New Era* with respect to the use of unpublished materials and to return to the law of fair use as it was expressed in *Harper & Row*." S. Rep. 102-141, 102nd Cong., 1st Sess., at 5. Consequently, the bill rejects dicta in *Wright* to the extent that such dicta is premised upon the disapproved language of *Salinger and New Era*. The bill requires the courts to make a carefully reasoned and complete consideration of each of the fair use factors set forth in Section 107 of the Copyright Act.

Finally, as the Senate Report makes clear, this legislation does nothing to broaden the fair use of unpublished computer programs. Nor does it reduce the protection afforded to secure tests. And, the legislation is effective on the date of enactment. It applies to uses of letters, diaries and other unpublished copyrighted, works created before, on or after that date. It governs all lawsuits filed on or after that date, whether the conduct at issues occurred before, on or after that date.

The bill (H.R. 4412) was deemed to have been read three times and passed.

D. CRIMINAL PENALTIES

P.L. 102-561, 106 Stat. 4233

H.R. REP. NO. 102-997, 102d Cong., 2d Sess. (1992).

CRIMINAL PENALTIES FOR COPYRIGHT INFRINGEMENT

OCTOBER 3, 1992.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

MR. BROOKS, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany S. 893]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the Act (S. 893) to amend title 18, United States Code, to impose criminal sanctions for violation of software copyright, having considered the same, report favorably thereon with amendments and recommend that the Act as amended do pass.

The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. CRIMINAL PENALTIES FOR COPYRIGHT INFRINGEMENT.

Section 2319(b) of title 18, United States Code, is amended to read as follows:

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

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

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

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

SEC. 2 CONFORMING AMENDMENTS.

SECTION 2319(c) OF TITLE 18, UNITED STATES CODE, IS AMENDED—

(1) IN PARAGRAPH (1) BY STRIKING “‘SOUND RECORD-

ING', 'MOTION PICTURE', 'AUDIO-VISUAL WORK', 'PHONORECORD', AND INSERTING " 'PHONORECORD' "; AND
 (2) IN PARAGRAPH (2) BY STRIKING "118" AND INSERTING
 "120."

Amend the title so as to read:

An Act to amend title 18, United States Code, with respect to the criminal penalties for copyright infringement.

EXPLANATION OF AMENDMENT

12

Inasmuch as S. 893 was ordered reported with a substitute to an amendment in the nature of a substitute, as amended, the contents of this report constitute an explanation of that substitute.

Summary and Purpose

The purpose of S. 893 is to harmonize the current felony provisions for copyright infringement and to provide an effective deterrence to the piracy of motion pictures, sound recordings, computer programs, and other original works of authorship. Piracy of copyrighted works costs U.S. industries millions of dollars a year, resulting in losses of jobs and diminution in the number of works created. Effective criminal penalties will aid in preventing such losses.

INTRODUCTION

During this Congress, proposals to amend the copyright criminal felony provisions have been initiated by Senator Hatch, first as part of an omnibus crime package and later as a separate bill, S. 893. In both cases, the (identical) provisions concerned only computer programs. The provisions sought to amend title 18, United States Code, and built on amendments made in 1982 with respect to audiovisual works and sound recordings. There is no companion House bill.

The Subcommittee on Intellectual Property and Judicial Administration held a hearing on S. 893 on August 12, 1992. Testimony was received from: James Charne, General Counsel of Absolute Entertainment, Inc.; Gail Penner, Counsel, Autodesk, Inc., representing the Software Publishers Association; Edward J. Black, Vice President and General Counsel, Computer & Communications Industry Association; and, David Ostfeld, Chairman, Institute of Electrical & Electronics Engineers—U.S.A.

Committee Vote

On September 30, 1992, a reporting quorum being present, the Commit-

tee ordered S. 893 reported to the full House by voice vote, with a substitute to an amendment in the nature of a substitute, as amended.

LEGISLATIVE HISTORY

S. 893 was introduced by Senator Hatch on April 23, 1991. Its provisions were also included as part of the omnibus crime package that passed the Senate on June 27, 1991. S. 893 was reported favorably by the Senate Committee on the Judiciary on April 7, 1992,¹ and passed the Senate, as amended, on June 4, 1992. The bill was referred to the Committee on the Judiciary on June 9, 1992, which, on June 11, 1992, referred the bill to the Subcommittee on Intellectual Property and Judicial Administration. On August 12, 1992, the Subcommittee held a hearing on S. 893, and on September 10, 1992 it marked-up and favorably approved an amendment in the nature of a substitute.

13

DISCUSSION

HISTORY OF CRIMINAL COPYRIGHT STATUTES

The first criminal provision in our copyright laws was a misdemeanor penalty added in 1897 for unlawful performances and representations of copyrighted dramatic and musical compositions.² In order to constitute a criminal violation, the defendant's conduct was required to have been "willful and for profit." Section 104 of the general copyright revision of 1909 extended this penalty to all types of copyrighted works, again if the conduct was done willfully and for profit.³ Section 506(a) of the 1976 general Copyright Revision Act continued the misdemeanor provision⁴ of the 1909 Act, but changed, without explanation, the phrasing of the *mens rea* requirement to conduct engaged in "willfully and for purposes of commercial advantage or private financial gain." Violators were to be fined not more than \$10,000 or imprisoned not more than 1 year, or both. In the case of sound recordings or motion pictures, violators were to be fined not more than \$25,000 or imprisoned for not more than 1 year, or both.⁵ Repeat offenders were subject to a

¹ S. Rept. No. 102-268, 102d Cong., 2d Sess.

² Act of January 6, 1897, 54th Cong., 2d Sess., 29 Stat. 481.

³ This provision also imposed liability on those who "knowingly and willfully" aided and abetted criminal infringement.

⁴ The 1976 act dropped the aiding and abetting provision of the former law, however.

⁵ For sound recordings, criminal infringement would lie for violation of the reproduction, derivative, or distribution rights. For motion pictures, criminal infringement would lie for infringement of the reproduction, distribution, or public performance rights. 17 U.S.C. § 506(a) (1978).

fine of not more than \$50,000 or imprisonment for not more than 2 years, or both.

In 1982, special provisions for motion pictures and sound recordings were added in the form of felony provisions for first time offenders.⁶ This act amended both title 17 (the Copyright Act) and title 18. While the criminal offense remained in section 506(a) of title 17, the felony penalties for infringing reproductions or distributions of motion pictures or sound recordings were placed in new section 2319 of title 18, United States Code.⁷

As passed by the Senate, S. 893 sought to build on the 1982 amendments by including computer programs within the felony penalty provisions of section 2319 of title 18.⁸

14

⁶ Act of May 24, 1982, P.L. 97-180, 97th Cong., 2d Sess., 96 Stat. 91.

⁷ Section 2319 of title 18 currently reads:

- (a) Whoever violates section 506(a) (relating to criminal offenses) of title 17 shall be punished as provided in subsection (b) of this section and such penalties shall be in addition to any other provision of title 17 or any other law.
- (b) Any person who commits an offense under subsection (a) of this section—
 - (1) shall be fined not more than \$250,000 or imprisoned for not more than 5 years, or both, if the offense—
 - (A) involves the reproduction or distribution, during any 180-day period, of at least 1,000 phonorecords or copies infringing the copyright in one or more sound recordings;
 - (B) involves the reproduction or distribution, during any 180-day period, of at least 65 copies infringing the copyright in one or more motion pictures or other audiovisual works; or
 - (C) is a second or subsequent offense under either of subsection (b)(1) or (b)(2) of this section, where a prior offense involved a sound recording, or a motion picture or other audiovisual work;
 - (2) shall be fined not more than \$250,000 or imprisoned for not more than 2 years, or both, if the offense—
 - (A) involves the reproduction or distribution, during any 180-day period, of more than 100 but less than 1,000 phonorecords or copies infringing the copyright in one or more sound recordings; or
 - (B) involves the reproduction or distribution, during any 180-day period, of more than 7 but less than 65 copies infringing the copyright in one or more motion pictures or other audiovisual works; and
 - (3) shall be fined not more than \$25,000 or imprisoned for not more than 1 year, or both, in any other case.

⁸ Specifically, S. 893 as passed by the Senate provided for:

- (1) A fine of not more than \$25,000 or imprisonment for not more than 5 years or both if, during any 180-day period, at least 50 copies infringing the copyright in one or more computer programs are reproduced or distributed;
- (2) A fine of not more than \$250,000 or imprisonment for not more than 2 years or both if, during any 180-day period, more than 10 but

AMENDMENTS

The substitute favorably reported by the Committee takes a different approach from S. 893 as passed by the Senate. Rather than simply adding computer programs to audiovisual works and sound recordings as works whose infringement can give rise to felony penalties, the substitute harmonizes the felony provisions in section 2319 to apply to all types of copyrighted works, as is currently the case for misdemeanor violations. The substitute does not alter the elements that must be established for a criminal copyright violation. The substitute also does not alter the misdemeanor provisions of the current law. Instead, the only changes made by the substitute are (1) an expansion in the types of copyrighted works that may give rise to felony prosecution, and, (2) a revision in the threshold that must be satisfied before felony liability may be imposed.

As in the past, whether conduct constitutes a criminal violation will be determined as follows. First, the Government is required to establish that an act or acts of copyright infringement have occurred. This *prima facie* case is determined by civil law.⁹ Second, if a *prima facie* case of infringement is established, the Government must prove the defendant committed the infringement "willfully and for purposes of commercial advantage or private financial gain."¹⁰ Third, if this *mens rea* is established, in order for the violation to be a felony, the infringing reproductions or distributions must meet certain numerical thresholds. Failure to meet those thresholds will result in the violation being treated as a misdemeanor.

Under the Committee substitute, the threshold for determining when an infringement accomplished with the requisite *mens rea* becomes a felony is to be determined through a combination of the number of infringing copies or phonorecords and their retail value. Specifically, at least 10 copies or phonorecords having a retail value of more than \$2,500¹¹ must be reproduced or distributed without the copyright owner's permission within a 180 day period¹² in order to meet the thresholds.

less than 50 copies infringing the copyright in one or more computer programs are reproduced or distributed.

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

⁹ *United States v. Larracunte*, 952 F.2d 673, 673 (2d Cir. 1992); *United States v. Cross*, 816 F.2d 297, 303 (7th Cir. 1987); *United States v. O'Reilly*, 230 USPQ 475 (11th Cir. 1986).

¹⁰ 17 U.S.C. § 506(a) (1978).

¹¹ As under current law, the felony penalties are only for violations of the reproduction or distribution right: infringement of the right to prepare derivative works, the right to publicly perform a copyrighted work, or the right to publicly display a copyrighted work is subject only to a misdemeanor penalty.

¹² This one hundred and eighty day provision was added as an amendment by Mr.

MENS REA REQUIREMENT

The requirement of a *mens rea* for criminal copyright infringement serves the important purpose of drawing a sharp distinction with civil copyright infringement. Under civil copyright infringement, an intent to infringe is not required, since copyright is a strict liability tort.¹³ For an infringement to be deemed a criminal violation, however, a specific *mens rea* must be proved. Even if civil liability has been established, without the requisite *mens rea* it does not matter how many unauthorized copies or phonorecords have been made or distributed: No criminal violation has occurred.

Under section 506(a) of title 17, United States Code, unamended by the substitute, the *mens rea* is described as infringement done "willfully and for purposes of commercial advantage or private financial gain." The term "willfully," although used in copyright statutes since 1897 for criminal violations, has never been defined. The substitute to S. 893 does not provide a definition either, since it is the Committee's intention that the standard as construed by the courts continue to be applied.¹⁴

The *mens rea* requirement serves to leave outside the reach of the criminal law losing parties in ordinary business disputes such as those involving reverse engineering of computer programs¹⁵ or contract disputes over the scope of licenses.¹⁶ Felony liability is not the result of every unauthorized reproduction or distribution of at least 10 copies or phonorecords having a

Campbell, and conforms to the current provisions in section 2319 of title 18, United States Code.

¹³ *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191, 198 (1931).

¹⁴ See, e.g., *United States v. Cross*, 816 F.2d 297, 300 (7th Cir. 1987) (defendant must have engaged in the infringing conduct with knowledge that his or her activity was prohibited by law.) For decisions under the 1909 Act, see *United States v. Backer*, 134 F.2d 533 (2d Cir. 1943) and *United States v. Taxe*, 540 F.2d 961 (9th Cir. 1976), cert. denied, 429 U.S. 1040 (1977). In *Backer*, the Second Circuit found liability where the defendant, although without actual notice from the copyright owner, unlawfully issued instructions to make copies resembling the copyrighted work "as closely as they might without 'copyright trouble,'" indicating that the defendant was aware of the legal prohibition against infringement. In *Taxe*, the 9th Circuit affirmed a jury instruction that advice of counsel is "no defense" but should be considered in whether the defendant's action was "willful."

¹⁵ This legislation should not be construed by the courts as expressing Congressional intent on the question of whether reverse engineering is or is not a civil violation of copyright law. S. 893 is an amendment to the criminal copyright law provisions, and assumes that a prima facie case of infringement has been proven. The elements of the civil offense of infringement are left to the developing jurisprudence in the area.

¹⁶ See *United States v. Larracuente*, 952 F.2d 672, 673-674 (2d Cir. 1992) ("If the accused infringer has been licensed by a licensee of the copyright owner, that is a matter of affirmative defense").

retail value of more than \$2,500 within a 180-day period. First, infringement must be established. Next, the Government must prove that the infringement was done with the requisite *mens rea*. Unless both these requirements are met, no criminal liability—misdemeanor or felony—will lie, regardless of the number of unauthorized copies or phonorecords that have been reproduced or distributed. In cases where civil liability is unclear—whether because the law is unsettled, or because a legitimate business disputes exists—the Committee does not intend to establish criminal liability.

16

THE THRESHOLD REQUIREMENT OF NUMBER AND VALUE OF COPIES

The requirement that a requisite number of infringing copies or phonorecords be reproduced or distributed within a 180 day period serves a number of important purposes. First, it excludes from felony prosecution children making copies for friends as well as other incidental copying of copyrighted works having a relatively low retail value. Second, the requirement of reproducing or distributing at least 10 copies within a 180 day period removes the possibility that the increased penalties under the bill for computer program infringement can be used as a tool of harassment in business disputes over reverse engineering. Assuming *arguendo* that infringement due to unauthorized reverse engineering is established, and that the infringement was done with the requisite *mens rea* (which, as noted above, is unlikely), no felony liability should arise, since the Committee has been informed that reverse engineering does not require the reproduction of more than a handful of copies.

Where the requisite number of unauthorized copies or phonorecords with the requisite retail value have been made or distributed willfully and for purposes of commercial advantage or private financial gain within a 180 day period, the violator is subject to the following penalties: (1) imprisonment of not more than 5 years and/or the fine prescribed in title 18 for a first offense;¹⁷ (2) imprisonment of not more than 10 years and/or the fine prescribed in title 18 for a second or subsequent offense.

SECTION-BY-SECTION ANALYSIS OF THE COMMITTEE SUBSTITUTE

SECTION 1

Section 1 of the Committee substitute amends section 2319(b) of title 18 in its entirety. Under the substitute, any person who violates section 506(a) of title 17, United States Code, shall be imprisoned for not more than 5 years, or fined in the amount set forth in title 18, or both, if the offense consists of

¹⁷ See 18 U.S.C. § 3571(b) (fines for individuals); *id.*, § 3571(c) (fines for organizations).

the reproduction or distribution of at least 10 copies or phonorecords, of one or more copyrighted works, with a retail value of more than \$2,500 during a 180 day period.¹⁸

The phrase "of one or more copyrighted works" is intended to permit aggregation of different works of authorship to meet the required number of copies and retail value. For example, a defendant's reproduction of 5 copies of a copyrighted word processing computer program having a retail value of \$1,300 and the reproduction of 5 copies of a copyrighted spreadsheet computer program also having a retail value of \$1,300 would satisfy the requirement of reproducing 10 copies having a retail value of at least \$2,500, if done within a 180 day period.

The term "retail value" is deliberately undefined, since in most cases it will represent the price at which the work is sold through normal retail channels.¹⁹ At the same time, the Committee recognizes that copyrighted works are frequently infringed before a retail value has been established, and that in some cases, copyrighted works are not marketed through normal retail channels. Examples include motion pictures prints distributed only for theatrical release, and beta-test versions of computer programs. In such cases, the courts may look to the suggested retail price, the wholesale price, the replacement cost of the item, or financial injury caused to the copyright owner.

If the offense is a second or subsequent offense, the defendant is subject to imprisonment for not more than 10 years, or a fine in the amount set forth in title 18, United States Code, or both.

If the defendant failed to make the requisite number or value of copies within the 180 day period, but still engaged in the infringing conduct with the requisite *mens rea*, section 2319(b)(3) subjects the defendant to a term of imprisonment of not more than 1 year or a fine in the amount set forth in title 18, United States Code, or both, as under current law.

SECTION 2

Section 2 contains conforming amendments. Since the substitute harmonizes the felony penalties to apply to all types of copyrighted works, section 2 deletes the references to "sound recording," "motion picture" and "audiovisual work."

¹⁸ This 180 day period does not change the 3 year statute of limitations period set forth in section 507(a).

¹⁹ See generally, *United States v. Larracuente*, 952 F.2d 672, 674 (2d Cir. 1992) (holding that trial court was correct in applying the Sentencing Commission's guidelines "to the normal retail price, rather than the lower bootleg price paid by those who presumably are aware that the prices they are buying are not legitimate," but noting possible exceptions).

EFFECTIVE DATE

The substitute shall take effect on the date of enactment and applies only to conduct engaged in on or after that date.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

COMMITTEE ON GOVERNMENT OPERATIONS OVERSIGHT FINDINGS

No findings or recommendations of the Committee on Government Operations were received as referred to in clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 2(1)(3)(B) of House Rule XI is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

1 CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 2(1)(3)(C) of rule XI of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill S. 893, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, October 2, 1992.

HON. JACK BROOKS,
*Chairman, Committee on the Judiciary,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed S. 893, a bill to amend title 18, United States Code, to impose criminal sanctions for violation of software copyright, as ordered reported by the House Committee on the Judiciary on September 30, 1992. Enactment of this bill would increase costs to the federal government because prison terms served by some copyright offenders would be longer. It also could increase receipts

to the federal government from fines, but we cannot estimate the amount of either increase.

Because S. 893 could affect receipts, it would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985. Therefore, the estimate required under clause 8 of House Rule XXI is attached.

Under current law, only certain offenses involving copyright violations of sound recordings or audiovisual works are felonies, while all other copyright violations are misdemeanors. S. 893 would change the criteria for determining whether a copyright violation involving sound recordings or audiovisual works is a felony offense. In addition, the bill would apply the same criteria to all copyright violations, not just those involving sound recordings or audiovisual works.

It is impossible to predict with confidence the effect of the new criteria for determining felonies, because some copyright violations that otherwise would have been felony offenses would be misdemeanor offenses, and vice versa. Some offenses that could only have been misdemeanors—namely, those not involving sound recordings or audiovisual works—would be felonies under S. 893. This probably would result in increased prison terms served and/or fines paid by these offenders, but CBO has no basis for quantifying the increased cost or receipts to the federal government. Any such costs would be paid from appropriated funds.

CBO estimates that enactment of S. 893 would result in no cost to state or local governments.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Grabowicz, and John Stell.

Sincerely,

JAMES L. BLUM
(For Robert D. Reischauer, Director)

1 CONGRESSIONAL BUDGET OFFICE ESTIMATE¹

19

The applicable cost estimate of this act for all purposes of sections 252 and 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be as follows.

¹ An estimate of S. 893 as ordered reported by the House Committee on the Judiciary on September 30, 1992. This estimate was transmitted by the Congressional Budget Office on October 2, 1992.

[By fiscal year, in millions of dollars]

	1993	1994	1995
Change in outlays	(1)	(1)	(1)
Change in receipts	(2)	(2)	(2)

¹Not applicable.²CBO cannot estimate this amount.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that S. 893 will have no significant impact on prices and costs in the national economy.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 2319 OF TITLE 18, UNITED STATES CODE

* * * * *

§ 2319. Criminal infringement of a copyright

(a) * * *

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

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

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

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

[(C) is a second or subsequent offense under either of subsection (b)(1) or (b)(2) of this section, where a prior offense in-

volved a sound recording, or a motion picture or other audiovisual work;

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

110

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

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

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

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

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

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

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

(c) As used in this section—

(1) the terms ["sound recording," "motion picture," "audiovisual work," "phonorecord,"] "*phonorecord*" and "copies" have, respectively, the meanings set forth in section 101 (relating to definitions) of title 17; and

(2) the terms "reproduction" and "distribution" refer to the exclusive rights of a copyright owner under clauses (1) and (3) respectively of section 106 (relating to exclusive rights in copyrighted works), as limited by sections 107 through [118,] 120, of title 17.

HOUSE FLOOR STATEMENTS
138 CONG. REC. H11129 (October 3, 1992)

FELONY PENALTIES FOR COPYRIGHT INFRINGEMENT

Mr. HUGHES. Mr. Speaker, I move to suspend the rules and pass the Senate bill (S. 893) to amend title 18, United States Code, with respect to the criminal penalties for copyright infringement, as amended.

The Clerk read as follows:

S. 893

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 1. Criminal Penalties for Copyright Infringement.

Section 2319(b) of title 18, United States Code, is amended to read as follows:

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

“(1) shall be imprisoned not more than 5 years, or fined in the amount
LH11130 set forth in this title, or both, if the offense consists of 1the reproduction or distribution, during any 180-day period, of at least 10 copies or phonorecords, of 1 or more copyrighted works, with a retail value of more than \$2,500;

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

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

Sec. 2. Conforming Amendments

Section 2319(c) of title 18, United States Code, is amended—

(1) in paragraph (1) by striking “ ‘sound recording’, ‘motion picture’, ‘audiovisual work’, ‘phonorecord’,” and inserting “ ‘phonorecord’ ”; and

(2) in paragraph (2) in striking “1118” and inserting “120”.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from New Jersey [Mr. HUGHES] will be recognized for 20 minutes, and the gentleman from California [Mr. MOORHEAD] will be recognized for 20 minutes.

The Chair recognizes the gentleman from New Jersey [Mr. HUGHES].

Mr. HUGHES. Mr. Speaker, I yield myself such time as I may consume.

(Mr. HUGHES asked and was given permission to revise and extend his remarks.)

Mr. HUGHES. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in strong support of S. 893, a bill to harmonize the felony penalty provisions for infringement of copyrighted works. Piracy costs copyright industries millions of dollars a year through displaced sales. Piracy also causes loss of jobs and reduction in the creation of new works.

The bill we take up today contains important safeguards to ensure that isolated but unauthorized copying, and ordinary business disputes are not subject to felony penalties. One of those safeguards is a stringent mens rea requirement. No criminal liability may be imposed unless the conduct was done willfully and for purpose of commercial advantage or private financial gain.

The second safeguard is a threshold requirement that the defendant must have infringed at least 10 copies of one or more copyrighted works having a retail value of more than \$2,500 within a 180-day period.

This is a good bill and I urge its adoption by the House.

Mr. MOORHEAD. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of S. 893 which would provide criminal penalties for the infringement of all types of copyright. The recent hearing held by the Intellectual Property Subcommittee on Senator HATCH'S bill, S. 893, clearly documented the need to provide felony penalties for copyright infringement of computer programs. Estimates of lost revenue from software piracy run in the billions of dollars both in the United States and abroad. Current misdemeanor penalties have proven inadequate for stemming software piracy. In 1982, when Congress enacted criminal provisions to protect movies and records from piracy, the computer software industry was not even in existence. Today however, it is a vital component of the U.S. economy that needs enhanced protection for its creative work product.

In addition to providing felony penalties to protect computer software, support was expressed at the subcommittee's hearing for revising the Copyright Act to extend the felony provisions to all types of copyrighted works. The version of S. 893 before us today adopts this across-the-board or generic approach as opposed to proceeding with the current piecemeal approach and I commend the chairman of the Subcommittee, the gentleman from New Jersey [MR. HUGHES], for developing it and for his excellent work on this issue. In addition to providing strong copyright protection for all copyrighted works, the provisions in S. 893 should prove helpful to our various copyright related industries' antipiracy efforts in other countries. Mr. Speaker, S. 893 is solid legislation and I urge my colleagues' support for it.

Mr. Speaker, I yield back the balance of my time.

Mr. HUGHES. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by

the gentleman from New Jersey [Mr. HUGHES] that the House suspend the rules and pass the Senate bill, S. 893, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the Senate bill, as amended, was passed.

The title of the Senate bill was amended so as to read: "An Act to amend title 18, United States Code, with respect to the criminal penalties for copyright infringement."

A motion to reconsider was laid on the table.

SENATE FLOOR STATEMENTS
138 CONG. REC. S17958 (October 8, 1992)

PENALTIES FOR VIOLATIONS OF SOFTWARE COPYRIGHT

Mr. FORD. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on S. 893.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the bill from the Senate (S. 893) entitled "An Act to amend title 18, United States Code, to impose criminal sanctions for violation of software copyright," do pass with the following amendments:

Strike out all after the enacting clause and insert:

Section 1. Criminal Penalties for Copyright Infringement

Section 2319(b) of title 18, United States Code, to amended to read as follows:

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

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

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

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

Sec. 2. Conforming Amendments

Section 2319(c) of title 18, United States Code, is amended—

(1) in paragraph (1) by striking 'sound recording', 'motion picture', 'audiovisual work', " 'phonorecord'," and inserting "phonorecord"; and

(2) in paragraph (2) by striking "118" and inserting "120".

Amend the title so as to read: "An Act to amend title 18, United States Code, with respect to the criminal penalties for copyright infringement."

Mr. HATCH. Mr. President, I was pleased last summer when the Senate unanimously passed S. 893, as originally proposed. In introduced S. 893 earlier this year, with my good friend from Arizona, Senator DeCONCINI as an original cosponsor. The bill was designed to help the computer software industry combat the growing problem of large-scale commercial piracy of its products, by making such conduct a felony under Federal law punishable by

fine and imprisonment. In so doing, S. 893 simply treated software piracy in the same manner that Congress had earlier decided to treat motion picture and sound recording piracy.

For several years, Federal law has provided strong criminal penalties for persons involved in the unauthorized production or distribution of multiple copies of phonorecords, sound recordings, and motion pictures. In a similar manner, this legislation was intended to provide the same enhanced criminal sanctions for the violation of copyright in computer programs. S. 893 as passed by the Senate on June 4 protected only computer software. We chose this approach because computer software differs in many ways, such as design, use, and distribution methods, from those forms of intellectual property presently afforded protection in the criminal law.

The amended version of S. 893 that has now come back to us from the House contains all of the teeth of our computer software bill but it has altered and refined the way in which the criminal code addresses the entire question of criminal penalties for large-scale copyright infringement. Instead of the previous scheme of separate statutes setting different penalties for piracy of different types of copyrighted material, the new House-passed law sets a uniform standard of liability for piracy of copyrighted works, whether they be motion pictures, records, books, or computer software. This is a welcome and logical development in clarifying the point at which the copyright law intersects with the criminal code, and I would like to sincerely compliment Representative BILL HUGHES, the author of this amendment, for his foresight in seeing how my bill could be improved without losing any of its substance.

The House approach to the problem of criminal copyright infringement necessitated several amendments to current law. Because the amended bill predicates liability on the proof that the copied material exceeds a certain "retail value," questions will no doubt arise as to what constitutes "retail value." I note with approval the extended discussion of this issue in the House report, particularly the view that in the amended bill the term "retail value" means the suggested retail price of the legitimate copyrighted work at the initial time of its release, and not the market price of the pirate copy. In the case of a copyrighted work that is not sold at retail, the "retail value" for the purpose of the statute should reflect the harm to the copyright holder and not the infringer's profits; for example the unauthorized release of videocassettes or audiocassettes embodying as yet unreleased material will necessarily harm copyright owners, distributors and retailers far in excess of the retail value of the infringing material. For example, a film print or audio studio master which is not to be sold on the open market obviously has substantial asset value.

The important point to keep in mind, is that retail value should be determined by looking to the value of the copyrighted works in the legitimate retail market, not the thieves' criminal market. For the purpose of the criminal

law, we should determine the harm from the point of view of the copyright holder, not by the value of the gain to the criminal. So I agree that the term "retail value" should generally mean the suggested retail price of the legitimate copyrighted work at the initial time of release and not the value of the pirate copies. In the event the copyrighted work is not sold in the form copied or distributed, the term "retail value" should mean the greater of the replacement cost or the true cost of production of the copyrighted work, including, but not limited to, the purchase cost of the components of the copyrighted work, design costs, and labor and overhead expenses required to create and manufacture the work.

Another potential question relating to the new standard of criminal liability for copyright infringement is an issue that arose during House consideration of this legislation. 17 U.S.C. 506(a) currently prohibits any person from infringing a copyright "willfully and for purposes of commercial advantage or private financial gain." The term "willfully," although used in copyright statutes since 1897 for criminal violations, has never been defined. Instead, copyright owners and prosecutors have relied on standards developed by the courts. It is my view that it is proper for the courts to continue to develop this concept in appropriate cases, and that the version of S. 893 we adopt today by specifically failing to define further the concept of "willful" conduct acknowledges that fact.

I note that the House considered defining the term "willfully" in this legislation. In fact, the House Judiciary Committee's Intellectual Property Subcommittee included a definition of "willfully" in the version of the bill it referred to the full committee, but the full committee-approved bill did not contain that language. The version of S. 893 that has passed the House and is before us now does not define "willfully." Therefore, S. 893 does not directly or by implication signal any disapproval with the manner in which the courts have previously interpreted this element of the offense.

At no point during our proceedings in the Senate Judiciary Committee or in the Subcommittee on Patents, Copyrights and Trademarks did we consider the question of defining by statute the term "willfully," but I am certain that we would be willing to do so in the future if presented with reasons to do so. It is my opinion that at this point the courts do seem to be interpreting the term "willfully" in a workable manner, that the existing statute is meeting the objectives that Congress set out when the law was enacted, and that the text of S. 893 is sufficient as adopted. As the House report indicates, and as I would like to emphatically state, this criminal statute is not designed to reach instances of permissible, private home copying, nor does it represent any infringement on traditional concepts permitting the fair use of copyrighted materials for purposes of research, criticism, scholarship, parody, and other long-recognized uses. Similarly, this bill is not designed to interfere with evolving notions of fair use, as that concept is applied with respect to new

communications networks and computer technologies. Once again, I would point out that the *mens rea* requirement is strict with respect to this crime: unless done for the express purposes of obtaining commercial advantage or private financial gain, copying of copyrighted material is not a crime under S. 893. Simply put, the copying must be undertaken to make money, and even incidental financial benefits that might accrue as a result of the copying should not contravene the law where the achievement of those benefits were not the motivation behind the copying.

Mr. President, the willful infringement of copyright in computer software programs is a widespread practice that is threatening the United States software industry. The easy accessibility of computer programs distributed in magnetic media format, together with the distribution of popular applications programs, has led to persistent large-scale copying of these programs. Studies indicate that for every authorized copy of software programs in circulation, there is an illegal copy also in circulation. Losses to the personal computer software industry from all illegal copying were estimated to be \$1.6 billion in 1989. If we do not address the piracy of these programs, we may soon see a decline in this vibrant and important sector of our economy.

Not only is the software industry seriously damaged, but the public is also victimized by these acts of piracy. The purchaser of pirated often pays full price for a product which he or she believes is legitimate. However, not only may there be imperfections in the actual reproduction, but the quality of the product is also often lower as a result of cheap duplication equipment. Furthermore, the consumer of pirated works is ineligible for the important support and backup services typically offered by the software publisher.

As was noted during the hearings on increasing the penalties for illegal copying of records, sound recordings, and motion pictures, stiffer penalties toward piracy do act as a deterrent to these types of crimes. Enhanced penalties for large-scale violation of software copyright is more in line with the seriousness of the crime.

I believe that the version of S. 893 that we consider today will provide a strong tool for prosecutors and others who are interested in deterring the growing problem of computer software piracy. As I have mentioned, it maintains as well the strict protections that the motion picture and sound recording industries have enjoyed for nearly a decade, and it nips in the bud the potential for large-scale book piracy that might otherwise be exploited through emerging technologies.

Under the language of S. 893, a person involved in software piracy—or for that matter any crime copyright infringement—would be subject to a fine and imprisonment of up to 10 years if the offense is a second or subsequent act of reproducing or distributing at least 10 copies of the copyrighted work. For a first offense, the penalty cannot exceed a term of 5 years imprisonment and/or the fine prescribed by title 18, for first offenses. In addition, the crimi-

nal liability attaches if fewer than 10 works are copied if the retail value of the copied works exceeds \$2,500. In this instance, the prescribed imprisonment cannot exceed 1 year.

Mr. President, I am very pleased that both House of Congress have reached an agreement on this important issue. It is my belief that enactment of S. 893 will end the unacceptable current situation where this significant area of criminal activity is insufficiently proscribed and ineffectively punished.

Before concluding, I would be remiss if I did not note again the significant help we have received in drafting this legislation from Representative BILL HUGHES, the chairman of the House Subcommittee on Intellectual Property and the Administration of Justice, as well as the customary strong support we are used to receiving from Representative CARLOS MOORHEAD, the ranking Republican on that subcommittee. Nor could this successful conclusion have been achieved without the excellent staff work of Bill Patry, Hayden Gregory, Joe Wolfe, and Tom Mooney from the House Subcommittee on Intellectual Property; Karen Robb, chief counsel of the Senate Subcommittee on Patents, Copyrights, and Trademarks; and Darrell Panethiere of my Judiciary Committee staff. To all of them, I express my gratitude.

Mr. FORD. Mr. President, I move the Senate concur in the amendments of the House.

The PRESIDING OFFICER. The question is on agreeing to the motion.

The motion was agreed to.

Mr. FORD. Mr. President, I move to reconsider the vote.

Mr. SIMPSON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

E. CABLE TELEVISION RETRANSMISSION CONSENT
P.L. 102-385, 106 Stat. 1460

Sec. 6. *Retransmission Consent for Cable Systems*

(A) *AMENDMENT.*—Section 325 of the Communications Act of 1934 (47 U.S.C. 325) is amended—

(1) by redesignating subsections (b) and (c) as subsections (c) and (d), respectively; and

(2) by inserting immediately after subsection (a) the following new subsection:

“(b)(1) Following the date that is one year after the date of enactment of the Cable Television Consumer Protection and Competition Act of 1992, no cable system or other multichannel video programming distributor shall retransmit the signal of a broadcasting station, or any part thereof, except—

“(A) with the express authority of the originating station; or

“(B) pursuant to section 614, in the case of a station electing, in accordance with this subsection, to assert the right to carriage under such section.

“(2) The provisions of this subsection shall not apply to—

“(A) retransmission of the signal of a noncommercial broadcasting station;

“(B) retransmission directly to a home satellite antenna of the signal of a broadcasting station that is not owned or operated by, or affiliated with, a broadcasting network, if such signal was retransmitted by a satellite carrier on May 1, 1991;

“(C) retransmission of the signal of a broadcasting station that is owned or operated by, or affiliated with, a broadcasting network directly to a home satellite antenna, if the household receiving the signal is an unserved household; or

“(D) retransmission by a cable operator or other multichannel video programming distributor of the signal of a superstation if such signal was obtained from a satellite carrier and the originating station was a superstation on May 1, 1991.

For purposes of this paragraph, the terms ‘satellite carrier’, ‘superstation,’ and ‘unserved household’ have the meanings given those terms, respectively, in section 119(d) of title 17, United States Code, as in effect on the date of enactment of the Cable Television Consumer Protection and Competition Act of 1992.

“(3)(A) Within 45 days after the date of enactment of the Cable Television Consumer Protection and Competition Act of 1992, the Commission shall commence a rulemaking proceeding to establish regulations to govern the exercise by television broadcast stations of the right to grant retransmission consent under this subsection and of the right to signal carriage under section 614, and

such other regulations as are necessary to administer the limitations contained in paragraph (2). The Commission shall consider in such proceeding the impact that the grant of retransmission consent by television stations may have on the rates for the basic service tier and shall ensure that the regulations prescribed under this subsection do not conflict with the Commission's obligation under section 623(b)(1) to ensure that the rates for the basic service tier are reasonable. Such rulemaking proceeding shall be completed within 180 days after the date of enactment of the Cable Television Consumer Protection and Competition Act of 1992.

“(B) The regulations required by subparagraph (A) shall require that television stations, within one year after the date of enactment of the Cable Television Consumer Protection and Competition Act of 1992 and every three years thereafter, make an election between the right to grant retransmission consent under this subsection and the right to signal carriage under section 614. If there is more than one cable system which services the same geographic area, a station's election shall apply to all such cable systems.

“(4) If an originating television station elects under paragraph (3)(B) to exercise its right to grant retransmission consent under this subsection with respect to a cable system, the provisions of section 614 shall not apply to the carriage of the signal of such station by such cable system.

“(5) The exercise by a television broadcast station of the right to grant retransmission consent under this subsection shall not interfere with or supersede the rights under section 614 or 615 of any station electing to assert the right to signal carriage under that section.

“(6) Nothing in this section shall be construed as modifying the compulsory copyright license established in section 111 of title 17, United States Code, or as affecting existing or future video programming licensing agreements between broadcasting stations and video programmers.”

PART II

**LEGISLATIVE AND ADMINISTRATIVE
DEVELOPMENTS***United States of America***U.S. COPYRIGHT OFFICE**

37 C.F.R., Part 201. Cable compulsory license; definition of cable system. Final regulation. *Federal Register*, vol. 57, no. 19 (Jan. 29, 1992), pp. 3284-96.

Office has concluded that satellite carriers are not cable systems within the meaning of 17 U.S.C. 111, notwithstanding the decision in *National Broadcasting Company, Inc., v. Satellite Broadcast Networks, Inc.* It has also concluded that MDS and MMDS operations do not satisfy the definition of a cable system within the meaning of section 111.

U.S. COPYRIGHT OFFICE

37 C.F.R., Part 202. Registrability of computer programs that generate typefaces. Final regulation. *Federal Register*, vol. 56, no. 35 (Feb. 21, 1992), p. 6201-02.

This regulation amends 37 CFR 202.1 to clarify that the Office does not register claims to copyright in typeface designs as such, whether generated by a computer program, or represented in drawings, hard metal type, or any other form. The Office does register claims in original computer programs whether or not the end result or intended use of the computer program involves uncopyrightable elements or products. In registering these claims, however, the Office prefers that applicants use only descriptions such as "computer program" in the nature of authorship statement. The terms "entire work," "entire computer program," "entire text," or the like should not be used.

U.S. COPYRIGHT ROYALTY TRIBUNAL

1991 Satellite carrier royalty rate adjustment proceeding. Notice. *Federal Register*, vol. 56, no. 251 (Dec. 31, 1991), 67601-02.

Because negotiations to adjust the satellite carrier royalty rate have not proved successful, the Tribunal has initiated an arbitration proceeding. This notice informs interested parties that an arbitration panel is being formed and gives a list of arbitrators that are available for selection by the copyright owners, satellite carriers, and satellite distributors.

U.S. FEDERAL COMMUNICATIONS COMMISSION

47 C.F.R., Part 76. Network-cable cross-ownership rule. Proposed rule. *Federal Register*, vol. 57, no. 6 (Jan. 9, 1992), pp. 868-70.

The Commission is seeking further comment on its proposed elimination of its rule prohibiting common ownership of cable television systems and national television networks. Comments should address whether, in light of significant changes within the video marketplace, the rule should be repealed or relaxed to permit network ownership of cable systems subject to various constraints. The options include allowing networks to own cable systems (1) in large or competitive markets, (2) up to a national subscriber limit, and (3) subject to must carry and discrimination safeguards.

INTERNATIONAL TRADE COMMISSION

Certain erasable programmable read only memories, components thereof . . . ; institution of formal enforcement proceeding. Notice. *Federal Register*, vol. 57, no. 1 (Jan. 2, 1992), p. 67.

At the request of Intel Corporation, the Commission initiated a formal enforcement proceeding against the Atmel Corporation for violation of a cease and desist order issued as the result of its unlicensed importation and sale of certain erasable programmable read only memories.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Identification of priority foreign countries: request for public comment. Request for written submission from the public on policies and practices . . . *Federal Register*, vol. 57, no. 15 (Jan. 23, 1992), pp. 2795-96.

Section 182 of the Omnibus Trade and Competitiveness Act of 1988 requires the Trade Representative (USTR) to identify foreign countries that deny adequate and effective protection of intellectual property rights, or which deny fair and equitable market access to U.S. persons that rely on intellectual property protection. The USTR must also determine which of those countries identified are priority foreign countries. This notice requests public comment on foreign countries' policies and practices that should be considered under section 182.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Request for public comment: intellectual property and market access acts, policies and practices of the Government of India. Notice of request for written comments from the public. *Federal Register*, vol. 57, no. 19 (Jan. 29, 1992), p. 3457.

The Trade Representative is seeking further comment on acts, policies and practices of the Government of India concerning the protection and enforcement of intellectual property rights and market access conditions for motion pictures. Comments should specifically address whether such acts, policies and practices are unreasonable and burden or restrict U.S. commerce,

and if so what responsive action, if any, should be taken pursuant to section 301 of the Trade Act.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Termination of section 302 investigation: intellectual property laws and practices of the Peoples Republic of China . . . Notice of termination of investigation under section 302 of the Trade Act . . . *Federal Register*, vol. 57, no. 17 (Jan. 27, 1992), p. 3084.

The Trade Representative decided to terminate the section 302 investigation of the People's Republic of China because the country has agreed to make significant improvements in the protection of patents, copyrights, and trade secrets, and in the general enforcement of intellectual property rights. In addition to terminating the investigation, the Trade Representative also revoked China's identification as a priority foreign country under section 182 of the Trade Act.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Termination of section 302 investigation regarding Thailand's enforcement of copyright protection. Notice . . . *Federal Register*, vol. 56, no. 249 (Dec. 27, 1991), p. 67114-15.

After it was determined that acts, policies, and practices of the Thai government concerning enforcement of copyrights in Thailand are unreasonable and burden or restrict U.S. commerce, the USTR initiated an investigation under section 302 of the Trade Act. Thailand currently is taking steps to improve enforcement procedures and combat copyright piracy and has begun the process of amending its copyright laws. Because of the Thai government's actions, the USTR has determined that the appropriate action in this case is to terminate the investigation and monitor Thailand's implementation of these commitments to achieve effective protection of U.S. copyrighted works.

Foreign Nations

EUROPEAN COMMUNITY

European Commission Directive. Proposal for a council directive on the legal protection of databases. (Winter, 1992), 20 pp.

This proposal discusses the economic and legal situation regarding the database market in Europe. The legal protection of databases in both member states and major trading partners of the European Community is investigated. The scope of protection and the nature of the work to be protected is analyzed along with a discussion of the role of international conventions in the database market and the applicability of several legal provisions, including copyright and neighboring rights.

THAILAND

Copyright Act (1991), 137 pp.

This document includes the Royal Decree providing conditions for the protection of international copyright entitled B.E. 2526 (1983), the Berlin Act of the Berne Convention of 1908 and additional protocol of the revised Berne Convention of November 13, 1908. Copyright protection, copyright infringement and penalties, terms of protection, exceptions to infringement of copyright are some of the topics addressed in the document.

PART IV

JUDICIAL DEVELOPMENTS IN LITERARY
AND ARTISTIC WORKSRECENT DEVELOPMENTS IN COPYRIGHT SELECTED
ANNOTATED CASES

by DAVID GOLDBERG
SHERI L. ROSENFELD*
With LYNN S. FRUCHTER
YVETTE ALBERDINGK-THIJM
DENIELLE M. PEMBERTON
CHRISTINE L. HEARST

I. JURISDICTION AND PROCEDURAL ISSUES

a. Jurisdiction and Venue

BBC Enter. Ltd. v. Gold Coast Tape Distr., Inc., Copyright L. Rep.
(CCH) ¶ 26,731 (S.D.N.Y. 1991)

Court denied defendants' motion to dismiss for improper venue or to transfer action to Southern District of Florida. Plaintiff alleged that defendants continued to manufacture, sell and distribute plaintiff's records and tapes after license to do so expired. Although defendants were all domiciled in Florida, court held venue proper under 28 U.S.C. § 1400(a) authorizing venue for claims relating to copyrights ". . . in the district in which the defendant or his agent resides or may be found." Defendants "may be found" in any jurisdiction in which personal jurisdiction may be obtained. Defendants' distribution of catalogues in New York as well as their shipment of merchandise into state was sufficient to sustain personal jurisdiction. While court preserved defendants' right to object to venue with regard to plaintiff's pendent claims for unfair competition, breach of contract and interference

©1992 Cowan, Liebowitz & Latman, P.C.

*Cowan, Liebowitz & Latman, P.C., New York, NY.

These annotations cover cases decided since our report at the Annual Meeting of 1991 and reported through the issue of U.S.P.Q.2d of May 18, 1992 and through LEXIS's Circuit Court database in the COPYRT library through May 11, 1992. [Editor's Note: We have updated those decisions contained in the report for subsequent dispositions, but have not added new cases].

with contractual relations, it concluded that these causes of action were so closely related to copyright claim that undue repetition and inconvenience would result if actions were severed from copyright claim and litigated in separate forum.

DeBardossy v. Puski, 763 F. Supp. 1239 (S.D.N.Y. 1991)

Plaintiff Hungarian writer of romance novels sued to enjoin defendants' unauthorized publication of copyrighted novels in Hungary. Defendants counterclaimed for declaration that they have right to publish plaintiff's novels in Hungarian language anywhere in world. Pursuant to U.S. letter agreements between plaintiff and one of defendants, plaintiff's books were published and sold in U.S. Court dismissed both claims on basis that it lacked subject matter jurisdiction, since no infringing activities took place within U.S. Fact that letter agreements were executed in U.S. did not confer jurisdiction upon American court, since those documents did not constitute allegedly infringing authorization. Actual contracts authorizing alleged improper use of plaintiff's copyright were negotiated in Hungary. Court therefore rejected argument that U.S. letter agreements were "links in infringement" which led to Hungarian contracts.

Plaintiff also argued that court had jurisdiction under Universal Copyright Convention. Court rejected argument, because UCC does not expand member states' copyright laws extraterritorially. Instead, UCC simply provides that states must accord same copyright protection to works produced or created abroad as to domestic works infringed within state.

Marshall v. New Kids on the Block Partnership, 780 F. Supp. 1005 (S.D.N.Y. 1991)

Plaintiff photographer authorized limited use of photographs of defendant's New Kids music group for posters, public relations, tour book, and fan club, while stating on invoice "additional uses to be negotiated." Defendant used photographs on other items, claiming existence of broader oral license. Defendant's motion to dismiss infringement claim for lack of subject matter jurisdiction on ground dispute was state contract dispute not "arising under" copyright laws was denied. Whether complaint "arises under" copyright laws depends on factual determination of whether defendant's use of photographs was within license. When copyright owner and infringer are strangers, claim arises under copyright laws, but when case involves parties to a license, determination is more difficult. Where relief sought is directly based on license agreement, claim is state law contract claim. Here, where licensee made himself "stranger" to copyright owner by using material in manner that exceeded scope of license, action arises under copyright laws, just as claim against any other infringer.

GB Mktg. U.S.A. Inc. v. Gerolsteiner Brunnen GmbH & Co., 782 F. Supp. 763 (W.D.N.Y. 1991)

Court held that it had personal and subject matter jurisdiction in action against, *inter alia*, German bottler which sold bottled water with an allegedly infringing label in Germany to a German exporter for U.S. distribution. Facts established that German bottler had contracted to supply goods in New York for purposes of New York long-arm statute, where bottler "clearly knew that some . . . water was bound for New York," as evidenced by bottler's having applied for permit to sell water in New York. Citing *Montreal Trading Ltd. v. Amax Inc.*, 661 F.2d 864, 869 (10th Cir. 1981), *cert. denied*, 455 U.S. 1001 (1982), court similarly held that subject matter jurisdiction existed because American interests were at stake as a consequence of "acts [done abroad which were] intended to, and [which did] have an effect within . . . United States." Fact that bottler had no control over water from time it passed title to German exporter in Germany was deemed to be of no significance.

ITSI TV Prods., Inc. v. California Auth. of Racing Fairs, 785 F. Supp. 854 (E.D. Cal. 1992)

Plaintiff made closed circuit broadcasts of horse races for one defendant. Without authority, that defendant sold broadcasts to a broker who resold to defendant Caliente, a Mexican company. Responding to infringement complaint, Caliente contested subject matter jurisdiction. Court dismissed complaint on basis that copyright laws lack extraterritorial effect. Plaintiff therefore must prove Caliente's direct, vicarious or contributory liability. On direct liability, court has jurisdiction if defendant "authorized" (17 U.S.C. § 106) another to infringe, regardless of whether infringement occurred in U.S. or abroad, so long as authorization done in U.S. Court thus disagreed with *Danjaq v. MGM/UA*, 773 F. Supp. 194 (C.D. Cal. 1991) [see *infra*] stating in dictum that liability only attaches if authorized infringing act also occurs in U.S. *Danjaq* court concluded that indirect liability can only arise from a direct infringing act committed in U.S. Court here determined that act of authorization itself is actionable. Even though Caliente entered into contracts in U.S. with its co-defendants, Caliente did not authorize infringement. As to vicarious liability, plaintiff had to show that Caliente had right and ability to control co-defendant's acts, and had obvious and direct financial interest in infringing acts. Caliente had financial interest in infringing acts but no demonstrated right and ability to control co-defendant's acts. Therefore, no vicarious liability was found. On contributory liability, plaintiff had to show that Caliente knew or should have known co-defendants were infringing plaintiff's copyright, and induced, caused or materially contributed to infringing conduct. Plaintiff too failed to produce evidence to support contributory liability.

Zenger-Miller, Inc. v. Training Team GmbH, 757 F. Supp. 1062 (N.D. Cal. 1991)

Court granted motion to dismiss California corporation's copyright infringement claim against German corporation for lack of subject matter jurisdiction. Defendant was a distributor of plaintiff's management and employee trainee programs and defendant was located only in Germany. While parties consented to personal jurisdiction in agreement, subject matter jurisdiction cannot be consented to by parties. Court held that where facts show that none of defendant's alleged infringing activities occurred in U.S., general rule must be applied that copyright laws do not have extraterritorial operation.

Shepard's McGraw-Hill, Inc. v. Legalsoft Corp., 769 F. Supp. 1161 (D. Col. 1991)

Plaintiff publisher of legal software claimed infringement of its "CMS" software. Defendant Legalsoft created "CMS" software for plaintiff pursuant to agreement, and then created allegedly infringing "LMS" software which defendants United Systems, Inc. and Software Technology, Inc. published and distributed, allegedly in violation of plaintiff's copyright rights. Court granted motion to dismiss for lack of personal jurisdiction by United Systems, Inc., an Oklahoma corporation, since United's contacts, including a licensing agreement between Legalsoft and United, failed to qualify as "transaction of business within" state within Colorado long-arm statute. Court denied motion to stay or dismiss action for lack of subject matter jurisdiction by Software Technology, Inc. and Legalsoft, in light of on-going contract action in Colorado State court. Despite existence of serious contract-based dispute regarding ownership of copyright, court held that plaintiff clearly had stated a copyright infringement claim, where ownership was not sole element for consideration. Since infringement claim required construction of Copyright Act as well as comparison of both works, thereby "arising under" copyright law, federal court abstention not appropriate.

Friedman v. Stacey Data Processing Servs. Inc., 22 U.S.P.Q.2d 1548 (N.D. Ill. 1991)

District court denied motion to dismiss counterclaim for lack of pendent party jurisdiction. Underlying dispute concerned validity of copyright in computerized debt collection and court calendar processing system. Counterclaim alleged that attorney, acting in association with plaintiff, had made false representations in copyright application and that, but for misrepresentations, plaintiff would have been denied registration. Attorney moved to dismiss counterclaim as to him on ground that it failed to provide a basis for federal jurisdiction under *United States v. Finely*, 490 U.S. 545 (1989). Court concluded that unfair competition claim of counterclaim was joined with substantial and related claim of copyright invalidity. Therefore, original jurisdic-

tion over attorney was achieved without resort to doctrines of ancillary or pendent party jurisdiction.

Store Decor Div. of JAS Int'l Inc. v. Stylex Worldwide Indus., Ltd.,
767 F. Supp. 181 (N.D. Ill 1991)

Plaintiff Illinois corporation sued defendant Massachusetts corporation for infringement of copyrighted mirrored acrylic sculptures used in beauty parlor furnishing. Defendants copied and sold copied sculptures in Illinois (and elsewhere in U.S.) through independent sales representatives and distributors. Court held that it had personal jurisdiction under Illinois long arm statute over defendant corporations as well as over defendant corporations' president, who personally set corporate policy resulting in alleged infringement and benefitted from sales of copied sculptures. Violation of copyright laws found to constitute tortious conduct providing necessary minimum contacts with Illinois. Moreover, court held that in light of personal jurisdiction and fact that defendants could be "found" in Illinois, venue was proper and interest of justice would not be served by transfer of venue to Massachusetts.

North Am. Pyrotec, Inc. v. Mol, 18 U.S.P.Q.2d 1718 (E.D. Pa. 1991)

Plaintiff sued defendant, an alien, alleging infringement of its computer program. In response to defendant's motion to dismiss, plaintiff learned that Pennsylvania district court lacked personal jurisdiction over defendant and plaintiff moved to transfer case to California under 28 U.S.C. § 1404. Under § 1404, transfer would be proper if case could have been brought in California and transferee court's exercise of jurisdiction is reasonable. Because California's long-arm statute requires consistency with 14th Amendment Due Process clause, test for jurisdiction is minimum contacts with transferee forum. Exercise of jurisdiction found not to be unreasonable. Since defendant entered into three commercial agreements in California, he purposely conducted business there and thus could not insulate his actions from judicial review by a federal court in California.

Blue Compass Corp. v. Polish Masters of Am., 777 F. Supp. 4 (D. Vt. 1991)

In suit for copyright infringement and for unfair competition under Vermont law, district court held that defendant's actions in advertising in at least one national magazine, receiving small number of inquiries from Vermont and delivering one training manual to customer in Vermont were sufficient to support personal jurisdiction under Vermont's long-arm statute. However, venue was improper under 28 U.S.C. § 1400(a). Since defendant was a sole proprietorship, 28 U.S.C. § 1391(c), positing venue in any judicial district in which a corporate defendant may be subject to personal jurisdiction, did not apply. Court accordingly transferred case to Central District of California, as

“district in which defendant . . . resides or may be found” under 28 U.S.C. § 1400(a).

B. Discovery

Harris Mkt. Research v. Marshall Mktg. and Communications, Inc.,
948 F.2d 1518 (10th Cir. 1991)

In action for copyright infringement and breach of a license agreement, in which defendant counterclaimed for breach of same agreement, misappropriation of proprietary information, interference with sublicense agreements, and malicious prosecution of copyright claim, jury returned verdicts for both parties. Court affirmed jury's verdicts, and upheld protective order which prevented discovery of information concerning internal workings of computer program. Defendant contended that order precluded it from being able to test validity of plaintiff's copyright, and defendant sought to exclude all evidence of copyright infringement. Defendant's motion *in limine* was held properly denied by trial court. Plaintiff's certificate of registration constituted *prima facie* evidence of copyright validity, and defendant did not present any evidence to dispute plaintiff's rights.

Computer Assocs. Int'l Inc. v. American Fundware, Inc., 18 U.S.P.Q.2d
(D. Col. 1990)

Plaintiff sued licensee for breach of contract and copyright infringement of licensed software following failure of out-of-court resolution. Following industry practice, defendant continued to destroy prior copies of its source code as it developed new or improved versions, despite lawsuit and despite plaintiff's discovery demand. Plaintiff's motion under Fed. R. Civ. P. 37(b)(2)(C) for sanction of default judgment granted. Irrespective of industry practice, duty to preserve evidence arose no later (and perhaps earlier) than 20 days after service of complaint at which point defendant had a duty to investigate matter and respond.

C. Miscellaneous

Folkways Music Pub., Inc. v. Weiss, No. 90 Civ. 6415, 1881 U.S. Dist.
LEXIS 5048 (S.D.N.Y. Apr. 17, 1991)

In dispute over renewal rights to “The Lion Sleeps Tonight” (English language version of “Wimoweh”), plaintiff sued for infringement and defendant sought arbitration of dispute under language of contract that originally assigned rights to plaintiff. Contention by plaintiff that contract terms specifying arbitration of disputes did not refer to claims for infringement rejected on motion. Court held that entire dispute, including right to use original music upon which composition in issue is based, must be arbitrated because: (1) agreement was drafted with sufficiently inclusive language; and (2) federal

courts operate under a presumption favoring arbitration. Court refused, however, to dismiss infringement suit in view of possibility that arbitration would not resolve issue of rights in underlying music.

Cuisinarts Corp. v. Appliance Science Corp., 21 U.S.P.Q.2d 1318 (D. Conn. 1991)

Court sustained defendant's removal of case to federal court where Connecticut State law on issues regarding ownership of coffeemaker design preempted under § 301 of Act. Plaintiff's motion to remand denied, despite fact that plaintiffs' complaint did not raise federal questions and purported to rely exclusively on state law principles. Court held that nature of relief requested — an injunction to enjoin defendant's exploitation and use of coffeemaker design — raised issues within general scope of copyright law. Therefore, plaintiff's "artful pleading" did not negate fact that rights in design of coffeemaker could not be properly analyzed without addressing defendant's contention that design is joint work subject to scrutiny under provisions of Act relating to joint-authorship, works for hire and derivative works.

II. COPYRIGHTABILITY

a. *Fact Based Works*

Arica Inst., Inc. v. Palmer, 970 F.2d 1067 (2d Cir. 1992)

Arica Institute owned copyrights in body of works concerning enneagram theory as originally espoused by Oscar Ichazo. Arica works used enneagrams, i.e., nine-pointed stars in circle, as "a map of process" of "ego fixation as it applies to human psyche." Defendant psychology professor wrote book entitled *The Enneagram* which described nine personality types arranged on enneagram. Arica charged that defendant's book infringed passages of Arica body of writings, many of which were unpublished. In an earlier opinion dated April 9, 1991, the district court had denied preliminary injunction against paperback version of defendant's book on basis that many allegedly copied parts of plaintiff's works are uncopyrightable. At the same time, the district court found many passages were similar in idea rather than expression, and for few remaining passages, court found that defendant was insulated from liability because of fair use. Subsequently, defendant's motion for summary judgment dismissing complaint was granted insofar as plaintiff's infringement claim was based on non-copyrightable elements, such as Ichazo's system of ego fixations, and individual words and labels used to describe traits of ego fixations. Court also confirmed April 9, 1991 finding that many passages were similar in idea rather than use. On appeal, the second circuit affirmed.

Project Dev. Group, Inc. v. O. H. Materials Corp., 766 F. Supp. 1348 (W.D. Pa. 1991).

At defendant's request, plaintiff prepared a bid proposal containing scope of work, price and quantities based on specifications given to plaintiff by defendant. Defendant eventually took plaintiff's bid proposal and submitted it as defendant's own. Plaintiff sued for breach of contract and copyright infringement. On plaintiff's motion for summary judgment, court noted that facts cannot be copyrighted, but that bid proposal may be a copyrightable compilation if proposal contains an original selection and arrangement of facts and some copyrightable because selection of facts was dictated by specifications given to plaintiff. Additionally, pricing and quantities lack originality. Finally, portion of plaintiff's bid in which it compiled government-mandated asbestos removal procedures and regulations and discussed how it would administer such procedures held not copyrightable because, given limited number of ways to express ideas in regulations, idea and expression merged.

Mason v. Montgomery Data, Inc. 967 F.2d 1351 (5th Cir. 1992)

Plaintiff used public domain information to compile land ownership maps for Texas county, which he registered for copyright. Defendant bought a copy of plaintiff's map and reconfigured presentation. On cross-motions for summary judgment, the district court dismissed the complaint finding the maps were not copyrightable. Although court recognized arrangement of facts (vs. underlying facts) can be copyrighted, underlying facts when converted to a pictorial representation, could only give rise to same map as plaintiff's. Because idea for map, based on factual public information, and its expression are inseparable, map was not copyrightable. On appeal, the 5th Circuit reversed, finding the lower court misapplied the merger doctrine and the court's earlier opinion in *Kern River Gas Transmission Co. v. Coastal Corp.* Plaintiff was found to have exercised sufficient selection, coordination, and arrangement under Supreme Court's *Feist* opinion. The court of appeals also held that maps contained sufficient pictorial and graphic authorship.

B. Compilations

Key Pub., Inc. v. Chinatown Today Pub. Enter., Inc., 945 F.2d 509 (2d Cir. 1991)

Second Circuit found plaintiff's classified business directory for New York City's Chinese-American community contained sufficient originality in selection, coordination and arrangement of facts to be original and thus copyrightable as compilation. Court, nonetheless, held that defendant's directory did not infringe plaintiff's copyright because works were not substantially similar.

Kregos v. Associated Press, 937 F.2d 700 (2d Cir. 1991), on remand, 89 Civ. 2007 (S.D.N.Y. filed June 15, 1992)

Second Circuit majority reversed summary judgment dismissal of copyright infringement claim, holding that plaintiff's pitching form for use in predicting outcomes of baseball games was sufficiently original to qualify for protection and neither merger nor blank form doctrines barred copyrightability. Citing *Feist Pub., Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991) and *Eckes v. Card Prices Update*, 736 F.2d 859 (2d Cir. 1984), appellate court concluded that particular selection, from available universe, of nine performance criteria used in plaintiff's form satisfied originality requirement and, although deemed a closer question, requisite creativity also was met since no prior pitching form used more than three criteria of those used by plaintiff. As to merger, Second Circuit majority initially noted that doctrine is applicable in circuit only in determining whether actionable infringement has occurred, not in assessing whether a given work is entitled to protection in absence of an infringement context. Majority stated that applicability depends upon level of abstraction at which an idea is formulated, and went on to find that idea of plaintiff's pitching form was "statistics can be used to assess pitching performance." Majority's opinion rejected district court's formulation of "an outcome predictive pitching form," pointing out that nine criteria used in plaintiff's form are not assigned weighted values and involve plaintiff's subjective judgment. Since there are various ways of expressing general idea found by majority, merger doctrine did not apply. Blank form doctrine also was inapplicable, since there was sufficient creativity in selection of performance criteria used by plaintiff to qualify as protectible expression. Second Circuit criticized Ninth Circuit's view expressed in *Bibbero Systems, Inc. v. Colwell Systems, Inc.*, 893 F.2d 1104 (9th Cir. 1990) that all forms display insufficient creativity since they merely select information "important" to use of form.

Although holding plaintiff's form copyrightable, majority stated that scope of protection was likely to be narrow, since only selection of criteria and not their arrangement was copyrightable. Moreover, even selection would only be entitled to minimal protection from selections which differ in no more than "trivial" degree from plaintiff's. Dissenting judge would have affirmed dismissal of plaintiff's copyright claim on merger grounds since he concluded that idea of plaintiff's form was that nine criteria were most significant ones to consider in predicting outcome of a baseball game.

On demand, the district court found the work copyrightable, but not infringed.

Victor Lalli Enter., Inc. v. Big Red Apple, Inc., 936 F.2d 671 (2d Cir. 1991)

Plaintiff and defendant both publish historical charts used by gamblers

who hope to "hit the [illegal] numbers." Both prepare their charts by consulting daily newspapers which publish horse-race betting statistics. When defendant published a photocopy of plaintiff's chart, plaintiff sued alleging infringement. Anticipating holding in *Feist Pub., Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991), district court held that plaintiff's compilation lacked originality and thus was not copyrightable. Second Circuit affirmed based on *Feist*, reasoning that charts are compilations of pre-existing facts reproduced by plaintiff without a "modicum of creativity" and "do not demonstrate the requisite minimal originality" to be copyrightable.

U.S. Payphone, Inc. v. Executives Unltd. of Durham, Inc., 18
U.S.P.Q.2d 2049 (4th Cir. 1991)

Fourth Circuit affirmed decision of district court holding that defendant's manual infringed plaintiff's compilation of state tariff regulation for coin operated telephones. Court rejected argument that plaintiff's material could not be copyrighted because it was merely a listing of legislative enactments in public domain. Tariff section of plaintiff's material was sufficiently subjective and original under standards enunciated in *M. Kramer Mfg. Co. v. Andrews*, 783 F.2d 421 (4th Cir. 1986) and *Feist Pub., Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991) to warrant copyright protection, in view of plaintiff's review, analysis and distillation of tariff information into a "simple and readable" state-by-state format.

Sem-Trog, Inc. v. K Mart Corp., 936 F.2d 851 (6th Cir. 1991)

Plaintiff made sets of five plastic, double-sided signs with black letters on a yellow field with front and back messages such as "For Sale/For Rent." Plaintiff thereafter obtained copyright registration as a compilation, although Copyright Office noted "borderline nature of the authorship." When defendants developed and sold similar signs, plaintiff sued for infringement. Lower court granted summary judgment to defendants and Sixth Circuit affirmed. Relying on *Feist Pub., Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991), court stated that compilations must reflect some originality, and plaintiff conceded its individual signs lacked originality. Sets as a whole were not original and were not independent works capable of existing apart from components, but rather five individual signs. Compilation has value to consumer in combination of components. Here, in contrast, individual signs were still marketed when sets were incomplete because particular signs were missing. Sets no greater than sum of individual unprotected parts and not copyrightable compilation.

Illinois Bell Tel. Co. v. Haines & Co., Inc., 932 F.2d 610 (7th Cir.
1991)

In a pre-*Feist* decision, Seventh Circuit upheld copyrightability of Illinois Bell's white page directories and found defendant's criss-cross directories

(arranged by street address in ascending order) which copied white page listing information from plaintiff's directories infringed plaintiff's copyrights as matter of law. Supreme Court granted certiorari and vacated decision for reconsideration in light of *Feist Pub., Inc. v. Rural Tel. Ser. Co.*, 111 S.Ct. 1282 (1991). On remand from Supreme Court, Seventh Circuit remanded to district court on basis that *Feist* decision foreclosed Illinois Bell's legal argument, and ordered entry of judgment in favor of Haines. Information in "entirely typical" form which was held in *Feist* not to merit copyright protection.

Bellsouth Adv. & Pub. Corp. v. Donnelly Inf. Pub., Inc., 933 F.2d 952 (11th Cir. 1991)

Eleventh Circuit affirmed summary judgment that defendant had infringed plaintiff's yellow pages telephone directory. Pursuant to an agreement, plaintiff provided defendant with listings information on plaintiff's business subscribers. However, plaintiff claimed that defendant's appropriation of format features used by plaintiff in directory constituted infringement. Court held that plaintiff's acts of selection (geographic scope of each directory, specific business classifications used and end date after which further listings would not be included), coordination (placing business' name with address and telephone number) and arrangement (inserting completed listings under relevant business classifications) had produced a "convenient, unique organization of business listings" meriting protection. Court contrasted this "original format" with "simple, alphabetical listing of residential names, addresses and phone numbers" at issue in *Feist Pub., Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991), which it purported to follow. Eleventh Circuit concluded that defendant's keying of listing and coded business classifications and advertising information into a computer database constituted an act of copying since formatted information had been "fixed" by storing it on magnetic tape and encoded elements could be translated back to original by use of a decoding key. Defendant's fair use and copyright misuse defenses were rejected.

Defendant's motion for reconsideration is pending.

Lipton v. Nature Co., 781 F. Supp 1032 (S.D.N.Y. 1991)

Plaintiff, etymologist and author, brought copyright infringement claim seeking injunction against commercial use of his 78 "terms of venery" (collective terms relating to nature and hunting). Defendant obtained license to make and sell products on which were imprinted similar items, which were captioned "Multitudes." Court ruled that plaintiff's creative compilation of terms derived from Middle English was an original arrangement worthy of protection under copyright law. Hence, defendant's introduction of testimony that its list was gathered from survey of English language failed to

persuade court. Assertion that terms were part of public domain was equally unavailing.

Harper House, Inc. v. Thomas Nelson, Inc., 19 U.S.P.Q.2d 1303 (C.D. Cal. 1991)

On remand from circuit court, defendant moved for summary judgment on ground that its organizer did not infringe plaintiff's organizer. Ninth Circuit had instructed that although no individual components of organizer are copyrightable (e.g., forms, time zone map, etc.), unique selection, coordination or arrangement, in combination with copyrightable elements such as text, could result in copyrightable compilation. Nonetheless, any copyright would be narrow such that infringement would exist only if defendant's use constituted a "bodily appropriation of expression." District court granted defendant's motion, since defendant's organizer used a different selection of elements and coordination and arrangement was not similar.

Educational Testing Serv. v. Miller, 21 U.S.P.Q.2d 1467 (D.D.C. 1991)

State Department's minor contribution to authorship of Foreign Service Exam did not preclude plaintiff Educational Testing Service ("ETS") from enforcing copyrights against principals of a review course for Foreign Service Exam who, without permission, copied and distributed Exam to several individuals. Court rejected defendant's claim that plaintiff's copyright in compilation of test questions extended only to order and arrangement of test, noting, "[a] copyright in a compilation of questions, . . . includes copyright protection for the questions themselves." ETS' copyright in "entire test" as tested as stated on certificate of copyright registration included both previously used and newly published questions.

Budish v. Gordon, 784 F. Supp. 1320 (N.D. Ohio 1992)

In granting plaintiff's motion for preliminary injunction court found that defendant's book entitled *How to Protect Your Life Savings From Catastrophic Illness and Nursing Homes* copied a "substantial" portion of plaintiff's work. Plaintiff, a nationally known expert in field of Medicaid Planning, had created tables of factual information pertaining to state requirements and guidelines for Medicaid eligibility. Tables were featured in plaintiff's book entitled *Avoiding the Medicaid Trap: How to Beat the Catastrophic Cost of Nursing-Home Care*. Although tables were composed almost entirely of pre-existing material featured in National Governors' Association publication, court acknowledged plaintiff's extensive research and creative efforts. Citing "well reasoned" opinion of *Feist Pub., Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991), court stated that "Governor's Report demonstrates how plaintiff chose pertinent data and discarded what he felt was unnecessary data to create his own original tables." Court went on to find plaintiff's table contained protectible expression since "what plaintiff left out in creating his tables — is

an important factor," citing *Financial Inf., Inc. v. Moody's Investors Serv.*, 751 F.2d 501 (2d Cir. 1984).

C. *Pictorial, Graphic and Sculptural Works*

Eales v. Envtl. Lifestyles Inc., 958 F.2d 876 (9th Cir. 1992)

Ninth Circuit affirmed judgment in favor of plaintiff and rejected defendant's arguments that architectural plans lacked originality, amounted to no more than unprotectible idea and constituted unlawful derivative work. Plaintiff architect prepared plans in connection with job designing homesite for Arizona developer. Defendant subsequently was awarded contract to construct home on site, and did so using plaintiff's plans. Court found no error in district court's refusal to apply "useful article" exception since precedent supported conclusion that plaintiff's architectural plans were eligible for protection as "pictorial, graphic or sculptural work." Further, court found no error in conclusion that plaintiff's drawings were product of independent creation and not substantially similar to previous drawings prepared by third party for same site.

DBC of New York, Inc. v. Merit Diamond Corp., 768 F. Supp. 414 (S.D.N.Y. 1991)

Plaintiff jewelry manufacturer sued for copyright and trade dress infringement of rings. Although Copyright Office had twice rejected plaintiff's application for registration, court has discretion to determine copyrightability in infringement action. Exercising its discretion, court nonetheless rejected plaintiff's claim because rings' designs were not exceptional, original or unique. Summary judgment granted to defendant since rings have no aesthetic or artistic features identifiable separately from useful article.

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

Plaintiff sculpted glass rectangles into a spiral form. Four years seven months later, plaintiff applied for and received copyright registration. Defendant copied plaintiff's work, but Copyright Office denied defendant registration on ground that sculpture was aggregation of uncopyrightable shapes. On motion for preliminary injunction, court found copying, but no substantial similarity. Plaintiff's sculpture was original and thus copyrightable, despite fact that it was a compilation of uncopyrightable shapes since plaintiff's arrangement of shapes demonstrated sufficient creativity. Despite finding that defendant had access and copied, court nonetheless found no infringement because, based on "ocular comparison," defendant's sculpture did not have "total concept and feel" of plaintiff's.

Ellison Educational Equip., Inc. v. Accu-Cut Sys., Inc., 769 F. Supp. 1090 (D. Neb. 1991)

District Court denied plaintiff's motion for preliminary injunction against defendant's use of shapes in connection with competitive paper due punch machinery and products, concluding plaintiff's probability of success on merits unlikely. Noting extremely finite number of ways to alter a shape, district court found plaintiff manufacturer's paper "cut-outs" did not possess artistic or aesthetic features "physically or conceptually different from their utilitarian function." Requested relief would have given plaintiff a "virtual product monopoly" limiting defendant's ability to use non-exclusive variations of shapes when, in fact, plaintiff's designs were merely "silhouettes of ordinary common items readily identifiable by even young children."

D. Computer Works

Allen-Myland, Inc. v. IBM, 770 F. Supp. 1004 (E.D. Pa. 1991)

Following judgment in IBM's favor dismissing claims alleging antitrust tortious interference with contract and breach of a 1956 consent decree and upholding counterclaim for copyright infringement (746 F. Supp. 520 (E.D. Pa. 1990)), plaintiff moved for limited reconsideration in light of Supreme Court's decision in *Feist Pub., Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991). Plaintiff argued that under *Feist*, tape 2 of 3090 microcode which plaintiff was found to have infringed, should have been analyzed in isolation from rest of microcode and that tape 2 lacked sufficient creativity for copyright protection. Basis for first contention was *Feist's* holding that copyright rights do not necessarily extend to each constituent element of a protected work. Basis for second contention was argument raised for first time on motion that tape 2 was merely a compilation of preexisting facts. Court denied motion, finding that, unlike relationship of white pages to rest of telephone directory, tape 2 containing instructions, software tools and data used with remainder of 3090 code was not a discrete portion of a greater work. Court also noted that entire 3090 microcode was created through a single research effort and that *Feist* Court did not specifically disapprove of decisions evaluating originality of an entire work. Even considering tape 2 as a separate work, court rejected plaintiff's contention that it only contained public domain material. Court concluded that IBM's choices in using a table structure and in arranging instructions and other information in tables supported a finding of sufficient originality to merit copyright protection.

Consul Tec Inc. v. Interface Sys., Inc., 22 U.S.P.Q.2d 1538 (E.D. Mich. 1991)

Court held that party had enforceable copyrights in "unique compilation" of commands, command syntax and status message codes of computer interface.

E. *Derivative Works*

Moore Pub., Inc. v. Big Sky Mktg., Inc., 756 F. Supp. 1371 (D. Idaho 1991)

Plaintiff's contribution to real estate design logos featured in magazine held non-copyrightable. After analyzing plaintiff's contributions to design of ten real estate firm logos, court framed issue as "whether [plaintiff] had valid copyright in ten logos originally created by entities other than [plaintiff]." Hoping to avoid future "hair splitting" copyright litigations, court deferred to what it considered to be preeminent authorities: *L. Batlin & Sons, Inc. v. Snyder*, 536 F.2d 486 (2d Cir. 1976); and *Gracen v. Bradford Exchange*, 698 F.2d 300 (7th Cir. 1983). Court concluded that plaintiff's contributions to logos at issue failed to rise above "minimal" or "trivial." Plaintiff's barely perceptible contributions were not of kind worthy of protection as "derivative work."

F. *Originality of Authorship*

Folio Impressions, Inc. v. Byer Cal., 937 F.2d 759 (2d Cir. 1991)

In infringement suit involving two fabric designs, court affirmed judgment for defendant, finding no substantial similarity. Both designs had ornate background with superimposed rose design. Court affirmed that plaintiff did not satisfy originality requirement for background, because it copied public domain design. However, plaintiff's certificate of copyright registration for rose design entitled it to presumption of validity and finding that plaintiff is owner of copyright in such design, upon defendant's failure to overcome presumption. Finding that placement of rose design against background was not original was clearly erroneous, because placement represented artistic decision and constituted original copyrightable work.

Homer Laughlin China Co. v. Oman, 22 U.S.P.Q.2d 1074 (D.D.C. 1991)

Plaintiff that filed action under Administrative Procedure Act claiming improper refusal to register its copyright in chinaware design pattern "Gothic" could not defeat defendant's motion for summary judgment. Court held that defendant's refusal to register pattern was not an abuse of discretion because design was examined on at least three separate occasions and repeatedly was found to consist only of "[f]amiliar shapes and symbols . . . [or] simple variations or combinations of basic geometric designs" and thus did not have sufficient creative authorship to merit copyright protection. Factors such as pattern's commercial success, expense, human effort and artistic recognition were rejected as reminiscent of "sweat of the brow" standard of copyrightability rejected in *Feist Pub., Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991).

G. Miscellaneous

Tree Pub. Co. v. Warner Bros. Records, 785 F. Supp. 1272 (M.D. Tenn. 1991)

Plaintiff's sought a preliminary injunction for alleged infringement of song title and lyric "Better Class of Losers." No other similarity between plaintiffs' and defendants' respective songs were alleged. Court noted that titles usually are not protected, as they almost always are closer to idea than to expression. However, relying on *Johnston v. Twentieth Century-Fox Film Corp.*, 82 Cal. App. 2d 795 (1947) and *Life Music, Inc. v. Wonderland Music Co.*, 241 F. Supp. 653 (S.D.N.Y. 1965), court noted that a title might be protectible if it were sufficiently "arbitrary, fictitious, fanciful, artificial or technical." Since court found that phrase "Better Class of Losers" approximated "raw idea" and that songs were not substantially similar, plaintiff's motion was denied.

Grundberg v. Upjohn Co., 19 U.S.P.Q.2d 1590 (D. Utah 1991)

Upon *de novo* review, defendant drug manufacturer's attempt to invoke federal copyright protection to restrict plaintiff's access to documents in products liability case was rejected. Defendant's certificate of registration purporting to cover some 90,000 pages of documents relating to drug Halcion was deemed invalid, because "work" contained published and unpublished articles by various authors incapable of registration as a "single unpublished 'collection.'" Defendant failed to meet threshold requirements of § 408 which requires: (1) elements assembled in an orderly form; (2) combined elements bearing a single title identifying collection as a whole; and (3) same copyright claimant in all elements and in collection as a whole; and (4) all elements by same author, or if different, at least one author who has contributed copyrightable authorship to each element. 37 C.F.R. § 202.3 (b) (3) (i) (B) (1990). Since court found that neither item (3) nor item (4) was satisfied by defendant's application, court held Copyright Office erred when it issued defendant's certificate of registration. Exclusionary language added to authorship statement in defendant's application, intending to exempt commingled documents where were not copyrightable, was insufficient to circumvent requirements of statute. Having found defendant's registration invalid, court would not permit defendant to use copyright law to thwart public access to information contained in documents likely to be offered into evidence in court proceedings.

III. OWNERSHIP

A. Work for Hire

MacLean Assoc., Inc. v. Wm. M. Mercer-Meidinger Hansen, 952 F.2d 769 (3d Cir. 1991)

Verdict in favor of defendant vacated and matter remanded to determine ownership of copyright in computer spreadsheet program entitled Job Evaluation Management System (JEMSystem). Plaintiff, former employee of defendant, conducted job performance study while in defendant's employ. Upon leaving to begin his own benefits consulting firm, plaintiff continued to administer study as consultant and created computer spreadsheet program for use by client of defendant in study. Plaintiff sued for infringement when defendant's employees copied JEMSystem for incorporation in defendant's program. Directed verdict that JEMSystem for incorporation in defendant's program. Directed verdict that JEMSystem was work for hire under Copyright Act challenged on appeal. "[C]entral focus of work for hire doctrine is on relationship between person performing work and person paying for work." Hence, defendant's client's belief that master-servant relationship existed was irrelevant. Noting that work for hire analysis requires assessment of parties' actual business relationship, court looked to criteria listed in *CCNV v. Reid*, 490 U.S. 730 (1989) and concluded that reasonable jury could classify plaintiff as independent contractor. Plaintiff authored software at his own facility, had absolute discretion over when and how he worked, and duration of his employment as consultant for defendant was limited.

BancTraining Video Sys. v. First American Corp., 21 U.S.P.Q.2d 2014 (6th Cir. 1992)

Court of Appeals affirmed lower court's JNOV in favor of defendant. Plaintiff was neither an employee nor a party to agreement which specified that "parties" would hold ownership of copyrights in written material and videocassette. Court therefore affirmed decision below that plaintiff failed to establish work was created as work for hire, and concluded plaintiff had no ownership rights in copyrighted material.

Aymes v. Bonelli, 21 U.S.P.Q.2d 1716 (S.D.N.Y. 1991)

In initial opinion, district court held in action for copyright infringement that plaintiff programmer was defendant's employee and software created by plaintiff was owned by defendant as work made for hire. In Opinion Memorandum on Reconsideration, court addressed *CCNV v. Reid*, 490 U.S. 830 (1989) factors required to determine plaintiff's status. Programmer had skill required for work, and work was performed on defendant's computers. While programmer wrote some software at home, works had to be programmed and tested on defendant's computers at defendant's location. Relation-

ship between parties extended over substantial period of time during which number of different tasks were assigned to programmer. Defendant had right to assign and did assign additional projects to programmer, which he performed. All of above factors favored finding that plaintiff was an employee. Some of work was performed at hourly rate and some at flat fee, and court held this factor evenly balanced between parties. Occasional payment in cash without deductions for tax or benefits made programmer "off the books" employee, but still employee. There was no evidence of programmer's hiring or paying assistants, which also indicated plaintiff's status as employee. Defendant did not sell computer programs, but it was part of regular business activity to modify programs for its computers. Weighing all of the factors, court held that programmer was employee even though not "in classic sense," and adhered to initial opinion that programmer's copyright claim should be dismissed because programs were works made for hire, owned by defendant.

Educational Testing Serv. v. Miller, 21 U.S.P.Q.2d 1467 (D.D.C. 1991)

District court granted plaintiff Educational Testing Service's motion for summary judgment, upon finding that defendant, director of review course for Foreign Service Exam, photocopied exam and distributed copies to third parties. Defendant's attempt to challenge plaintiff's ownership of copyright by invoking "work made for hire" and "work of the United States Government" provisions of Copyright Act failed in absence of an express agreement stating that Exam was a work for hire. Since relationship of plaintiff to State Department was that of an independent contractor, not an employee, defendants were unable to justify their unauthorized copying. Plaintiff, as an independent contractor, retained copyright ownership of Exam and could enforce its rights regardless of any collaboration between it and State Department.

B. Transfer of Ownership

Brooks v. Bates, 781 F. Supp. 202 (S.D.N.Y. 1991)

In this shareholder derivative action, plaintiff alleged self-dealing, violation of defendant's fiduciary obligation to corporation and copyright infringement. Defendant authored and registered copyright in several software programs. Defendant and plaintiff thereafter formed corporation to develop and market software. Copyright registration forms, which were executed by plaintiff on behalf of corporation, listed defendant as author and corporation as copyright claimant by "transfer of all rights by author." Defendant signed no writing transferring copyrights to corporation. Thereafter, defendant directed business away from corporation to defendant's personal customers. On infringement claim, plaintiff asserted defendant's rights in works were transferred to corporation by operation of law. Court awarded

summary judgement for defendant, finding no basis for transfer by operation of law sufficient to satisfy requirement of author's express or implied consent.

C. *Joint Works and Co-Ownership*

Childress v. Taylor, 945 F.2d 500 (2d Cir. 1991)

District court granted summary judgement for plaintiff and held that defendant was not co-author of plaintiff's copyrighted stage play about life of Moms Mabley and that defendant's play infringed plaintiff's play. Although defendant had independently conducted research on project for years prior to engaging and paying plaintiff to perform playwriting services, and had made contributions to scene context, it was primarily plaintiff who wrote script. Contribution of defendant held to be limited to non-copyrightable elements of ideas and research. Moreover, district court determined that defendant's role in developing play did not make her joint author, since plaintiff never shared defendant's belief that defendant co-authored work. Appellate court affirmed district court's decision and reconsidered standards for determining when contributor to copyrighted work is entitled to be regarded as joint author. Defendant argued that she was joint author because she provided research, contributed to selection of scenes, characters and jokes, and collaborated with plaintiff. Court looked to Act which defines "joint work" as "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole" and focused first on issue of whether contribution of each joint author must be copyrightable. While characterizing issue as "troublesome" and "open in this Circuit," court ultimately sided with Register of Copyrights and case law, holding that each contribution must be independently copyrightable to qualify contributor as joint author. Court added that contract law can serve to protect non-copyrightable contributions. As to nature of intent required by each joint author, court held that authors' intent to regard themselves as joint authors is paramount, especially in situation where there is one dominant author. "Useful test" to look at "billing" or "credit" discussions. In instant case, there was no contemplation of joint writing credits and plaintiff emphatically rejected co-ownership in negotiations with defendant.

BancTraining Video Sys. v. First American Corp., 21 U.S.P.Q.2d 2014 (6th Cir. 1992)

Sixth Circuit affirmed district court's grant of JNOV to defendant upon finding that plaintiff was not a joint author who had copyright interest in allegedly infringed videotapes. Copyright registration made plaintiff as author and claimant, but defendant rebutted presumption of authorship by showing that plaintiff's employee merely conceived idea and supervised production efforts. Court found these activities insufficient to create joint work.

Educational Testing Serv. v. Miller, 21 U.S.P.Q.2d 1467 (D.D.C. 1991)

District court held that 1987 Foreign Service Exam was not a joint work under 17 U.S.C. § 101 and granted plaintiff's motion for summary judgment. State Department's minor contribution to authorship of Foreign Service Exam did not preclude plaintiff Educational Testing Service ("ETS") from enforcing copyrights against principals of a review course for Foreign Service Exam who, without permission, copied and distributed Exam to several individuals. Defendants' assertion that Exam was joint work, in which government, as joint author, could not own a copyright, was misplaced where facts demonstrated a minimal contribution by State Department and an understanding that all copyrights would be held by ETS alone.

Words & Data, Inc. v. GTE, 765 F. Supp. 570 (W.D. Mo. 1991)

Defendant hired plaintiff to modify plaintiff's form for use in-house. Defendant bought form from plaintiff but thereafter solicited other vendors to print form. Plaintiff raised copyright and § 43(a) trade dress claims. On summary judgment, court held that infringement claim did not lie because parties are joint authors. Under 17 U.S.C. § 101, explicit claim of joint ownership at time of creation not necessary. Relevant intent is that "at the time the writing is done, . . . parts be absorbed or combined into an integral unit." Defendant's contribution to form found to be more than *de minimis*.

D. Contracts and Licenses

U.S. Naval Inst. v. Charter Communications, Inc., 936 F.2d 692 (2d Cir. 1991)

On cross appeals from judgment entered following remand with instructions to affix damages, Second Circuit reversed so much of judgment as awarded plaintiff profits made by defendant from sales of soft cover version of book *The Hunt for Red October* prior to authorized publication date. Clarifying its ruling in earlier opinion (*Naval I*, 875 F.2d 1044, 10 U.S.P.Q.2d 1021 (2d Cir. 1989)), court held that defendant, as exclusive owner of paperback rights as of September 14, 1985 effective date of license agreement, breached agreement, but did not infringe by making premature sales beginning on September 15, 1985 rather than October 1985 date called for in agreement. Accordingly, copyright damages consisting of defendant's profits from premature sales (\$7,760.12) were not available. Second Circuit affirmed actual damages award of plaintiff's lost hard cover sales (\$35,380.50), prejudgment interest on that amount and denial of attorney's fees.

MacLean Assocs., Inc. v. Wm. M. Mercer-Meidinger Hansen, 952 F.2d 769 (3d Cir. 1991)

Third Circuit refused to sustain district court's directed verdict for defendant on ground that it had implied license to use plaintiff's copyrighted

computer spreadsheet program. During course of parties' business relationship, plaintiff permitted defendant to use JEMSystem to further a business relationship with a client. Court found rights to program were not "transferred exclusively" within meaning of § 204 because no writing existed. Rather, plaintiff granted defendant a non-exclusive license limited to specific project, but did not give defendant right to exploit program to degree that it could copy key components of JEMSystem into its own competitive program. Rational jury could find that defendant exploited plaintiff's program beyond scope of any non-exclusive license, and thus was infringer.

In Design v. K Mart Apparel Corp., Copyright L. Rep. (CCH) ¶ 26,735 (S.D.N.Y. 1991)

Court found oral agreement was valid to extend exclusive copyright license for sweater design where licensor had testified at deposition that agreement was in force and renewed and renewal was confirmed by subsequent letter stating licensor and licensee "will continue to work together." Express authorization and approval of copyright enforcement litigation estopped licensor-copyright owner from complaining of licensee's enforcement action. Since licensee had exclusive right to sue for infringement, release given by licensor-copyright owner to defendant retailer of infringing sweater was ineffective against licensee.

Tele-Pac, Inc. v. Video Cinema Films, Inc., No. 42625, 1991 N.Y. App. Div. LEXIS 7734 (1st Dept. May 30, 1991)

In 1964, plaintiff granted defendant a license to distribute certain motion pictures for "broadcasting by television or any other similar device now known or hereafter to be made known . . ." In 1986, plaintiff sought a declaration that license excluded videotapes and videodiscs. Following *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851 (9th Cir. 1988), court held that broadcast is transmission. Narrow language of license makes case distinguishable from those involving sweeping language with virtually no limitation of media in which films could be exploited. Dissent argued that agreement read as a whole indicates intent of parties to include other technologies and that rule of construction holds that licensee may pursue new uses which fall within medium described in license.

General Mills, Inc. v. Filmtel Int'l Corp., Index No. 20857/90 (Sup. Ct. N.Y. Cty. 1991) (printed in *New York Law Journal*, October 10, 1991)

Plaintiff moved for summary judgment declaring that its grant of rights to "exhibit" on "television" "without limitation" animated cartoon series "Rocky and His Friends" (or "The Bullwinkle Show") included right to exhibit via cable television, videocassettes, and any other existing or subsequently invented medium or mode of delivery or transmission. In 1959,

plaintiff acquired from defendant "ownership" interest in copyrighted cartoon series, which was defined in agreement to conclude "exclusive right in perpetuity to all exhibition rights (television and theatrical)," which rights were redefined in later agreement as "exclusive rights to exhibit and use . . . on television and in theatres without limitation . . ." Defendant reserved all rights not granted to plaintiff. Defendant asserted that plaintiff did not have right to license series to cable television. Court held broad language of agreement encompassed cable television rights to cartoon series, emphasizing that right was granted "on television . . . without limitation." Court found that cable television rights lie within "penumbra" of uses under parties' agreement.

With regard to videocassette use, court cited reasoning in *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851 (9th Cir. 1988), and concluded that plaintiff's grant did not include videocassette rights to cartoon series. Court focused on fact that terms "exhibit" and "use" in agreement connote some form of control which would be lost if plaintiff were allowed to make cartoon series available to general public on videocassettes. In addition, court dismissed defendant's counterclaim and first affirmative defense relating to abuse of process, and second affirmative defense that plaintiff forfeited right, by laches and abandonment, to transmit series on cable television.

E. Authorship

Lakedreams v. Taylor, 932 F.2d 1103 (5th Cir. 1991)

Court affirmed district court's issuance of preliminary injunction precluding defendant from distributing t-shirts with design and text substantially similar to design and text covered in plaintiff's copyright application. Plaintiff developed idea of mythical "Schitt" family and formed partnership to sell T-shirts printed with silkscreen design of family tree and text of family genealogy. Defendant completed artwork for silkscreen based on instructions and drawing by plaintiff. T-shirts bore copyright notice in Lakedreams' name and plaintiff filed copyright application with fee and deposit in Copyright Office, although certificate of registration was never received by plaintiff. Defendant contested plaintiff's ownership of copyright on ground that he contributed original ideas. Court held that plaintiff validly claimed ownership in design and text on T-shirts, where defendant "merely transposed" plaintiff's expression from paper to cloth by means of silkscreen. Moreover, court held that failure to receive certificate of registration did not preclude finding of ownership of copyright. Plaintiff complied with statutory formalities where evidence showed that Copyright Office received application and deposit and cashed check for fee.

F. Miscellaneous

Shea V. Tams-Witmark Music Library, Inc., Copyright L. Rep. (CCH) ¶ 26, 873 (S.D.N.Y. 1992)

Court granted motion to dismiss complaint alleging civil rights and copyright violations. Plaintiff's production of "Anything Goes" had substituted males for normally female roles of Reno Sweeny and Angels and defendant refused to give license for additional performances. Since plaintiffs alleged no facts to support ownership or rights in copyright or sufficient facts to support other claims, complaint was dismissed.

Schatt v. Curtis Mgt. Group, Inc., 764 F. Supp. 902 (S.D.N.Y. 1991)

Plaintiff photographer brought copyright infringement action seeking to enjoin defendant's use of photographs of late actor James Dean. Defendant moved for summary judgment on ground that plaintiff had no standing to sue, claiming all proprietary interests in photographs belonged to either Life Magazine by reason of fact it commissioned photographs and paid plaintiff or, alternatively, that copyright vested in James Dean as subject of photographs. Court denied motion, holding triable issues of fact existed surrounding relationship between plaintiff and Life Magazine, and plaintiff and James Dean.

*IV. FORMALITIES**A. Notice*

Progressive Corp. v. Integon P&C Corp., 20 U.S.P.Q.2d 1682 (4th Cir. 1991) ("Unpublished")

Fourth Circuit affirmed summary judgment for defendant, holding that plaintiff insurance company's 1989 rate manual was not protectible. Failing of copy of manual without notice with Virginia Bureau of Insurance, which allowed inspection and unlimited copying by public at large, constituted publication without notice. [Facts do not disclose if publication post Berne amendments.] In addition, 1989 manual, which was clone of 1988 manual published without notice, did not constitute protectible derivative work because 1989 manual contained only trivial variations.

Eisen, Durwood & Co., Inc. v. Tolkien, 794 F. Supp. 85 (S.D.N.Y. 1992)

In case decided under 1909 Copyright Act, court granted summary judgment to heirs of late author J.R.R. Tolkien and others whose copyright interests are derived from author or his heirs, on cross-motions seeking declaration of copyright status of well-known three-part novel *The Lord of the Rings*. Plaintiff, a book re-packager, claimed that defendants' copyrights

had been forfeited as a result of U.S. distribution without copyright notice of a large number of foreign-published copies of works during several year extension period of *ad interim* copyright protection authorized under section 9 of 1909 Act. Court found that plain meaning of section 9 "pointedly fails to invalidate copyrights" where notice is omitted. Policy considerations also supported result reached by court, as "[i]mposing the draconian sanction of forfeiture of the copyright for the often unintentional infraction would be certain to cause resentment abroad with adverse effects on implementation of U.S. intellectual abroad with adverse effects on implementation of U.S. intellectual property rights in other countries." In addition, court noted that under current post *Berne* law, foreign authors may obtain copyright in U.S. without registration, even domestic authors no longer need display notice, and that result reached by court is consistent with patent and trademark jurisprudence.

Jewelry 10, Inc. v. Elegance Trading Co., 20 U.S.P.Q.2d 1228 (S.D.N.Y. 1991)

On defendants' motion for summary judgement, court declined to dismiss plaintiffs' claims based upon alleged delay in beginning efforts to cure initial omission of copyright notice and alleged inadequacies in written instructions sent to retailers after instructions and labels were sent. Court held that no single inadequacy in plaintiffs' attempted cure called for summary judgment, and stated that reasonableness of plaintiffs' efforts had to be examined as a whole in factual context of case. As an example, court continued, whether plaintiffs learned of possibility of cure from their prior counsel or from their current counsel presented an issue of material fact bearing on delay question. Citing *Shapiro & Son Bedspread Corp. v. Royal Mills Assocs.*, 764 F.2d 69, 75 (2d Cir. 1985), court noted that "[w]here . . . some effort was made to add proper notice to works distributed after the omission of copyright notice was discovered, the question of whether such effort was 'reasonable' is one of material fact precluding summary judgment."

Moore Pub., Inc. v. Big Sky Mktg., Inc., 756 F. Supp. 1371 (D. Idaho 1991)

District court granted defendant's motion to dismiss claim alleging unauthorized copying of real estate firm logo designs featured in plaintiff's publication. Plaintiff publisher did not affix a separate copyright notice to logo designs in which it claimed copyright. Rather, it attempted to assert that its magazine was a "collective work" under Copyright Act, worthy of protection as a whole. Because firm logos at issue were clearly placed as "advertisements", separate notice was required.

Curtis v. General Dynamics Corp., 18 U.S.P.Q.2d 1608 (W.D. Wash. 1990)

Defendant's print advertisement commemorating accomplishments of President Franklin Roosevelt held to be a willful infringement of plaintiff's photographic image "Wheelchair on a Porch in Athens Ohio." Plaintiff's limited distribution without copyright notice to family and friends of forty personally prepared calendars containing photograph held exempt from statutory notice requirements as original works of art, and insufficient to invalidate plaintiff's copyright in his wheelchair image. Plaintiff's motion for summary judgment granted.

B. Registration

Harrison/Erickson, Inc. v. Chicago Bulls Ltd. Partnership, Copyright L. Rep. ¶ 26,711 (S.D.N.Y. 1991)

Court denied plaintiff's motion to enjoin preliminarily defendant Chicago Bulls from publicly displaying or authorizing use of allegedly infringing character mascot costume. Defendant, who used mascot "Benny the Bull" since 1966, asked plaintiff to design new and improved Benny the Bull costume for \$1,000 fee and an additional \$14,000 to construct costume if costume design was approved by defendant. Defendant approved plaintiff's drawings, but negotiations ended when plaintiff sought license agreement giving it ownership of mascot. Defendant then hired third party to construct costume based on plaintiff's drawings, and planned "Benny the Bull Doll Day" at which Benny the Bull Doll would be given free to children at basketball game. Plaintiff registered copyright in its drawings and sued for infringement. However, drawings were derivative works based on prior costumes created by defendant. Court held evidence "strongly suggested" costume drawings were derivative works, and that "serious question" existed as to whether plaintiff's failure to disclose was inadvertent or innocent, raising issues serious enough to rebut presumption of validity of plaintiff's copyright. Moreover, in light of serious dispute as to terms of agreement to design new Benny the Bull costume, court could not find that plaintiff owned copyright in costume by virtue of license agreement with defendant, particularly since defendant had filed its copyright claim four months before plaintiff did. Accordingly, plaintiff failed to establish *prima facie* case of infringement. Court therefore applied more stringent standard for preliminary injunction applied in breach of contract cases and denied injunction, holding that plaintiff's potential harm from distribution of Benny the Bull doll in allegedly infringing costume was speculative or compensable by money damages.

Lida Inc. v. Texollini Inc., 768 F. Supp. 439 (S.D.N.Y. 1991)

Court granted plaintiff's motion for preliminary injunction, upon showing of defendant's access to copyrighted fabric design and substantial similar-

ity between designs. Evidence of sale of inferior fabric imprinted with plaintiff's designs, threatening plaintiff's reputation in marketplace, was reason to issue injunction despite defendant's earnest representation that it no longer marketed challenged designs. Moreover, court rejected defendant's argument that false statements in plaintiff's registration application invalidated copyright, absent any evidence that plaintiff had engaged in fraudulent conduct. Plaintiff had falsely stated in application that it was work for hire author of design when in fact plaintiff had purchased design and all rights to design from independent third party. Plaintiff's "inadvertent or innocent error" did not invalidate copyright in design.

Computer Assocs. Int'l Inc. v. Altai Inc., 775 S. Supp. 544 (E.D.N.Y. 1991), *aff'd*, 23 U.S.P.Q.2d 1241 (2d Cir. 1992)

Court held that plaintiff had standing to sue for infringement of its computer program, notwithstanding fact that program was registered as a derivative work and underlying work was not registered. Where there was no evidence that plaintiff's program had been placed in public domain or was owned by anyone else, court concluded that plaintiff was program's author and copyright protection subsisted without regard to registration. Court also was persuaded by court appointed expert's testimony that every computer program is made up of numerous subprograms, sub-subprograms, etc. According to court, since copyright owners are not required to register separately each subprogram and sub-subprogram, etc., plaintiff satisfied § 411(a) of Act mandating registration as a condition precedent to bringing an infringement action.

GB Mktg. USA Inc. v. Gerolsteiner Brunnen GmbH & Co., 782 F. Supp. 763 (W.D.N.Y. 1991)

Plaintiff's failure to disclose to Copyright Office that bottle label was a derivative work invalidated registration and court, accordingly, granted summary judgement to defendant in infringement action. Plaintiff had been U.S. distributor of Gerolsteiner Sprudel bottled water. Defendants were German bottler, German exporter to U.S. and new U.S. distributor. While plaintiff was U.S. distributor, plaintiff's president had requested changes to bottle label and submitted revised label for approval. German bottler agreed to implement revised label that used most elements of original label and, after some time, agreed that plaintiff could register copyright in new label. Plaintiff sued defendants, after plaintiff had been terminated as U.S. distributor and defendants continued using revised label. Court found that plaintiff knowingly failed to disclose that revised label was a derivative work, where plaintiff offered no explanation as to why such information had been omitted from application form. Court also found that plaintiff had acted as a fiduciary for bottler when it obtained registration for label design. Citing *ABKCO Music*,

Inc. v. Harrisongs Music Ltd., 722 F.2d 988, 995 (2d Cir. 1983), court held that plaintiff could not prevail in action for this reason, as well.

Yamate U.S.A. Corp. v. Sugerman, 20 U.S.P.Q.2d 1590 (D.N.J. 1991)

Plaintiff video game manufacturer claimed copyright infringement of software and video game display for game known as "Lucky 8 - Line W-4." Court's prior order denied preliminary injunctive relief, and request for reconsideration was granted in light of defendant's potentially falsified evidence and questionable testimony. Court vacated prior order and granted plaintiff's application for preliminary injunction and request for impoundment. Court held plaintiff entitled to sue for copyright infringement, despite recordation of copyright assignment from predecessor to Yamate after suit was filed. Filing of amended complaint cured late filing of assignment. Plaintiff also entitled to presumption of validity of copyright, since plaintiff registered within 5 years of date of first publication, produced certificate, and showed proper chain of title. Prior ruling vacated because court was misled by defendant to believe that video game was published more than 5 years before issuance of certificate. Copyright application submitted by plaintiff's predecessor contained false publication and creation dates, and did not list any derivative works or compilations. Plaintiff still entitled to statutory presumption of validity and ownership of copyright, where defendant did not show plaintiff had acted with intent to defraud Copyright Office. In addition, court found video game was not substantially similar to preexisting version.

Pepe (U.K.) Ltd. v. Ocean View Factory Outlet Corp., 770 F. Supp. 754 (D.P.R. 1991)

Under amended copyright law applicable to post March 1, 1989 publications, foreign copyright owner sued for copyright infringement without fulfilling formalities of registration. Sustaining *ex parte* order to seize counterfeit T-shirts bearing plaintiff's PEPE design, district court found designs in question were non-U.S. "Berne" works because plaintiff's designs were each developed and published by British company in United Kingdom. Since publication in U.S. did not occur until more than thirty days thereafter, plaintiff had right to bring action to protect its copyright without first complying with U.S. registration formalities. Accordingly, seizure order was left intact for duration of pending litigation.

Grundberg v. Upjohn Co., 19 U.S.P.Q.2d 1590 (D. Utah 1991)

Upon *de novo* review, defendant drug manufacturer's attempt to invoke federal copyright protection to restrict plaintiff's access to documents in products liability case was rejected. Defendant's certificate of registration purporting to cover some 90,000 pages of documents relating to drug Halcion was deemed invalid, because copyrighted "work" contained published and unpublished documents by various authors and thus could not be registered

as a single unpublished collection. Defendant failed to meet threshold requirements of an unpublished collection under § 408 of Act which requires that: (1) elements be assembled in an orderly form; (2) combined elements bear a single title identifying collection as a whole; (3) copyright claimant in all elements and in collection as a whole be same entity; and (4) all elements be by same author, or if by different authors, that there be at least one author who has contributed copyrightable authorship to each element. 37 C.F.R. § 202.3 (b)(3)(i)(B) (1990).

Court held that Copyright Office erred as a matter of law when it issued defendant's certificate of registration. Defendant's broad and non-specific exclusionary language added to authorship statement, intended to exempt commingled documents which were not copyrightable or documents not authored by defendant, found to be insufficient to circumvent requirements of statute.

Curtis v. General Dynamics Corp., 18 U.S.P.Q.2d 1608 (W.D. Wash. 1990)

Statutory damages and attorney's fees awarded although plaintiff did not himself register copyright in his photograph "Wheelchair on a Porch in Athens Ohio" until some two years after publication and well beyond three month period required by statute. Applying reasoning of *Abend v. MCA Inc.*, 863 F. 2d 1465 (9th Cir. 1988), court, as matter of law, permitted plaintiff to rely on timely collective copyright registration of periodical in which photograph appeared, to satisfy requisite statutory notice.

C. *Renewal and Termination*

Larry Spier, Inc. v. Bourne Co., 953 F.2d 774 (2d Cir. 1992)

Songwriter assigned to predecessor in interest of defendant copyrights in five songs he co-authored. In 1951, prior to expiry of copyrights' initial terms of 28 years, songwriter assigned to defendant right to renew copyrights, which defendant timely renewed during life of songwriter. In 1965, songwriter executed will in which he placed "music assets," including copyrights, renewal copyrights, publishing contracts, and rights to ASCAP membership in testamentary trust, income from trust to be paid to songwriter's wife, children and mistress. After songwriter's death, widow and children served defendant with notice of termination under § 304(c) to recapture additional 19 year term on copyrights. Songwriter's successors then assigned copyrights to plaintiff. Plaintiff filed suit, claiming that songwriter's heirs had validly terminated defendant's copyright assignments pursuant to § 304(c). District court held for defendant and plaintiff appealed. Section 304(c) permits termination of transfers "otherwise than by will." Defendant argued that songwriter's widow and children had no right of termination under § 304(c), since songwriter transferred rights by will prior to vesting of termination rights. In reversing district court's decision, Second Circuit held that phrase "otherwise

than by will" in § 304(c) was not applicable because songwriter assigned renewal copyrights by contract to defendant prior to his death. In view of unambiguous language in 1951 assignment agreement, songwriter did not have "right under" renewal copyright remaining at time of execution of will, notwithstanding language employed in will to describe assets placed in testamentary trust. Court concluded that none of songwriter's testamentary transfers actually involved property rights covered by § 304(c), thereby giving songwriter's widow and children right to terminate 1951 assignment to recapture renewal copyrights. Court emphasized that its holding was in line with purpose of statute to protect property rights of widows or widowers and children of authors in copyrights.

Marascalco v. Fantasy, Inc., 953 F.2d 469 (9th Cir. 1991), *cert. denied*, No. 91-1542, 1992 U.S. LEXIS 3025 (May 18, 1992)

Appellate court affirmed holding that renewal rights vest upon commencement of renewal term, rather than upon timely filing of renewal application. At issue were rights to song "Good Golly Miss Molly" that Marascalco had co-written in 1956 with a songwriter named Blackwell. Defendant claimed renewal rights to song through a series of assignments originating with Blackwell. Marascalco applied for renewal registration in his own and Blackwell's name in last year of original copyright term, but Blackwell died prior to expiration of original term. Ninth Circuit's decision turned on interpretation of § 304(a). According to Ninth Circuit, section "signifies that filing of a renewal application [only] is a condition precedent to vesting." Discussing at length legislative history of 304(a), Ninth Circuit concluded that "better view" is that section "implicitly reflects vesting language of earlier statutes, requiring an author to survive to . . . start of renewal term . . ." On this basis, Ninth Circuit rejected reasoning of *Frederick Music Co. v. Sickler*, 708 F. Supp. 587 (S.D.N.Y. 1989) (holding that rights vest upon registration of renewal claim with Copyright Office). Ninth Circuit also found support for position it adopted in Supreme Court decisions and Act's policy of author primacy. Dissent disagreed that plain meaning of § 304(a) favors majority's interpretation and expressed view that weight of authority indicates that renewal rights vest upon timely application for renewal.

Schatt v. Curtis Mgt. Group, Inc., 764 F. Supp. 902 (S.D.N.Y. 1991)

Ambiguity surrounding extent of plaintiff's distribution of his series of photographs of late actor James Dean rendered summary judgment in favor of defendant claiming abandonment by plaintiff inappropriate under both Copyright Act and New York's Cultural Affairs § 14.03 (McKinney's Supp. 1991). However, plaintiff's publication and subsequent failure to renew statutory protection for one of photographs in series did result in passage of work into public domain. Furthermore, plaintiff's publication of certain photo-

graphs with statutory notice divested plaintiff of any common-law copyright in photographs which no longer qualified for statutory protection. Accordingly, defendant's motion for summary judgment was granted. Factual disputes between parties concerning copyright ownership was enough to defeat plaintiff's cross-motion for partial summary judgment on claims under Lanham Act, although claims upheld as unrelated to validity of copyrights.

D. Publication

Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc., 944 F.2d 1446 (9th Cir. 1991)

Ninth Circuit reversed decision in favor of defendant, producer of Star Award novelty product that closely resembled "Oscar" statuette. Although district court found that "Oscar" had entered public domain, Ninth Circuit held that Academy's distribution of statuette between 1929 and 1941, when Academy obtained registration, constituted a limited publication that did not divest common law copyright protection. Appellate court relied on two-prong limited publication test of *White v. Kimmel*, 193 F.2d 744 (9th Cir.), cert. denied, 343 U.S. 957 (1952). Limited purpose prong of *White* test was met because Academy never sold "Oscar" to anyone and never distributed "Oscar" to anyone other than award winners. Restricted further distribution prong on *White* test also was satisfied. Ninth Circuit concluded that such restriction was implied based upon fact that neither Academy nor any "Oscar" winners had ever sold or transferred a single "Oscar" to general public, and statuettes were always personalized with winner's name, reflecting Academy's expectation that "Oscar" would belong to recipient alone.

Progressive Corp. v. Integon P&C Corp., 20 U.S.P.Q.2d 1682 (4th Cir. 1991) (Unpublished)

In copyright infringement suit, court of appeals affirmed district court's grant of summary judgment for defendant, holding that plaintiff insurance company's 1989 rate manual was not protectible. Filing of copy of manual without notice with Virginia Bureau of Insurance, which allowed inspection and unlimited copying by public at large, constituted publication without notice. In addition, 1989 manual, which was clone of 1988 manual published without notice, did not constitute protectible derivative work because 1989 manual contained only trivial variations from earlier work.

PRC Realty Sys., Inc. v. National Ass'n of Realtors, Inc., 766 F. Supp. 453 (E.D. Va. 1991), rev'd on other grounds, Nos. 91-1125, 91-1143 (4th Cir. filed August 4, 1992) (Unpublished).

Court held that defendant infringed plaintiff's computer program enabling user to store, manipulate, search, maintain and utilize real estate multiple listing information by using program to create a program that defendant

marketed in competition with plaintiff's products. Although plaintiff filed applications to register its program after action was begun and more than five years after creation of its program, court found that defendant had not refuted presumption of validity accorded to plaintiff's registration under § 410(c) of Act. Issue of publication posed "no substantial question" since disclosure of program, in context of parties' agreement giving defendant 30 year non-exclusive license to use and sublicense program, involved restrictions on release of source codes and on sublicensing. Thus, no general publication occurred. Court also held that defendant breached parties' agreement.

E. Recordation

Jewelry 10, Inc. v. Elegance Trading Co., 20 U.S.P.Q.2d 1228 (S.D.N.Y. 1991)

Defendants failed to establish as a matter of law that plaintiffs lacked standing to maintain action for copyright infringement based upon plaintiffs' purported failure to record an assignment which plaintiffs denied had ever been made from individual plaintiffs to corporate plaintiff. Defendants relied on facts that individual plaintiffs were listed as authors on registration certificates, whereas corporate plaintiff's name appeared in copyright notice on works, and only one of individual plaintiffs was recited as copyright proprietor in letter sent to plaintiffs' customers as part of effort to cure initial, inadvertent omission of copyright notice on jewelry designs. Citing § 401(b)(3) (providing for use of alternative designations in copyright notice) and § 406 (providing that errors in name appearing in copyright notice do not affect copyright validity and ownership), court held that "defendants' reliance on the discrepancy between the names on the registration and the name on the notice is insufficient to establish that plaintiffs have assigned their ownership without recording the assignment.

F. Transfer of Ownership

In Design v. Lauren Knitwear Corp., 782 F. Supp. 824 (S.D.N.Y. 1991)

Court found infringement of plaintiff's sweater designs and awarded damages against manufacturer and two stores selling sweater. Notarial or consular certificate of acknowledgment not essential to validity of transfer of copyright executed in foreign country. Since agreement of transfer authenticated at trial, certificate of copyright registration based thereon constituted *prima facie* evidence of ownership.

V. INFRINGEMENT

A. Access and Copying

Rogers v. Koons, 960 F.2d 301 (2d Cir. 1992)

Second Circuit affirmed district court decision awarding summary judgment to plaintiff in all respects. Plaintiff photographer sued defendant sculptor for reproducing his copyright photograph entitled "Puppies" as a sculpture entitled "String of Puppies." In affirming district court's decision, appellate court noted copying was established by direct and undisputed evidence that defendant instructed his artisans that he wanted "Puppies" copied faithfully "as per photo." Further, indirect evidence of copying included defendant's admitted access to copyrighted work and substantial similarity between sculpture and plaintiff's photograph. In light of overwhelming similarity to plaintiff's protected expression, court concluded elements added to defendant's sculpture, such as flowers in hair of couple and bulbous nose of each puppy, were insufficient to raise genuine issue of material fact with regard to copying.

Sun Hill Indus. Inc. v. Holiday Trims, Inc., 20 U.S.P.Q.2d 1851 (E.D.N.Y. 1991).

Plaintiff owned copyrighted design of jack o'lanterns on an orange bag. Defendant made similar bags. Defendant moved for summary judgment. Since plaintiff could not show access, it had to show "a high degree of similarity." Because design, size and materials were so similar, plaintiff defeated summary judgment motion without showing access.

Fashion Victim Ltd. v. Sunrise Turquoise Inc., 785 F. Supp. 1302 (N.D. Ill. 1992)

Court denied preliminary injunctive relief and dissolved a temporary restraining order in case involving alleged infringement of a T-shirt design called "Skeleton Woopee." Access to plaintiff's design was not established where testimony showed that defendant created its design following a suggestion communicated by an unidentified customer to one of defendant's salesmen. While court found it a reasonable inference that unidentified customer had seen "Skeleton Woopee," that fact did not support further finding that defendant had access to plaintiff's T-shirt.

B. Substantial Similarity

Laureyssens v. Idea Group Inc., 964 F.2d 131 (2d Cir. 1992)

Second Circuit upheld district court's decision that defendant's flat-to-cube puzzles are not substantially similar to plaintiff's and affirmed denial of plaintiff's similarity under both prongs of Second Circuit's formulation of

infringement test, i.e., copying and unlawful appropriation, Second Circuit adopted Professor Latman's explanation of differences. Under copying prong, similarities need not be quantitatively or qualitatively substantial in sense of showing that protected expression was taken; rather, similarities between works need only give rise to inference that independent creation was unlikely, in absence of direct proof of copying. Professor Latman termed this "probative similarity." Under unlawful appropriation prong, plaintiff must show that substantial protected material was taken by defendant. Court need only make second evaluation if plaintiff establishes copying under first prong. Second Circuit also reiterated that dissection and expert testimony are only proper in evaluating probative similarity.

Second Circuit found probative similarities between puzzles and access was conceded. However, court concluded that similarities between works emanated from common idea of flat-to-cube puzzle rather than from defendant's appropriation of plaintiff's expression of that idea, under more discerning substantial similarity test applicable to works containing both protectible and unprotectible elements. Since ordinary observer would find that changes made by defendant in shapes of pieces effectuated a qualitatively different puzzle challenge, plaintiff had not met its burden of establishing infringement. Second Circuit relied on *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960) (L. Hand, J.) in considering use for which design is intended and scrutiny observers would give design, in evaluating whether defendant took protected expression or just idea of flat-to-cube puzzle.

Folio Impressions, Inc. v. Byer Cal., 937 F.2d 759 (2d Cir. 1991)

In infringement suit involving two fabric designs, court affirmed judgment for defendant. Both designs had ornate background with superimposed rose design. Court considered three separate claimed infringements: background, rose design in which plaintiff had registered copyright, and placement of rose design against background. On issue of substantial similarity, court could review *do novo* because case involved only visual comparison of works rather than issue of credibility. Court found no substantial similarity because of differences between rose designs and evidence that defendant's rose design was original work arrived at independently.

Key Pub., Inc. v. Chaintown Today Pub. Enter., Inc., 945 F.2d 509 (2d Cir. 1991)

Second Circuit found plaintiff's classified business directory for New York City's Chinese-American community contained sufficient originality in selection, coordination and arrangement of facts to be original and thus copyrightable as compilation. Nonetheless court held that defendant's directory did not infringe plaintiff's copyright because works were not substantially

similar. Court stated that infringement can occur even though defendant does not produce exact replica of copyrighted compilation. Citing statement in *Feist Pub., Inc. v. Rural Tel. Serv. Co.*, 111 S.Ct. 1282 (1991) that "copyright in a factual compilation is thin," court opined "we do not believe it is anorexic." However, defendant's directory merely appropriated elements in public domain and was not substantially similar to plaintiff's with respect to copyrightable elements. Facial examination revealed great dissimilarity between arrangement of defendant's directory, consisting of 2,000 listings in twenty-eight categories, and plaintiff's consisting of 9,000 listings in 260 categories. Reasoning that compilers using different selection should not be required to repeat research previously undertaken by others, court concluded that defendant was free to use facts recorded in plaintiff's compilation absent exact duplication of a substantial portion of work. Overlap of seventeen percent of listings did not alter finding that organizing principles of two publications were not substantially similar.

Brown Bag Software v. Symantec Corp., 960 F.2d 1465 (9th Cir. 1992), cert. denied October 5, 1992

Ninth Circuit affirmed summary judgment dismissing plaintiff's claims of infringement of a computer outlining program. Although access to plaintiff's program was established since same author created both programs, defendant's program was not substantially similar to plaintiff's under reformulated Ninth Circuit extrinsic/intrinsic test for literary works laid down in *Shaw v. Lindheim*, 919 F.2d 1353 (9th Cir. 1990). Appellate court clarified that law on use of expert testimony in copyright cases changed as result of reformulation of extrinsic/intrinsic test in *Shaw*. While under prior *Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977) test involving evaluation of extrinsic (ideas) and intrinsic (expression) elements of work, expert testimony was relevant only in comparing ideas embodied in works, after *Shaw*, expert opinions may be used to evaluate both ideas and "objective expression," i.e. particular features of works which can be listed and analyzed. Thus, district court did not err in using plaintiff's expert's affidavit to identify objective components for comparison between programs. Nor did district court err in analyzing unprotectible features of works in addition to protectible features of works, as evaluation of similarities between unprotectible features is relevant to determining scope of plaintiff's copyright rights. Ninth Circuit rejected plaintiff's argument that trial court neglected to evaluate "look and feel" — or subjective "intrinsic" component of substantial similarity test — on ground that plaintiff had not requested trial court to do so. Plaintiff's Lanham Act claim was remanded in view of dearth of discussion of such claim in district court's opinion dismissing plaintiff's "federal" claims.

In a concurring opinion, Judge Sneed agreed with result reached by ma-

jury but stated his belief that *Shaw* case provides a poor analytic framework to determine substantial similarity between computer programs. Judge Sneed preferred "integrated substantial similarity test" approach of *Whelan Associates, Inc. v. Jaslow Dental Lab. Inc.*, 797 F.2d 1222 (3d Cir. 1986), cert. denied, 479 U.S. 1031 (1987), in which both lay and expert testimony is admissible.

Sheehan v. MTV Networks, 22 U.S.P.Q.2d 1394 (S.D.N.Y. 1992)

Court held that MTV's game show "Remote Control" did not infringe as a matter of law written proposal for game show "Laser Blitz" that plaintiffs had made to MTV. Although both shows "involve[d] three players, multiple rounds of play in order to eliminate contestants, a 'host' posing questions to contestants, and . . . [a] 'hand-held device,'" common use of such "stock devices" did not amount to substantial similarity. Unique aspects of plaintiffs' game proposal that rendered it copyrightable were not copied in MTV's show. Plaintiffs' game involved an operable laser gun used to shoot at music videos displayed on a nine monitor wall controlled by a computer. "Remote Control" involved a non-functional prop resembling a television remote control, a large television set and questions concerning television trivia as well as music videos. MTV's motion for summary judgment dismissing plaintiffs' complaint granted.

Cofre Inc. v. Lollytogs Ltd., 20 U.S.P.Q.2d 1546 (S.D.N.Y. 1991)

On motion for summary judgment by manufacturer of children's apparel claiming three designs for children's wear ("Auto & Stop Light"; "Racing Car With Flags"; and "Baseball and Flag") were infringed by defendant's line of children's apparel, magistrate granted plaintiff's motion in part and denied it in part. Substantial similarity found between defendant's design and plaintiff's Auto & Stop Light design featuring black and white checkered flag, racing car and stop light. Finding differences between two designs insignificant, magistrate concluded that defendant's use as well as use of identical materials, contradicted defendant's assertion that its design was a different artistic expression. Most striking feature of each was a different artistic expression. Most striking feature of each design was "lights" formed by placement of three dimensional translucent discs, and when compared to each other, this design feature was deemed interchangeable. Defendant's attempt to liken case to *Eden Toys, Inc. v. Marshall Field & Co.*, 675 F.2d 498 (2d Cir. 1982) was rejected, since any notion that similarities were result of standard racing car design motif was negated by use of symbols in virtually same manner and positions, given numerous elements, styles and designs available for children's apparel. Plaintiff's motion denied with respect to alleged infringement of "Racing Car With Flags" design because no substantial similarity

found; defendant admitted substantial similarity as to plaintiff's "Baseball and Flag" design.

McDonald v. Multimedia Entertainment Inc., 20 U.S.P.Q.2d 1372 (S.D.N.Y. 1991)

Defendant's theme music for "Sally Jesse Raphael Show" held not substantially similar as a matter of law to plaintiff's composition. Plaintiff claimed that defendant copied third note in three-note progression, also called "hook," which plaintiff sent to defendant for use in promotional jingle. Plaintiff did not object to use of first two notes of three-note progression, which it had previously sent to defendant for use in jingle. Defendant's motion for summary judgment granted because certain similar musical elements, such as use of lead saxophone and use of five notes to set penta-syllabic lyric did not amount to "substantial" similarities, in light of other fundamental and melodic differences between compositions.

Sabin v. Regardie, Regardie & Bartow, Copyright L. Rep. (CCH) ¶ 26,801 (D.D.C. 1991)

Court granted summary judgment for defendants, holding that similarities between plaintiffs' and defendants' real estate guides, consisting of two page format, separate treatment of community and model information, inclusion of price ranges of homes, co-op policy, floor plans, renderings and information about schools, shopping and other amenities, did not establish infringement. Court found that "[a]ny reasonable person setting out to create such a guide would know to include the type of information presented in plaintiffs' work. Thus, similarities were either inevitable or trivial.

Burgess v. Chase-Riboud, 765 F. Supp. 233 (E.D. P. 1991)

Court held that play concerning rumored relationship between Thomas Jefferson and his slave "concubine" Sally Hemings infringed novel on same subject. Although both works were based upon a prior "psychological biography" of Jefferson, court reasoned that prior biography contained an outline of story line while novel filled in outline with features from novelist's imagination and created a portrait of Sally Hemings' life that was copied in play. Court found numerous similarities in plot of two works and, since access was admitted, enjoined play.

Designer's View Inc. v. Publix Super Mkts., Inc., 764 F. Supp. 1473 (S.D. Fla. 1991)

Judgment for defendants in action for infringement of simulated stain glass panels. Defendant Publix hired plaintiff to design and manufacture decorative displays for delicatessen and bakery departments of its stores. Works entitled "Cornucopia of Vegetables and Fruits" and "Breadbasket of Baked Goods" were created with "*de minimis*" contributions from defendant, thus

negating claim of co-authorship by Publix. Upon severing relationship, Publix hired former employee of plaintiff to develop additional panels for other stores, requesting same subject matter and utilizing same medium of acrylic on translucent plastic. Although plaintiff entitled to copyright in its unique manner of expressing fruits, vegetables and baked products, it could not appropriate idea of items as displayed. Where items of nature involved, near identity required absent direct copying. Situation likely to result in idea and expression coinciding because "expression provides nothing new or additional over the idea," citing *Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1168 (9th Cir. 1977). No substantial similarity found in view of difference in source materials and manner in which basic concept was executed.

Mistretta v. Curole, CCH COPR. L. REP. ¶ 26,897 (E.D. La. 1992)

Court granted preliminary injunction against defendants' dissemination of Mardi Gras posters and T-shirts that copied look and feel of plaintiff's Mardi Gras posters. Court refused to excise uncopyrightable elements of plaintiff's posters prior to making comparison of parties' respective works noting that both copyrightable and uncopyrightable elements contribute to protectible look and feel. Access was conceded.

Fashion Victim Ltd. v. Sunrise Turquoise Inc., 785 F. Supp. 1302 (N.D. Ill. 1992)

Court denied preliminary injunctive relief and dissolved temporary restraining order in case involving alleged infringement of T-shirt design called "Skeleton Woopee." Plaintiff claimed its best-selling T-shirt depicting skeletons in seven sexual positions was infringed by defendant's "Boners" T-shirt featuring skeletons in eight sexual positions. While court found that four depictions of sexual activity were common to both parties' designs, court concluded that such similarity was attributable to generalized idea of T-shirts. Court also found significant differences in expression of idea that negated inference of copying or palming off. Likewise, defendant's "RatZass!" T-shirt depicting "a short of sexual-activity version of Mickey and Minnie" was not substantially similar to plaintiff's "Rat Lust" T-shirts featuring more realistic-looking rodents. Plaintiff's motion denied and temporary restraining order dissolved under both Copyright Act and Lanham Act.

Tree Pub. Co. v. Warner Bros. Records, 785 F. Supp. 1272 (M.D. Tenn. 1991)

Court denied plaintiffs' motion for preliminary injunction in suit alleging infringement of song title and lyric "Better Class of Losers." While there was "fragmented literal similarity" between works — i.e., a small part of both works was identical — there was no substantial similarity since similarity of common title and lyric was found to be both quantitatively and qualitatively

small. Court also expressed doubt that phrase constitutes protectible expression. Plaintiffs' Lanham Act claim failed since court found that phrase had not attained secondary meaning.

Moore Pub., Inc. v. Big Sky Mktg., Inc., 756 F. Supp. 1371 (D. Idaho 1991)

District court denied plaintiff's motion for summary judgement where issues of fact remained concerning substantial similarity between magazines. Plaintiff claimed defendant's competitive magazine infringed its selection and arrangement of real property listings. However, court found that plaintiff's claims could not be substantiated absent proof "that what [had] been taken . . . 'is something more than what must unavoidably be produced by anyone who wishes to use and restate' . . . real estate firm advertisements."

Curtis v. General Dynamics Corp., 18 U.S.P.Q.2d 1608 (W.D. Wash. 1990)

District court concluded that defendants' claim that its print advertisement paying tribute to President Franklin Roosevelt merely shares a common theme with plaintiff's photograph "Wheelchair on a Porch in Athens Ohio" was not supported by facts. Plaintiff submitted his photograph to defendants as part of bid for advertising assignment. Defendants selected another photographer for assignment, but made extensive efforts to capture same compositional and structural elements as embodied in plaintiff's work. Hence, after comparing identical visual expressions, court concluded defendants' advertisement was void of independent creation and result of obvious and deliberate copying. Furthermore, in view of defendants' admission that a photocopy of plaintiff's work was made from a periodical bearing copyright notice, court held defendants liable as willful infringers and exercised discretion to increase damages beyond statutory maximum.

C. *Public Performance*

On Command Video Corp. v. Columbia Pictures Indus., 777 F. Supp. 787 (N.D. Cal. 1991)

Plaintiff filed suit against defendant Columbia and other motion picture studios ("Studios") for declaratory judgment that its video viewing system for electronic delivery of movie videotapes to hotel rooms did not infringe Studios' copyright in movies. Studios counterclaimed, alleging plaintiff's system, comprised of a computer program, electronic switch, and bank of videocassette players centrally located in hotel lobby, constitutes an infringing public performance under § 106(4). Granting Studios' motion for summary judgment, court found hotel rooms were not public places, but held that plaintiff's system violated video "transmit" clause § 101's public performance definition. Court noted that a performance may still be public under transmit

clause "whether the members of the public . . . receive it in the same place or in separate places and at the same time or at different times."

National Cable Television Ass'n v. BMI, 772 F. Supp. 614 (D.D.C. 1991)

Several plaintiffs representing cable television industry sued defendant performing rights organization BMI for violation of antitrust laws arising out of its blanket licensing practice. BMI, together with affiliated music publishers, counterclaimed for copyright infringement on basis that cable television programmers' transmission of copyrighted music to cable system operators constituted unauthorized public performance of works. It was undisputed that cable television programmers transmitted programming with musical compositions and that transmissions received via satellite home dishes were public performances. However, cable television programmers asserted that transmission of signals to cable system operators did not constitute public performance of music within meaning of Copyright Act. Programmers argued that since legislative history of Act states to be "public" performance must be actionable as an infringement, transmissions of private entity that merely facilitate bringing copyrighted works to public is not encompassed. Court held that while not every entity playing role in transmission is subject to liability, those entities transmitting "by means of device or process" are works to public. Accordingly, court found transmission of programming containing copyrighted music constituted public performance of that music, and held cable television programmers liable for infringement for performing works without authorization.

U.S. Songs, Inc. v. Downside Lenox, Inc., 771 F. Supp. 1220 (N.D. Ga. 1991).

Defendant terminated ASCAP license but continued to play songs in its restaurant over a twenty speaker "radio over loudspeaker" system despite ASCAP's protest. On motion for summary judgment in infringement suit, court held that retransmission of radio broadcasts constitutes infringing public performance. Court rejected defenses that ASCAP license fee was too high; that ASCAP gets paid for radio station broadcast so defendant should not have to pay for rebroadcast; that defendant made no direct profit from music it played; that use was a fair use; that defendant's system is a "home system" under § 110(5); and that defendant lacked intent to violate copyright law.

D. Computer Works

Computer Assocs. Int'l Inc. v. Altai Inc., 775 F. Supp. 544 (E.D.N.Y. 1991), *aff'd* 23 U.S.P.Q.2d 1241 (2d Cir. 1992).

Plaintiff brought suit alleging that defendant's OSCAR 3.4 and OSCAR

3.5 interfaces were copied in substantial part from plaintiff's ADAPTER interface. "Interfaces" or "operating system compatibility components" are portions of computer programs which enable main part of program to be run on more than one operating system; interface connects main part of program with operating system in use. After receiving complaint in action, defendant learned for first time that some 30 percent of OSCAR 3.4 was copied from ADAPTER by employee who earlier had worked for plaintiff and had taken ADAPTER code. Defendant immediately rewrote OSCAR program and shipped OSCAR 3.5 to all new customers and to customer who had purchased OSCAR 3.4.

Since defendant conceded infringement as to OSCAR 3.4, court went on to evaluate OSCAR 3.5. Court assumed defendant had access to ADAPTER when OSCAR 3.5 was being written, but held that there was no substantial similarity between programs. Court rejected as overly broad test of substantial similarity for computer programs set down in *Whelan Assocs. v. Jaslow Dental Lab.*, 797 F.2d 1222 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031 (1987). *Whelan* court held that aside from purpose or idea of program, everything else was protectible. Thus, in addition to source and object codes, "structure, sequence and organization" of program were copyrightable subject matter. Relying on court appointed expert, court opined that structure, sequence and organization were really "behaviors" of program, or processes, and not entitled to protection under § 102(b) of Act. Instead of focusing on similarities in structure, sequence and organization, court applied "abstractions" test first enunciated by Judge Learned Hand in *Nichols v. Universal Pictures*, 45 F.2d 121 (2d Cir. 1930), *cert. denied*, 282 U.S. 902 (1931), as proposed by Professor Nimmer. Comparing programs in order of "increasing generality" from object code, to source code, to parameter lists, to services required, to general outline, court found that plaintiff had failed to prove substantial similarity between OSCAR 3.5 and ADAPTER. Accordingly, court awarded damages only for roughly five year period during which defendant marketed OSCAR 3.4.

On appeal, the Second Circuit affirmed in a comprehensive opinion that rejected the Third Circuit's approach in *Whelan v. Jaslow*.

Sega Enters., Ltd. v. Accolade, Inc., No. 92-15655 (9th Cir. filed October 20, 1992).

Court of appeals reversed district court preliminary injunction against alleged infringement of plaintiff's video entertainment systems software. Plaintiff develops and markets video entertainment systems, including Genesis console and video game cartridges, and is in business of licensing its video games. Defendant manufactures computer entertainment software, including game cartridges compatible with Genesis console. To make games compatible with Genesis system, defendant disassembled and translated object code

of plaintiff's programs into assembly language, made intermediate copies of this translated material, and then wrote game programs based upon translation. Plaintiff's later video game systems were equipped with security system which, if prompted by specific computer code, would allow system to operate and would automatically display words "Produced by or under license from Sega Enterprises Ltd." on screen. Defendant's video games could not be operated on later model Genesis console without security system code. Through reverse engineering, defendant again used disassembly process and then equipped its video games with same code so that system would operate and Sega message would appear on screen. Court of appeals held defendant's "intermediate copying" an infringement, since it involved copying of plaintiff's program. Court denied arguments that Sections 102(b) and Section 117 excused its copying, but ruled in favor of defendant on fair use grounds.

Apple Computer, Inc. v. Microsoft Corp., 779 F. Supp. 133 (N.D. Cal. 1991); CCH COPR. L. REP. ¶ 26,903 (N.D. Cal. 1992); CCH COPR. L. REP. ¶ 26,954 (N.D. Cal. 1992).

In copyright infringement suit, defendants sought reconsideration of prior decision requiring inclusion in similarity analysis of evidence concerning elements of plaintiff's work which defendants claim lack originality. Court analogized to abstract painting composed of geometric figures. Even though components in isolation are unprotectible, painting as a whole may be protected. In subsequent opinion, court granted defendant's motion for partial summary judgment based on findings that merger and *scenes à faire* doctrines precluded protection.

Integral Sys., Inc. v. PeopleSoft, Inc., Computer Ind. Lit. R. (Andrews) ¶ 13701 (N.D. Cal. Jul. 19, 1991)

Parties make payroll and personnel management software, plaintiff for main frames, defendant for personal computer. Based on copyright infringement and trade secret misappropriation claims, plaintiff's motion for preliminary injunction denied. No likelihood of success on merits. Court noted that copyright protection of software includes source code (program language), object code (computer's binary code), interface (look and feel) and programs' structure, sequence and organization, but excludes programs' function (here, payroll and personnel management). Plaintiff's infringement claim was based solely on structure, sequence and organization. Inasmuch as defendant's staff were former employees of plaintiff, court found access. On similarity, court found some but not substantial similarity. Given that "core concepts are obvious and well-known," viable commercial systems could not be completely dissimilar. To show degree of similarity, court must rely on expert testimony. However, plaintiff's expert's methodology was flawed.

Plaintiff likewise failed on unauthorized derivative work claim because it did not establish that defendant "targeted" plaintiff's software for "conversion."

Lotus Dev. Corp. v. Borland Int'l, Inc., 788 F. Supp. 78 (D. Mass. 1992)

Court denied cross-motions for summary judgement in connection case involving claim that defendant's "Quattro" computer spreadsheet program infringes plaintiff's copyrighted Lotus 1-2-3 spreadsheet program. Plaintiff moved for summary judgement, relying on court's previous decision in *Lotus Dev. Corp. v. Paperback Software, Int'l*, 740 F. Supp. 37 (D. Mass. 1990). In *Paperback*, court held Lotus 1-2-3 user interface as a whole. Plaintiff argued that on undisputed facts in instant case, defendant's Quattro programs were likewise infringing. Defendant maintained in its cross-motion for summary judgement that Quattro program was materially different from both Lotus 1-2-3 and *Paperback's* VP Planner, and that under rules and standards applied in *Paperback*, Quattro program should be held not to infringe Lotus 1-2-3. In alternative, defendant argued that court should reconsider *Paperback* decision and hold Lotus 1-2-3 elements uncopyrightable. Court denied both motions in light of factual dispute as to whether defendant copied Lotus 1-2-3 user interface. Plaintiff had not demonstrated defendant's copying of user interface "as a whole" and had failed to specify which elements defendant allegedly copied and whether those elements are copyrightable. Similarly, court held that defendant failed to demonstrate that elements it copied from Lotus 1-2-3 are not copyrightable. Court granted leave to parties to file revised motions for summary judgment on copyrightability issue.

Consul Tec Inc. v. Interface Systems, Inc., 22 U.S.P.Q.2d 1538 (E.D. Mich. 1991)

Court enjoined computer interface and accompanying manuals that copied defendant's "unique compilation" of commands, command syntax, status message codes, invocation lines, job files and log files. Adopting Ninth Circuit approach of evaluating substantial similarity of computer programs from perspective of intended users of programs, court rejected argument by infringer that its verbatim use of features was justified by "commercial necessity" because customers were used to copyright owner's program and would not want to learn new program.

Engineering Dynamics, Inc. v. Structural Software, Inc., 785 F. Supp. 576 (E.D. La. 1991)

Plaintiff, who had been defendant in a 1978 case involving its SACS structural analysis engineering software and manuals, brought action for infringement of same program. In *Synercom Technology, Inc. v. University Computing Co.*, 462 F. Supp 1003 (N.D. Tex. 1978), court held that input formats were ideas and thus not copyrightable, but that SACS manuals in-

fringed Synercom's STRAN manuals. Parties then settled 1978 case with Synercom agreeing that new SACS III manual did not infringe Synercom's copyrights. In instant case, where defendant conceded access, court held that SACS III manual was entitled to protection as evidenced by Synercom's approval of it, and that defendant's StruCAD manual infringed it. Plaintiff's failure to disclose to Copyright Office in registration process that SACS III was based on SACS II did not amount to "deliberate misrepresentation" so as to invalidate plaintiff's copyright rights. However, plaintiff's losses attributable to infringement were reduced to reflect that part of defendant's market share that was due to defendant's innovation in adapting program for use on a personal computer. Court awarded plaintiff \$250,000 in actual damages, enjoined defendant from further distribution of its manual and ordered parties to cooperate in fashioning a non-infringing StruCAD manual. Plaintiff could not recover for defendant's copying of user interface, however, as court was constrained by Fifth Circuit precedent to hold that formats are not copyrightable.

E. Contributory or Vicarious Infringement

Luft v. Crown Publishers, Inc., 772 F. Supp. 1378 (S.D.N.Y. 1991)

Plaintiff sued defendant corporations and an individual who was one corporation's president and majority shareholder for copyright infringement of registered television program "The Judy Garland Show." By letter, plaintiff had given notice of copyright to corporate president who nonetheless supervised continued manufacture of infringing materials. After an inquest on damages, judgment against individual defendant was entered for statutory damages, attorney's fees and costs. Court rejected argument that an officer and shareholder of a publicly traded corporation should not be held liable for tortious corporate actions on basis of one letter. Small size of corporation, individual defendant's 65% interest in corporation and integral association with its infringing activities which occurred after notice was given, made him jointly and severally liable for damages.

Danjaq S.A. v. MGM/UA Communications Co., 773 F. Supp. 194 (C.D. Cal. 1991)

Plaintiff producer and defendant distributor of James Bond films were co-owners of copyright in films. Prior to completion of proposed merger between defendant MGM and Pathe, Pathe offered television licenses for Bond films in Europe, conditioning such offers on completion of its merger with MGM. Plaintiff alleged copyright infringement, based on Pathe's "authorization" of public performances of Bond films on European television before it owned rights in such films. Court held that while § 106 gives copyright owner exclusive right to "authorize" public performance, any contributory infringement must be predicated upon an act of primary infringement. Thus,

copyright liability could not be found where authorization did not culminate in a primary infringement. 1976 Copyright Act's addition of word "authorize" did not create a new and separate basis for copyright liability and acts of authorization alone are likely to be remediable under state law. Here, however, no diversity jurisdiction. Court based dismissal of claims on "undisputed axiom" that U.S. copyright laws do not operate extraterritorially, and held that performance of Bond films on European television would not infringe plaintiff's U.S. copyright.

Morley Music Co. v. Cafe Continental, Inc., 777 F. Supp. 1579 (S.D. Fla. 1991)

Court held individual who was president, sole shareholder and day-to-day manager of entertainment club vicariously liable for copyright infringement of musical compositions performed at club. Individual defendant had direct financial interest in infringing activity as well as ability to supervise such activity since his responsibilities included engagement of musical acts. Plaintiffs held entitled to permanent injunction prohibiting performance of copyrighted musical compositions without proper license because of defendant's demonstrated tendency to ignore copyright owner's rights. Plaintiffs also awarded \$1,500 in statutory damages per infringement in light of defendant's continued performances of copyrighted compositions even after plaintiffs failed suit.

Dwarf Music v. Double "Z" Broadcasting, Inc., 21 U.S.P.Q.2d 2030 (D.N.D. 1991)

Defendant became manager of radio station and officer of corporation formed to purchase radio station. Although station's ASCAP license had expired, defendant had no knowledge of expiration. Defendant's attorney, however, was advised on termination. On motion for summary judgment, court found copyright violations and awarded statutory damages and attorney's fees to be paid by previous owner of station. Court at trial then held station manager and purchasing corporation jointly and severally liable. Attorney's knowledge of cancellation of license imputed to general manager, who had power to regulate what music was played. Purchasing corporation also vicariously liable given financial interest in infringing acts, even though acts occurred prior to sale while corporation waited for FCC approval of purchase. Court rejected prior owner's claim for indemnification, finding that infringement occurred after execution of purchase agreement requiring defendant to pay listed creditors specified amounts. Parties did not intend to include copyright damages even though ASCAP was one of creditors listed.

BMI v. Metro Program Network, Inc., 21 U.S.P.Q.2d 1713 (N.D. Iowa 1991)

Court granted BMI's motion for summary judgement against operators

of a television station who continued public performance of copyrighted music originally licensed by BMI after cancellation of defendants' contract with BMI for non-payment of license fees. Court found that although television station actually caused public performance, corporate entity which owned television station, and individual who was president, secretary, and 100% shareholder of corporation, were subject to vicarious liability for copyright infringement, since they had right and ability to supervise infringing activity and an obvious and direct financial interest in exploitation of copyrighted material. Court issued permanent injunction in light of defendant's continued infringement after express written warning. Plaintiff's request for statutory damages of \$5,000 for each of twelve infringements, as well as costs and attorney's fees, also granted.

F. *Derivative Works*

Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc., 780 F. Supp. 1283 (N.D. Cal. 1991), *aff'd*, 964 F.2d 965 (9th Cir. 1992)

Plaintiff made "Game Genie," a peripheral which allows consumer to modify performance of defendant's video games in play. On plaintiff's request for declaration of non-infringement and defendant's infringement counterclaim, court held for plaintiff. Game Genie not derivative work because derivative work must exist on its own, i.e., have separate form. Court distinguished *Midway Mfg. v. Artic Int'l Inc.*, 704 F.2d 1009 (8th Cir. 1983) involving commercial licensee's use of computer board that speeded up game and was held to be derivative work. Consumers can modify games in any way they want and, because consumers are not direct infringers, plaintiff is not contributory infringer.

G. *Criminal Infringement*

U.S. v. Larracuente, 952 F.2d 672 (2d Cir. 1992)

Defendant's conviction for criminal copyright infringement in connection with unauthorized copying of videotapes affirmed. Defendant argued that proof of unauthorized use was deficient because, although evidence showed that defendant had no owner authorization, government failed to disprove possibility of licenses to third parties which in turn might have sub-licensed defendant. Court stated that government need not negate affirmative defenses not proved by defendant. On challenge to Sentencing Guidelines, court upheld damages for infringement measured not by selling price of bootlegs, but by retail value of original videotapes, where bootleg copies were of sufficiently high quality to pass through normal trade channels.

U.S. v. Hernandez, 952 F.2d 110 (9th Cir. 1991)

Court upheld district court's prison sentences of 71 months for counter-

feiting audiocassettes and labels. Defendants appealed conviction, claiming that monetary loss calculated by court on basis of average market value of counterfeit audiocassettes, resulted in excessive sentence under Sentencing Guidelines, which permit court to use "probable or intended loss" resulting from crime, rather than actual loss. Proper measure, according to defendants, was profits lost by recording industry. However, court held that it was not unreasonable to use market value of counterfeit tapes to set sentencing.

U.S. v. Cohen, 946 F.2d 430 (6th Cir. 1991)

Sixth Circuit affirmed jury conviction and eighteen month prison sentence of defendant found to have duplicated and distributed 895 videocassettes of movies. Citing decisions from other circuits, court rejected defendant's argument that admission of consent judgment from companion civil infringement action was overly prejudicial. According to majority, consent judgment was properly characterized, and admissible, as an admission against interest. In addition, court concluded that limiting instruction stating that consent judgment was not proof of defendant's guilt and distinguishing between relative burdens in civil and criminal cases adequately protected defendant's right to a fair trial. Writing in dissent, one judge disagreed with majority's analysis. Judge thought that admission of consent judgment containing no express admission of liability but providing for \$9,000 in damages, a permanent injunction and forfeiture of videocassettes and materials used in infringement scheme, caused improper inference that civil judgment established defendant's guilt and such inference was not cured by limiting instruction.

U.S. v. Hux, 940 F.2d 314 (8th Cir. 1991)

Defendant manufactured and sold cable de-scramblers which used computer chips allegedly copied from or derivative of those of copyright holder. Defendant's conviction under 17 U.S.C. § 506(a) for willful infringement sustained. Testimony showed that copyright owner held valid copyrights, computer chips used by defendant were derivative and essentially identical to copyrighted chip, defendant had admitted knowing his actions were illegal, and defendant was paid for infringing chips.

U.S. v. Moran, 757 F. Supp. 1046 (D. Neb. 1991)

Court dismissed charge of criminal violation of copyright laws for lack of willful intent by owner of movie rental business who copied legally acquired videocassettes and rent out "duped" copies in order to "insure" against vandalism of originals. Court held "willful" act is voluntary intentional violation of known legal duty. Test is whether defendant truly believed that law did not prohibit making single copy, rather than objective standard of whether defendant's view was reasonable. In dismissing charge, court considered defendant's lack of sophistication notwithstanding that he was full

time police officer, legality of similar conduct, defendant's believable testimony, and consistency of his actions.

H. Miscellaneous

Hong Kong TV Video Program, Inc. v. May Kong Mkt. & Video Rental, Nos. 89-15827, 89-15887, 89-16000, 89-16211, 89-16212, 1991 U.S. App. LEXIS 11618 (9th Cir. Mar. 30, 1991)
(Unpublished)

HKTV, exclusive U.S. licensee of Cambodian language videotapes, sued its retail vendors, which rent videotapes to public, for copyright infringement. Appellate court upheld trial court's summary judgment against one vendor, who did not have right to redistribute videotapes to other dealers. Trial court's award of attorney's fees and sanctions also approved, in light of defendant's attorney's signing of frivolous papers. Appellate court likewise upheld denial of summary judgment with regard to allegedly infringing distribution of tapes by second vendor, where question of fact existed as to vendor's right to distribute videotapes. District court properly found plaintiff, which knew that defendant thought it was authorized to distribute videotapes to retail outlets, was estopped from prosecuting such defendant.

Franklin Elec. Pub., Inc. v. Unisonic Prods. Corp., 763 F. Supp. 1 (S.D.N.Y. 1991)

Plaintiff sued defendant corporation and its sole shareholder alleging copyright, trademark and patent violations, in addition to New York State unfair competition, anti-dilution and consumer protection claims, in connection with hand-held spelling checker. On Fed. R. Civ. P. 12(b)(6) motion, court dismissed claims against shareholder without prejudice. Although corporate officers who abet corporation's patent infringement may be personally liable, plaintiff's conclusory allegations failed to support a claim. On copyright claims, court noted that some cases have held that in a copyright infringement action, complaint must allege infringing acts with specificity notwithstanding Fed. R. Civ. P. 8(a)(2) (requiring only "a short and plain statement"). But because allegations are taken as true on Rule 12(b)(6) motion, court allowed claim to proceed where plaintiff alleged ownership of copyright and specified allegedly infringing works. Fact that plaintiff did not allege date of infringing activities not fatal.

Grand Upright Music Ltd. v. Warner Bros. Records. 780 F. Supp. 182 (S.D.N.Y. 1991)

Action for preliminary injunction against rap music artist who admittedly "sampled" portion of music and three words from plaintiff's copyrighted song "Alone Again (Naturally)". Defendants argued that copyright certificates were not admissible because not "authenticated." Indicating that

court believed defendants were using word "authenticated" in sense not normally used in law, court found that position was without merit, particularly in circumstances of case were defendants knew original copyright owner had been dissolved years before. Mistakenly relying on a section of copyright law that has been repealed, defendants also objected to admission of documents evidencing transfer of copyright from original owner to writer/performer Gilbert O'Sullivan and from O'Sullivan to plaintiff corporation, on ground that they had not been filed with Register of Copyrights and thus were without legal effect. In addition to corroborating testimony from O'Sullivan, court was persuaded by defendants' own actions and admissions that valid copyright vested in plaintiff. Prior to album's release, defendants had contacted O'Sullivan regarding terms for a license to use sampled materials. Based on this behavior, court granted preliminary injunction and referred case to U.S. Attorney for criminal prosecution under 17 U.S.C. § 506(a) and 18 U.S.C. § 2319.

Georgia Television Co. v. TV News Clips of Atlanta Inc., 19 U.S.P.Q.2d 1372 (N.D. Ga. 1991)

On cross motions for summary judgment, plaintiff was awarded a permanent injunction and statutory damages of \$4,000 for each of twenty-seven infringements consisting of copying and offering for sale portions of tapes of plaintiff's original news broadcasts to subjects of such broadcasts. Defendants' motions for summary judgment and for reconsideration of earlier grant of a preliminary injunction were denied. In finding infringement, court relied on Eleventh Circuit's decision in *Pacific and Southern Co. d/b/a WX1A-TV v. Duncan d/b/a TV Clips*, 744 F.2d 1490 (11th Cir. 1984), cert. denied, 471 U.S. (1985) involving same corporate and individual defendants and identical facts. Court, moreover, concluded that defendants' infringement had been willful since "defendants clearly were aware of unlawfulness of their activities" from prior litigation. Defendants' fair use, copyright estoppel and laches defenses were denied, as was defense that plaintiff was "purely" estopped since employees of plaintiff referred clients to corporate defendant. Court stated that where plaintiff had given defendants clear notice through repeated warning that they were violating plaintiff's copyright rights, they could not claim in action that they were misled by isolated, unauthorized referrals made by plaintiff's employees.

Suarez Corp. v. Seta Corp. of Boca, Inc., Copyright L. Rep. (CCH) ¶ 26,877 (N.D. Ohio 1991)

In infringement suit between two direct mailing companies, court denied plaintiff's motion for a preliminary injunction seeking to prevent defendant from distributing allegedly infringing "famous cremes" brochure and jewelry brochure. With regard to "famous cremes" brochure, court found plaintiff

was not entitled to presumption of irreparable harm. Validity of plaintiff's copyright was clouded, because plaintiff had entered into consent agreements with distributors of four out of eleven products advertised in brochure, which required removal of those products from brochures. Court noted it was not likely that plaintiff could withstand future trademark claims by remaining distributor. With regard to jewelry brochure, court found there were overall differences between plaintiff's and defendant's jewelry brochures and noted that concept of selling imitation jewelry via direct mail was not protectible. Therefore, court held plaintiff failed to establish likelihood of success with regard to jewelry brochure.

Olan Mills Inc. v. Linn Photo Co., 21 U.S.P.Q.2d 1401 (N.D. Iowa 1991)

Suspecting defendant of copying its portraits, plaintiff photo studio took four photos of its employees, registered them and attached a statutory notice. Plaintiff's detective took photos to defendant for enlargement and, at defendant's request, signed form certifying that he owned photos and indemnifying defendant for wrongful copying. Plaintiff sought declaration regarding infringement; defendant counterclaimed for indemnification and moved for summary judgement. Court held plaintiff not entitled to declaration with respect to unspecified and perhaps unregistered future works. With regard to registered photos at issue, court found plaintiff authorized detective to have enlargements made. Therefore, defendant was acting upon instructions from plaintiff's agent and copying was deemed approved by copyright owner. Court rejected defendant's unclean hands defense, finding that plaintiff had no duty to disclose detective's identity. Defendant found to have a duty to investigate whether person presenting photo for reproduction has right to reproduce. However, defendant satisfied duty by obtaining detective's certification on ownership of photos in permission to copy and indemnity form, which court upheld against plaintiff's challenge that form is void on public policy grounds. Plaintiff's complaint dismissed.

VI. DEFENSES/EXEMPTIONS

A. Fair Use

Rogers V. Koons, 906 F.2d 301 (2d Cir. 1992)

Second Circuit affirmed district court decision awarding summary judgment to plaintiff in all respects. Plaintiff photographer sued defendant sculptor for reproducing his copyrighted photograph entitled "Puppies" as a sculpture entitled "String of Puppies." In affirming district court's decision, court noted "fair use" defense failed because photograph was not copied for purpose of criticism, comment, news reporting, teaching, scholarship or research. Moreover, entire photograph was appropriated for defendant's com-

mercial purpose, and sculpture would have adverse impact on value of copied work. Court was unpersuaded by defendant's claim that sculpture was a satire of parody of society at large. Unable to discern any parody of photograph itself, court concluded defendant's copying was done in bad faith.

Wright v. Warner Books, Inc., 953 F.2d 731 (2d. Cir. 1991)

Second Circuit held that biographer's use of portions of ten unpublished journal entries and six unpublished letters written by late author Richard Wright constitutes fair use as a matter of law. Clarifying that there is no *per se* rule prohibiting use of unpublished materials after *Harper & Row* (471 U.S. 539 (1985) and *Salinger* (811 F.2d 90 (2d Cir. 1987)), Second Circuit affirmed dismissal of plaintiff's infringement claims on cross-motions for summary judgement. Plaintiff was widow of Richard Wright, and individual defendant, Dr. Margaret Walker, was an acquaintance of late author with whom he had corresponded. Walker used portions of Wright's published works, as well as letters she had received from him and journal entries maintained by Yale University, in her biography titled *Richard Wright Daemonic Genius*. Over plaintiff's objections, defendant Warner Books Inc. published biography in 1988. Plaintiff sued in 1989, alleging copyright infringement, use of false designations or origin, breach of her rights as a third party beneficiary of a manuscript access agreement between Walker and Yale University and libel. After discovery was complete, plaintiff moved for summary judgement on copyright claims, challenging biography's use of both published and unpublished materials. Defendants cross-moved for summary judgement on all claims. District court held that all four fair use factors favored defendants, and dismissed plaintiff's copyright claims, in addition to plaintiff's breach of manuscript agreement and libel claims. Plaintiff voluntarily withdrew her false designation of origin claim. Appeal concerned only copyright infringement with respect to biography's use of unpublished works.

Second Circuit initially determined that only three of fourteen portions taken from journal entries and only four of ten paraphrased sections taken from Wright's letters constituted "borderline expression" rather than unprotectible fact. As to first fair use factor, Second Circuit agreed with district court that biography "fits comfortably within" statutory fair use categories of "criticism, scholarship and research" set forth in § 107. That defendants published book without plaintiff's permission did not manifest bad faith or evidence that character and purpose of biography lay outside realm of criticism and scholarship, particularly since Walker had herself received letters from Wright. Appellate court disagreed with district court on second fair use factor, however. Second Circuit stated that precedents "leave little room for discussion" on nature of copyrighted work factor, once it has been determined that work is unpublished. Unpublished works are "favorite sons" of factor two. District court had found that factor two favored defendants be-

cause Walker had paraphrased unpublished material, had used such material to convey facts rather than Wright's expression and no privacy rights had been implicated as a result of Walker's use. Third and fourth fair use factors favored defendants. Though both direct quotes and paraphrasing count as use, Second Circuit agreed with district court that use by Walker was both quantitatively and qualitatively small, since Walker used no more than one percent of letters or journal entries and only one fifty-five word passage from letter conveyed anything close to central point made by Wright in particular work. And, since "what was taken represents a small unfeatured portion of biography," effect on potential market for copyrighted work factor also favored defendants. Third party beneficiary claim was dismissed since there was no evidence that Yale had intended agreement to preclude fair use. Thus, court balanced all four fair use factors and found for defendants despite unpublished nature of some copied material. There is not *per se* rule forbidding fair use of unpublished works.

Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc., 780 F. Supp. 1283 (N.D. Cal. 1991), *aff'd*, 964 F.2d 965 (9th Cir. 1992)

Plaintiff made "Game Genie," a peripheral which allows consumer to modify performance of defendant's video games in play. On plaintiff's request for declaration of non-infringement and defendant's infringement counterclaim, court held for plaintiff. After holding that Game Genie is not a derivative work, court went on to say that even if infringement had been found, plaintiff would not be liable. Court noted that fair use is a defense available to direct infringers, here, consumers. Analogizing to *Sony v. Universal City Studios*, 464 U.S. 417 (1984), court evaluated four fair use factors, finding consumers' use is non-profit, so first factor favored plaintiff; since work is published, second factor also favored plaintiff; fact that whole work used not dispositive because, like *Sony* situation, video game owner has right to use whole work; and fourth factor also favored plaintiff since Game Genie does not fulfill demand for games. Just as VCR manufacturer faced no liability in *Sony*, manufacturer of Game Genie protected where consumers' use constituted fair use. Court rejected defendant's claims of indirect harm if consumers enjoy game less harm to Nintendo "culture."

Arica Inst., Inc. v. Palmer, 770 F. Supp. 188 (S.D.N.Y. 1991), *aff'd*, 970 F.2d 1067 (2d Cir. 1992).

Arica Institute owned copyrights in body of works concerning enneagram theory as originally espoused by Oscar Ichazo. Arica works used enneagrams, i.e., nine-pointed stars in circle, as "a map of process" of "ego fixation as it applies to human psyche." Defendant psychology professor wrote book entitled *The Enneagram* which described nine personality types arranged on enneagram. Arica charged that defendant's book infringed

passages of Ichazo body of writings, many of which were unpublished. In an earlier opinion, the district court denied preliminary injunction against paperback version of defendant's book, and found that most of allegedly copied material was not copyrightable or infringed and few remaining allegedly copied passages constituted fair use. Only factor then favoring plaintiff was unpublished character of most of plaintiff's works, but court found factor outweighed by other fair use factors. Subsequently, the district court granted defendant's motion for summary judgement, because all § 107 factors favored defendant. Court held that defendant's use of three passages in book that were substantially similar to plaintiff's did not infringe, in light of purpose and character of use which was "combination of comment, criticism, scholarship and research," fact that plaintiff's work was published, and fact that three passages constitute a "minor if not minuscule portion" of 181 page book and not qualitative "heart" of work. Court also held for defendant on factor of impairment to market value of plaintiff's work, since value or potential market for plaintiff's book, because of different topics covered and different readers (biography versus psychological self-help book). On appeal, the Second Circuit affirmed.

College Entrance Examination Bd. v. Cuomo, 788 F. Supp 134
(N.D.N.Y. 1992)

Court denied preliminary injunction seeking to prohibit State of New York from enforcing disclosure provisions of 1979 Standardized Testing Act (STA) against plaintiff, Graduate Management Admission Council, Inc. (GMAC). STA, or "truth in testing statute," requires disclosure of standardized test materials, which then become "public records" in accord with New York's freedom of information law. In related case of *Association of Am. Medical Colleges (AAMC) v. Cuomo*, 928 F.2d 519 (2d Cir.), cert. denied, 112 S. Ct. 184 (1991), a district court's holding that STA was preempted under Supremacy Clause and that STA's requirements did not qualify as fair use was overruled, on ground that issue of fair use should have been decided before issue of preemption. Court in *AAMC* was on appeal, instant suit was filed by several plaintiffs, claiming STA's disclosure provisions preempted by Copyright Act. All plaintiffs except GMAC entered into temporary disclosure stipulation with State of New York until conclusion of *AAMC* appeal, which stipulation was extended to await conclusion of pending remand proceedings.

GMAC argued it was likely to succeed on merits of copyright infringement claim because test forms were registered as "secure tests" with Copyright Office, and thus unpublished. Thus, only finding of fair use could preclude finding of infringement. State of New York conceded that tests were "secure" but argued tests were published. Court held that to concede tests

were "secure" meant tests were unpublished within meaning of Copyright Act.

Court then analyzed fair use factors of § 107. Purpose of use favored State of New York, since STA serves public's interests and use is non-commercial. However, nature of work, since secure and thus unpublished, favored GMAC. Court rejected State of New York's reliance on *Feist Pub., Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991), finding that creative effort required to design test forms was not comparable to creation of alphabetical directory listings. As to amount and substantiality of material taken, court concluded that although STA compels filing of all questions that comprise test forms, different purpose in use of test forms by STA does not preclude application of fair use of doctrine, relying on *Sony v. Universal City Studios*, 464 U.S. 417 (1984). Thus, third fair use factor neutral. With regard to effect of use on potential market or value of copyrighted work — fourth and "most important" fair use factor — court agreed with State of New York that STA's disclosure requirements have little effect on potential market for tests. Court defined real issue as effect of disclosure on value of test forms, and concluded that significant factual dispute existed. Thus, fourth fair use factor also neutral and GMAC did not demonstrate likelihood of success on merits. Court added that GMAC failed to demonstrate irreparable injury and that ten year delay in commencement of suit, and prior voluntary compliance with STA's disclosure requirements, mitigated against grant of motion for a preliminary injunction. Finally, court noted that laudable goals of State of New York in enacting STA called for some degree to accommodation by GMAC.

Basquiat v. Baghoomian, Copyright L. Rep. (CCH) ¶ 26,824
(S.D.N.Y. 1991)

Court denied plaintiff's motion for partial summary judgment on liability, finding that fair use factor of effect of use on potential market for plaintiff's work presented unresolved issues of material fact. Plaintiff was estate of late artist. Without obtaining permission from or paying royalties to estate, defendant gallery that had represented artist published a hard-cover book containing sixty-nine photographs of late artist's work, claiming book was an exhibition "catalogue."

Twin Peaks Prods., Inc. v. Publications Int'l, Ltd., 778 F. Supp. 1247
(S.D.N.Y. 1991)

District court granted plaintiff's summary judgment motion on ground that defendant's use of material from plaintiff's television shows was copyright infringement and did not constitute fair use. Plaintiff producer of television shows brought action claiming that defendant's unlicensed book, *Welcome to Twin Peaks - A Complete Guide to Who's Who and What's What*, infringed copyrighted "Twin Peaks" television shows. Court held that book's

synopses of television shows with direct quotes and paraphrases infringed plaintiff's exclusive rights to reproduce works and to create derivative works. Court rejected fair use defense, stating that fair use is not "a license for corporate theft." In discussion of fair use factors, court declined to find that "profit motivated recounting" of fictionalized television shows had educational character of commentary purpose. Public interest argument was held not applicable, since works were fiction. Synopses of several episodes of television shows and verbatim copying amounted to substantial taking of copyrighted material. Effect of use on potential market for work — fourth and "most important" fair use factor — also favored plaintiff, who authorized publication of several books related to television shows. Court held plaintiff's and defendant's works were in direct competition, despite defendant's argument of two separate and distinct mediums. Court declined to consider First Amendment protection apart from fair use.

Wolff v. Institute of Elec. and Elecs. Engineers, Inc., 768 F. Supp. 66 (S.D.N.Y. 1991)

Court held that defendant magazine infringed plaintiffs' award-nominated photograph that magazine had one time right to use, by incorporating cover featuring photograph in advertisements for magazine. Court found "wholly unconvincing" defendant's asserted fair use defense. Since ad was "unblushingly self-congratulatory" and placed "not to inform but to promote," fair use doctrine was inapplicable. Citing *Stewart v. Abend*, 110 S. Ct. 1750 (1990), court also rejected proffered defense that cover was derivative work as to which copyright rights exist independently of plaintiffs' photograph. Defendant's motion for summary judgment dismissing plaintiffs' complaint denied, and plaintiffs' cross-motion for summary judgment as to liability granted. Plaintiffs' breach of contract claim preempted.

Eveready Battery Co. Inc. v. Adolph Coors Co., 765 F. Supp. 440 (N.D. Ill. 1991)

Court held that defendant's beer commercial featuring actor Leslie Nielsen in bunny ears, tail and feet, banging on a base drum was a fair use of plaintiff's "Energizer Bunny" commercials. Only first fair use factor (purpose and character of use) weighed in plaintiff's favor. While defendant admitted that it took from plaintiff's commercials more than minimal amount needed to conjure up "Energizer Bunny," court held that "conjure up" test articulated in *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978) does not demark upper limit to which parody may borrow from an original work. Court also deemed it significant that defendant's commercial did not imitate any particular "Energizer Bunny" commercial and, rather, borrowed "a few identifiable features exaggerat[ing] some and leav[ing] out most others." Thus, third fair use factor (substantiality of taking in relation to

copyrighted works) weighed in defendant's favor, as did fourth fair use factor (nature of copyrighted work) was at best neutral, since both plaintiff's and defendant's advertisements were commercial in nature. In view of its finding of fair use, court decided it was unnecessary to engage in a substantial similarity analysis. Plaintiff's motion for a preliminary injunction was denied for failure to establish a likelihood of success as to its copyright, trademark and dilution claims.

Budish v. Gordon, 784 F. Supp. 1320 (N.D. Ohio 1992)

Plaintiff, a nationally known expert in field of Medicaid planning, created tables of factual information pertaining to state requirements and guidelines for Medicaid eligibility. Tables, composed almost entirely of pre-existing material from National Governors' Association publication, were featured in plaintiff's book entitled *Avoiding the Medicaid Trap: How to Beat the Catastrophic Cost of Nursing-Home Care*. Court rejected defendants' assertion that doctrine of "fair use" protected their use of tables, since defendants' profit-motivated enterprise involved marketing, promoting and enhancing their own careers and reputations. Defendants, thus, were enjoined.

Pasha Pub., Inc. v. Enmark Gas Corp., 22 U.S.P.Q.2d 1076 (N.D. Tex. 1992)

Plaintiff publisher of newsletter "Gas Daily" brought infringement action against defendant, one of its subscribers. Defendant received, at first by mail and then by facsimile, copy of plaintiff's newsletter from which it made multiple unauthorized cover-to-cover copies that were circulated in its Dallas office. Additionally, defendant sent copies by facsimile to its Houston and North Carolina offices. Rejecting defendant's fair use defense, court noted that defendant was a commercial enterprise acting in furtherance of its commercial pursuits, work involved was a newsletter entitled to only a narrow scope of fair use protection pursuant to legislative history of Act, defendant copied entire work, and defendant's copying caused detrimental effect on potential market for newsletter by reducing number of subscriptions needed. Court permanently enjoined defendant from any further photocopying, transmitting by facsimile, reproducing or distributing plaintiff's copyrighted work.

B. Statute of Limitations, Laches, etc.

Stone v. Williams, — F.2d — (2d Cir. 1992)

Plaintiff's action seeking declaration that she is a natural child of late country music star Hank Williams, Sr. and therefore entitled to statutory share of royalties earned from Williams, Sr.'s musical compositions during their renewal terms was not barred, even though plaintiff had learned of her identity in 1979 and brought suit five years later.

Boothroyd Dewhurst, Inc. v. Poli, 20 U.S.P.Q.2d 1881 (D. Mass. 1991)

In long-standing dispute between research collaborators in engineering field, plaintiff sued defendant for copyright infringement of "1984" spreadsheet and software version of spreadsheet. On defendant's motion for summary judgment, court affirmed magistrate's report denying motion that plaintiff's claim was barred by laches and estoppel. Four year delay in filing suit not unreasonable or inexcusable in light of defendant's statements that it would withdraw particular spreadsheet from circulation and initial minimal nature of defendant's infringing activities. Plaintiff might reasonably have judged it was not worth cost of bringing suit before defendant's acts escalated, and commercial threat to plaintiff only presented when defendant licensed methodology to third party, at which point plaintiff immediately brought suit. Defendant's claim of prejudice also not wholly convincing. Nor did evidence support finding that plaintiff's conduct and correspondence reasonably induced defendant to believe plaintiff was satisfied defendant was no longer infringing its copyright. No estoppel since defendant's responses did not unambiguously indicate reliance on plaintiff's acquiescence in his activities and court found defendant was proceeding in defiance of plaintiff's complaints.

Georgia Television Co. v. TV News Clips of Atlanta, Inc., 19 U.S.P.Q.2d 1372 (N.D. Ga. 1991)

On cross-motions for summary judgment, plaintiff was awarded a permanent injunction and statutory damages of \$4,000 for each of twenty-seven infringements consisting of copying and offering for sale portions of tapes of plaintiff's original news broadcasts to subject of such broadcasts. Defendants' defense that plaintiff was estopped since employees of plaintiff referred clients to corporate defendant was rejected. Where plaintiff had given defendants clear notice through repeated warnings that defendants were violating plaintiff's copyright rights, defendants would not claim in action that they were misled by isolated, unauthorized referrals made by plaintiff's employees. Defendants' motions for summary judgment and for reconsideration of grant of a preliminary injunction were denied.

C. *Section 110(5)*

BMI v. Claire's Boutiques, Inc., 949 F.2d 1482 (7th Cir. 1991), *cert. denied*, — U.S.L.W. — (—, 1992).

Seventh Circuit affirmed district court's judgment in favor of defendant. "Single receiving apparatus" exemption of § 110(5) applied to defendant's chain of more than 700 retail outlets, each ranging in size from about 450 to 3,000 square feet, because defendant satisfied requirements to come within exemption, i.e., each store had only a single-receiver, of type commonly found in home, and there was no further transmission of broadcast to public. Court

rejected BMI's contention that actions of corporate chain should be examined as whole. Instead, appellate court found that exemption in this case was properly applied to each individual store by looking to explicit statutory language, noting: "Congress chose to effectuate [this intent to exempt small business establishments] by drawing a distinction based on the type of sound equipment utilized and the nature of the transmission. Any rule developed under § 110(5) based on the financial strength of the company seeking the exemption would be directly contrary to the terms of the statute." Because sound system used by defendant's individual stores passed statutory tests for exemption, judgment below was affirmed.

Edison Bros. Stores, Inc. v. BMI, 954 F.2d 1419 (8th Cir. 1992), cert. denied, — U.S.L.W. — (—, 1992)

Following plaintiff's written policy, 2280 of plaintiff's stores each have a radio receiver with two shelf speakers located no more than 15 feet from receiver and each uses its radio to play music for which defendant controls right of public performance. In action for declaratory judgment, court affirmed that use by plaintiff's stores is exempt from infringement as "home system" under § 110(5). Court rejected on plain meaning grounds BMI's suggestion that statute applies only to one apparatus in one store and that use of such apparatus at different stores owned by same entity falls outside "homestyle exemption." Absent statutory ambiguity, court refused to consider legislative history. Court also rejected defendant's urging of a square footage limit on § 110(5) exemption and suggestion that reading statute to permit uses such as plaintiff's would violate Berne Convention.

D. Misuse

National Cable Television Ass'n v. BMI, 772 F. Supp. 614 (D.D.C. 1991)

Plaintiffs representing cable television industry sued BMI for violation of antitrust laws. Court found for defendant on antitrust issue because availability of alternative performing rights licenses to blanket licenses precluded violation of antitrust laws. On counterclaim for copyright infringement court found transmission of programming containing copyrighted music constituted public performance of that music, and held cable television programmers liable for infringement for performing works without authorization. Cable television programmers claimed that even if there was infringement, BMI's misuse of copyrights would be defense. Court stated it recognized equitable defense of copyright misuse, analogous to patent misuse defense. However, court rejected defense, finding that while violation of antitrust laws is not prerequisite to proving misuse, absent showing of violation, cable television programmers were required otherwise to show that BMI illegally extended monopoly or violated public policy underlying copyright law. Court

also denied defense of equitable estoppel based on BMI's alleged "unclean hands".

qad inc v. ALN Assocs., Inc., 19 U.S.P.Q.2d 1907 (N.D. Ill. 1991)

Court dismissed plaintiff's copyright claim on defendant's motion for summary judgment, finding that plaintiff had misused its copyright and judicial process by obtaining a preliminary injunction against defendant when plaintiff had not disclosed to Copyright Office or court that its computer program was not entirely original, but rather was based on a prior program authored by a third party. While court stated that issue of plaintiff's infringement arising from its copying of prior program was not ripe for decision, court found that plaintiff had copied from prior program very portions of its program that plaintiff later urged were infringed by defendant's program. Court emphasized that misuse consisted of plaintiff's actions in furtherance of extending copyright monopoly beyond scope of plaintiff's original work, and not in merely failing to disclose true facts to Copyright Office. Preliminary injunction order vacated.

Budish v. Gordon, 784 F. Supp. 1320 (N.D. Ohio 1992)

Plaintiff not precluded from bringing copyright infringement case and likelihood of success on merits not affected, where plaintiff had entered into agreement and brought joint motion with communications network to enjoin future broadcast of advertisements promoting defendants' competitive book that copied verbatim plaintiff's protectible compilation of statewide Medicaid eligibility tables featured in plaintiff's book entitled *Avoiding the Medicaid Trap: How to Beat the Catastrophic Cost of Nursing-Home Care*. Noting equitable defense of misuse had not been recognized by Sixth Circuit, court concluded that plaintiff's conduct did not rise to level of that at issue in *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990) and *National Cable Television Ass'n, Inc. v. BMI*, 772 F. Supp. 614 (D.D.C. 1991). Absent finding that plaintiff in some way illegally extended its monopoly or otherwise violated public policy, misuse was not a bar to plaintiff's enforcement of his copyright.

E. Miscellaneous

BMG Music v. Perez, 952 F.2d 318 (9th Cir. 1991)

Defendant purchased plaintiffs' copyrighted sound recordings abroad and imported them into U.S. for sale. A preliminary injunction issued, but defendant did not cease his infringing activity. Defendant then held in contempt. Upon final judgment for plaintiffs, defendant appealed, contending that his actions insulated from liability under first sale doctrine, 17 U.S.C. § 109(a), which prevents a copyright owner who has sold copies from later interfering with sale of those copies, provided sales are "lawfully made under

this title." However, § 602(a) prohibits importation of copyrighted works purchased abroad. Citing *CBS v. Scorpio Music Distribs.*, 569 F. Supp. 47 (E.D. Pa. 1983), court held that first sale doctrine does not provide a defense to importation of infringing works. Otherwise first sale doctrine would make § 602 meaningless. Court dismissed as meritless defendant's First Amendment defense, as well as his argument that infringement *de minimis*. Court upheld district court's award of statutory damages of \$15,000 per infringement upon finding defendant a willful infringer, and contempt sanctions of \$10,000 per infringement as proper exercise of discretion.

Service & Training, Inc. v. Data General Corp., 963 F.2d 680 (4th Cir. 1992)

Court affirmed grant of summary judgment and preliminary injunction against plaintiff Service & Training's ("S&T") use of software. S&T infringed defendant Data General's copyright in program that diagnosed malfunctions in Data General computer systems. Court rejected S&T's antitrust claim of an impermissible tie-in under § 1 of Sherman Act between Data General's program and its offering of computer repair services. Argument that program was not original or was derivative was rejected in light of evidence that program contained substantially more files than predecessor program and that similar files had been reworked. Nor was it a defense that Data General had failed to inform Copyright Office of derivative nature of work, since no proof was offered of intentional omission in application for registration. Previous agreement between parties did not confer any rights to use proprietary information. S&T failed to show estoppel, because there was no proof that Data General had induced it to engage in unlicensed use of program or that it had relied on any misrepresentation by Data General. There also was no public interest reason to allow continuing infringement.

Coleman v. ESPN, 764 F. Supp. 290 (S.D.N.Y. 1991)

Composers, music publishers and ASCAP filed class action copyright infringement suit against sports cable network for public performance of copyrighted musical compositions by transmission of sporting events at which music was played. Transmission was held to constitute "public performance" regardless of intent involved, because intent is not element of copyright infringement. Plaintiff's motion for summary judgment to dismiss defendant's copyright misuse defense was denied, because misuse is cognizable defense and there was question of fact about available alternatives to taking blanket license from ASCAP. Summary judgment on fair use defense also precluded by unresolved issues, such as substantiality of taking involved and likelihood of impairment of works' value or potential market. Motion to strike estoppel defense denied as to two compositions, where issues of fact existed as to ASCAP's advice that no license was needed, but granted as to

eighteen other compositions where no showing of ASCAP inducement to broadcast. Motion to strike defendant's affirmative defense of unclean hands granted, since ASCAP's participation in allegedly infringing transmissions could not be demonstrated, nor could copyright owners' alleged unclean hands in obtaining copyright registration certificates be shown.

Hart v. Sampley, Copyright L. Rep. (CCH) ¶ 26,869 (D.D.C. 1992)

Plaintiffs, owners of copyright in Three Servicemen Statue located at Vietnam Veterans Memorial, held entitled to preliminary injunction and order impounding infringing items containing image of statue. Defendants who were selling items for commercial gain could not rely on fair use exception. Statue was not U.S. government work because sculptor was not officer or employee of U.S. government, and even if statue were commissioned by government, commissioned work could be copyrightable. Moreover, defendants could not invoke § 120 where creation of statue predated enactment of that section. Finally, defendants could not rely on argument that valid copyright in national memorial offends public policy. Public policy favors copyright protection.

Princeton Univ. Press v. Michigan Document Servs., Inc., Case No. 92-CV-71029-DT (E.D. Mich. Apr. 2, 1992)

Court preliminarily enjoined copy service's duplication and sale to University of Michigan students of "coursepacks" containing copyrighted materials. Court rejected defendants' argument based on *Sony v. Universal City Studios*, 464 U.S. 417 (1984) that defendants did not profit from copyrights in works because they charged no differently for copying of copyrighted works than for copying of uncopyrighted works or blank pages in coursepacks. Court noted that, none of limitations on copyright owner's exclusive rights of §§ 107-118 of Act applied and copying was for admittedly commercial purpose. Nor did fact that coursepacks were used in an "educational environment" demonstrate competing public interest in free expression of ideas so as to foreclose preliminary injunction remedy. Court distinguished *Belushi v. Woodward*, 598 F. Supp. 36 (D.D.C. 1984), cited by defendants, in which plaintiffs sought to enjoin distribution of an entire book because of unauthorized use of one photograph in book. Court also pointed out that defendants had not met guidelines for photocopying for classroom use set forth in H.R. Rep. No. 1476, 94th Cong., 2d Sess. (1976). Moreover, defendants could use protected materials under license by paying royalties to plaintiffs.

Chi-Boy Music v. Towne Tavern, Inc., 779 F. Supp. 527 (N.D. Ala. 1991)

Defendants, a saloon and its sole shareholder, refused to get ASCAP license for jukebox. Court granted plaintiff's motion for summary judgment and rejected defense under "jukebox exemption," 17 U.S.C. § 116. Successful

defense requires that defendant make no "direct or indirect charge for admission." Saloon's \$2.00 cover charge, even though not collected from all customers, precluded jukebox exemption. Individual defendant's defense to vicarious liability rejected because test asks whether individual has right and ability to supervise infringing activity and gets financial benefit from infringement. As sole shareholder, individual defendant controlled and benefitted from saloon's infringement and thus was vicariously liable.

VII. REMEDIES

A. Damages and Profits

Eales v. Env'tl. Lifestyles, Inc., 958 F.2d 876 (9th Cir. 1992)

Appellate court affirmed judgment against defendant contractor who, without authorization, used architectural plans designed by plaintiff in construction of home. Court affirmed award taking into account both fair market value of plaintiff's plans and profits plaintiff would have made had she sold house on her own. Quoting *Russell v. Price*, 612 F.2d 112 (9th Cir. 1979) court noted, "[i]t is clear from a reading of statute that infringer's profits to which the copyright proprietor may be entitled consist of the . . . profits from the infringing use of the plaintiff's work . . ." Damage award that included developer's total profit on sale of house was not miscalculated, in view of defendant's failure to prove costs deductible from profits.

Lasercomb Am., Inc. v. Holiday, 911 F.2d 970 (4th Cir. 1992)

Court affirmed district court's damage award to plaintiff, and refusal to grant damages to defendant as a result of vacated injunction. Defendant was not entitled to have damages calculated on basis of a selling price reduced as a result of defendant's own fraud. Similarly, any profits which defendant may have lost as a result of injunction were barred by unclean hands doctrine.

Paramount Pictures Corp. v. Metro Program Network Inc., 22 U.S.P.Q.2d 1534 (8th Cir. 1992)

Court upheld district court's award of both breach of contract damages and copyright infringement damages, denying defendants' contentions on appeal that breach of contract damages were excessive and double damages award was impermissible. Defendants, operators of commercial TV-station KOCR TV, had entered into license agreements with plaintiff to broadcast episodes of "Happy Days," "Taxi," and "Mork and Mindy," as well as certain motion pictures. On May 6, 1988, after defendants' first tendered check was dishonored and no further payments were made, plaintiff terminated agreements. Defendants continued to broadcast episodes and plaintiff sued for breach of contract and copyright infringement. District court awarded contract damages for full contract price of \$217,760 and statutory damages of

\$500 per copyright infringement after termination of agreement, totalling \$23,500 in statutory damages. On appeal, defendants argued that since under § 504 copyright infringement plaintiff is entitled to either statutory or actual damages, but not both, and since awarded contract damages really constituted actual damages, court had wrongfully awarded double damages. Court rejected argument, explaining that breach of contract damages compensated non-payment of license fees under agreements before termination of agreements, whereas copyright infringement damages compensated separate injury caused by unauthorized broadcasts after May 6, 1988. Therefore, award of both types of damages was proper.

Harris Mkt. Research v. Marshall Mktg. and Communications Inc.,
948 F.2d 1518 (10th Cir. 1991)

In action for copyright infringement and breach of license agreement, in which defendant counterclaimed for breach of same agreement, misappropriation of proprietary information, interference with sublicense agreements and malicious prosecution of copyright claim, jury returned verdicts for both parties. Court affirmed jury's verdicts, and upheld admission into evidence of development cost of plaintiff's customized software program for gathering marketing information for purposes of calculating contract and copyright damages. In addition, plaintiff was entitled to attorney's fees where license agreement allowed reasonable attorney's fees to "prevailing party" and Kansas law defined prevailing party as "person who has affirmative judgment rendered in his favor at conclusion of entire case."

Alentino Ltd. v. Chenson Enters. Inc., 968 F.2d 250 (2d Cir. 1992)

On appeal from a remand for purpose of calculating damages, the court of appeals reversed the district court's finding that defendant had not willfully infringed plaintiffs' works for purposes of awarding increased statutory damages under Section 504(c)(2). "Willful" in this context means only that defendant had "knowledge that its actions constitute an infringement." The requisite knowledge may be proved either directly, or it may be inferred from defendant's conduct.

Branch v. Ogilvy & Mather, Inc., 20 U.S.P.Q.2d 1928 (S.D.N.Y. 1991)

In infringement suit involving plaintiff's folk art illustrations in which jury found for plaintiff but assessed only nominal damages in amount of \$1, court awarded plaintiff statutory damages of \$10,000 and \$116,729 in attorney's fees. Court found no willful infringement by defendant who continued publication of infringing ads after plaintiff commenced lawsuit, but ceased publication upon court's determination that plaintiff had protectible interest in "look and feel" of work. In refusing to reduce award of statutory damages, court rejected defendant's assertion that plaintiff's novel "look and feel" theory of liability warranted reduction. In light of defendant's ten years of expe-

rience in commercial art and use of copyrighted works, it could not rely on claim that plaintiff's theory might not prevail. Plaintiff was entitled to attorney's fees as "prevailing party" under § 412, but amount demanded was reduced to reflect fact that plaintiff was unsuccessful on other claims.

Love v. Kwitny, 772 F. Supp. 1367 (S.D.N.Y. 1991)

Defendants, who were found to have infringed no more than 2.6% of plaintiff's book, were not permitted to deduct proportionate share of income taxes in computing award to plaintiff of defendants' profits. Court distinguished as mere dictum "suggestion" in *Alfred Bell & Co. v. Catalda Fine Arts Inc.*, 191 F.2d 99 (2d Cir. 1951) and *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45 (2d Cir. 1939) (L. Hand, J.), *aff'd*, 309 U.S. 390 (1940) that income taxes may be deducted by nonwillful infringers. Instead, court relied upon analysis in patent case, *Schnadig Corp. v. Gaines Mfg. Co.*, 620 F.2d 1166 (6th Cir. 1980), showing that deduction of income taxes in calculating award allows infringer to retain some profit from infringement, because full amount that will be paid as damages is deductible as expense in tax year when payment is made. Individual defendant who contended that his expenses in writing and distributing infringing book exceeded income he received from it was entitled to deduct such expenses. Court concluded that individual defendant's tax returns were sufficiently reliable evidence of expenses, although they were never tested by an audit, where returns were prepared and submitted to Internal Revenue Service under penalty of perjury before individual defendant had reason to adjust them in response to lawsuit and they were not on their face suspicious.

M.B.S. Love Unltd. Inc. v. Park's Sportswear Corp., U.S.P.Q.2d 1311 (S.D.N.Y. 1991)

Following a bench trial in which liability was conceded, court awarded \$43,200 as damages for infringement of T-shirt designs entitled "Lacy Girls Club — Sleep All Day — Party All Night" and "Lazy Guys Club — Sleep All Day — Party All Night," and attorney's fees amounting to \$9,115.13. Since defendant's sales records relating to infringing merchandise were destroyed in a fire court termed "convenient," and court found defendant's testimony not credible on issue of quantity of T-shirts sold, court accepted plaintiff's estimate that defendant had made gross sales of \$50,000. Court allowed only \$6,800 deduction from that amount as defendant's rental expense for its store during time it sold T-shirts, because defendant did not meet statutory burden of showing other expenses. Court stated that it was generous to defendant in not deducting only percentage of rental expense allocable to infringing sales, and that it would reopen record upon defendant's timely application as to actual costs. While court did not "condone" defendant's conduct in case, court rejected plaintiff's claim for maximum statutory

damages, finding that defendant was an innocent infringer which stopped selling upon receiving actual notice from plaintiff.

Stokes Seeds, Ltd. v. Geo. W. Park Seed Co., Inc., 783 F. Supp. 104 (W.D.N.Y. 1991)

In action for declaratory judgment of copyright noninfringement, in which defendant counterclaimed for infringement, court held that book containing photographs of seedlings was a compilation, and thus constituted one work for purposes of computing statutory damages. Despite repeated copying of individual photographs from book, single instead of multiple award of statutory damages was justified, since number of works infringed was determinative, not number of infringements.

Allen-Myland, Inc. v. IBM, 770 F. Supp. 1014 (E.D. Pa. 1991)

Following judgment in IBM's favor on copyright infringement counterclaim (746 F. Supp. 520) and denial of plaintiff's motion for limited reconsideration of that judgment (770 F. Supp. 1004), court rejected plaintiff's argument that damages should be limited to \$420 per computer tape copied by defendant. Argument was based on finding that IBM would supply microcode for between \$420 and \$2100 (depending on number of tapes) to 3090 computer system users wishing to "split" their existing systems into two smaller systems. Court stated that § 504 gives "specific unambiguous directions concerning monetary awards" and that plaintiff's proposal would not serve interest of deterrence. Court declined to find plaintiff's infringement willful, however; thus, plaintiff would be permitted to deduct from its profits fixed overhead expenses attributable to infringement. Noting that neither party cited authority for proposition that willfulness has same meaning in separate contexts of statutory damages and deductibility overhead, court nonetheless termed "useful" decisions evaluating willfulness in former context. Court found it reasonable that plaintiff did not have actual knowledge that its copying of 3090 microcode was illegal, based on plaintiff's reliance on a 1956 consent decree (to which plaintiff was not a party) enjoining IBM from prohibiting alterations to IBM computer systems. Court referred assessment of damages and other issues relating to relief to a special master.

BMI v. MacAluso, 19 U.S.P.Q.2d 1397 (D. Kan. 1990)

On motion for summary judgment based on unauthorized public performance of seven copyrighted songs on jukebox, court granted motion and exercised discretion to award statutory damages in amount of more than twice unpaid fees. Finding as substantial assertion that defendant's failure to pay was knowing and deliberate, and mindful of purposes of Act, including restitution of profits, reparation for injury and discouragement of wrongful conduct, court awarded unpaid compulsory fees in amount of \$1,500 per infringement, together with costs and reasonable attorney's fees. Plaintiff's re-

quest for prospective injunctive relief was denied as speculative and unnecessary in light of defendant's compliance with current year's fee schedule.

Charles Deitcher Prods. Inc. v. Milano Restaurant, 21 U.S.P.Q.2d 1877 (E.D. Tex. 1991)

Court awarded statutory damages of \$3,000 per infringement, as requested by plaintiff, for unauthorized performances of three musical compositions at restaurant. Amount of award was calculated by looking to \$2,008 defendants would have paid for ASCAP license, and \$152.47 ASCAP spent in obtaining evidence of infringement. Costs, attorney's fees and injunctive relief also were granted.

B. Attorney's Fees

In Design v. Lauren Knitwear Corp., 782 F. Supp. 824 (S.D.N.Y. 1991)

Court denied motion for new trial or modification of judgment under Fed. R. Civ. P. 59. Rule 59 is not vehicle to relitigate case for disappointed party. Since no showing of manifest error of law, fact or newly discovered evidence, motion was denied. Additional costs and attorney's fees granted for responding to this motion, because attorney's fees in copyright cases awarded not only for successfully prosecuting main action, but also for time devoted to opposing motions or other actions by adverse party.

Booktree Corp. v. Advanced Micro Devices, Inc., 757 F. Supp. 1088 (S.D. Cal. 1990), *aff'd*, CCH Copr. L. Rep. ¶ 26,997 (Fed. Cir. 1992)

On post-judgment motion, prevailing plaintiff sought attorney's fees and prejudgment interest under Semi-Conductor Chip Protection Act. Noting dearth of case law, court analogized Chip Act to its model, Copyright Act, and held that award of litigation expenses including attorney's fees "should be the rule rather than the exception," citing *McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316 (9th Cir. 1987). However, judicial exceptions under *McCulloch* also apply. Given that this was first reported case under Chip Act, court found both novelty and complexity exception of *McCulloch* precluded award of attorney's fees. Likewise, citing case law from other circuits, court reasoned that because prejudgment interest is not awarded under 1976 Copyright Act, no prejudgment interest should be awarded under Chip Act.

Tallyrand Music, Inc. v. Stenko, Copyright L. Rep. (CCH) ¶ 26,725 (M.D. Pa. 1991)

On plaintiff's application for attorney's fees and expenses in copyright infringement case, court awarded plaintiff counsel fees and costs in amount of

\$19,063.70 in addition to statutory damages previously imposed against defendant skating arena owner for unauthorized public performance of five copyrighted songs. Factors in awarding attorney's fees and costs based upon *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151 (3d Cir. 1986). Fact that defendant was aware of likelihood of an attorney's fee award, but continued to assert groundless legal arguments and factual defenses, weighed heavily in favor of full award of attorney's fees and costs requested. Plaintiff's good faith attempt to settle for minimal amount, its providing case law authority to defendant prior to filing motions, its repeated notices to defendant of intention to seek attorney's fees and likelihood of such fees being granted deemed indicative of reasonable effort to reduce liability of defendant on final judgment. In contrast, defendant's actions were found to have contributed unreasonably to multiplied costs and unnecessary burden on court.

C. Injunction/Impoundment

Hill v. Xyqaad, Inc., 939 F.2d 627 (8th Cir. 1991)

Eight Circuit dissolved preliminary injunction, finding that district court had not adequately analyzed balance of harms between parties. Plaintiff was a computer programmer who created three software programs to be used by banking institutions. He licensed programs to defendant's predecessor for as long as that entity paid him monthly royalties, retaining copyright ownership in programs. Defendant's predecessor and then defendant was to create and market business software applications using programs, and plaintiff was to assist with any problems encountered with programs or applications. Although defendant had paid all royalties to plaintiff, plaintiff left business after a dispute with defendant and moved for and was granted a preliminary injunction preventing defendant from using programs. As applied to present case, Eighth Circuit rejected argument, accepted by district court, that harm to defendant should be discounted since, otherwise, "infringers would be encouraged to base their entire business operations on a protected intangible asset . . ." Appellate court found that parties had "knowingly and willingly agreed to base a joint business venture entirely on copyrighted computer programs." Eighth Circuit also found that district court failed to make findings showing harm to plaintiff. Case was remanded to district court with instructions to maintain status quo by keeping license agreement in effect pending trial.

Love v. Kwitny, 772 F. Supp. 1367 (S.D.N.Y. 1991)

Court declined to grant permanent injunction barring further distribution of book *Endless Enemies* and directing "reasonable disposition" of existing copies and means of producing copies, where lawsuit was begun more than six years previously and plaintiff had never sought a temporary restraining order or a preliminary injunction. Although court did not find

laches or estoppel in record, no injunction was warranted where "plaintiff ha[d] not explained what an injunction could accomplish . . . beyond a gratuitous slap" at defendant and book was no longer a "hot item." Court relied on *New Era Publications Int'l v. Henry Holt & Co.*, 873 F.2d 576 (2d Cir. 1989), cert. denied, 110 S. Ct. 1168 (1990) as authority for proposition that award of injunctive relief is discretionary under Copyright Act.

Cabinetware Inc. v. Sullivan, Copyright L. Rep. (CCH) ¶ 26, 832 (E.D. Cal. 1991)

Relying on *Computer Assocs. Int'l v. American Fundware, Inc.*, 18 U.S.P.Q.2d 1649 (D. Colo. 1990) [see *supra*], court entered default judgment against defendant as sanction for defendant's willful destruction of early version of source code after being served by plaintiff with request for production. Since plaintiff thus established a likelihood of success on merits and a presumption of irreparable harm, court granted plaintiff's motion for preliminary injunction. Court rejected defendant's argument that plaintiff was not suffering irreparable harm since defendant sold his software only to low-end users who could not afford plaintiff's product. Defendant's argument, addressing only competitive injury, failed to rebut presumption of irreparable harm encompassing injury to plaintiff's reputation and loss of control of distribution of its product.

Pacific and Southern Co. Inc. v. Duncan, Copyright L. Rep. (CCH) ¶ 26,823 (N.D. Ga. 1991)

To extent that defendant was enjoined from copying future and uncopyrighted material, court vacated previously issued injunction based on change in decisional law by Eleventh Circuit in *Cable News Network Inc. v. Video Monitoring Servs. of Am., Inc.*, ("CNN"), 940 F.2d 1471 (11th Cir. 1991) [Subsequent to this decision, *CNN* opinion relied upon was vacated for a rehearing *en banc* and, on rehearing, appeal was dismissed and preliminary injunction reinstated, 43 P.T.C.J. 526 (11th Cir. April 6, 1992)]. Defendant here had provided copies of plaintiff's TV news broadcasts to interested persons. District court issued an injunction which broadly prohibited defendants from all copying of plaintiff's television broadcasts, including future broadcasts. 618 F. Supp. 469 (N.D. Ga. 1984). That broad injunction was affirmed by Eleventh Circuit. 792 F.2d 1013 (11th Cir. 1984). Now, defendant argued that *CNN* changed decisional law in Circuit so that injunction could not apply to future broadcasts which might include works in public domain and copyrighted works owned by others. Since facts here were identical to *CNN*, court vacated injunction to extent it prohibited copying of future broadcasts or material to which plaintiff's copyright did not attach. With reinstatement of *CNN* injunction after date of this decision, precedential value of instant case is questionable.]

Van Deurzen and Assocs. v. Sanders, 21 U.S.P.Q.2d 1480 (D. Kan. 1991)

Plaintiff's *ex parte* motion seeking to impound allegedly infringing architectural and engineering drawings during pendency of action was denied. Court found plaintiff unable to meet standards normally required to substantiate issuance of a preliminary injunction. Noting considerable hardship that might occur to defendant if plaintiff's motion were granted, court refused to order impoundment of allegedly infringing documents and to exercise its discretionary powers under 17 U.S.C. § 503(a).

U.S. v. One Sharp Photocopier, 771 F. Supp. (D. Minn. 1991)

Court ordered forfeiture under § 509 of Copyright Act of seized photocopier used to make infringing copies of operations manual for computer program. Claimant had made copies of software at a local Radio Shack and copied manual on seized photocopier after redacting copyright notice. Court held government had to show "reasonable ground for belief of guilt, supported by less than *prima facie* proof but more than mere suspicion." Criminal conviction is not prerequisite but would normally show probable cause. Once government shows probable cause, burden shifts to claimant to show property not used illegally. Since claimant failed to carry burden of demonstrating genuine dispute as to any material issues of fact, government entitled to summary judgment of forfeiture with respect to copier. No probable cause for forfeiture with respect to typewriter allegedly used for typing labels for infringing software.

Budish v. Gordon, 784 F. Supp. 1320 (N.D. Ohio 1992)

Preliminary injunction bond set at \$50,000 and not \$3 million as requested by defendants, since defendants continued to prepare second edition of infringing book even after suit was filed. Plaintiff, a nationally known expert in field of Medicaid planning, filed copyright infringement suit to protect proprietary interest in eligibility tables featured in his book entitled *Avoiding the Medicaid Trap: How to Beat the Catastrophic Cost of Nursing-Home Care*. In granting plaintiff's motion for preliminary injunction, court found tables prominently featured in defendants' book and plaintiffs' success on merits was likely.

Pepe (U.K.) Ltd. v. Ocean View Factory Outlet Corp., 770 F. Supp. 754 (D.P.R. 1991)

Sustaining *ex parte* order to seize counterfeit T-shirts bearing plaintiff's design, district court found little doubt of plaintiff's success on merits where plaintiff established *prima facie* case of copyright infringement.

D. Prejudgment Interest

U.S. Payphone, Inc. v. Executives Unltd. of Durham, Inc., 18 U.S.P.Q.2d 2049 (4th Cir. 1991)

Fourth Circuit affirmed decision of district court that defendant's manual infringed plaintiff's compilation of state tariff regulations for coin operated telephones, but reversed as to award of prejudgment interest. Recognizing that 1976 Act does not provide for prejudgment interest, but that it may be available if necessary to further statute's purpose, court nevertheless declined to announce universal rule. Award of prejudgment interest not warranted here when actual damages and profits sufficiently compensated plaintiff for loss.

In Design v. Lauren Knitwear Corp., Copyright L. Rep. (CCH) ¶ 26,874 (S.D.N.Y. 1992)

Court found infringement of plaintiff's sweater designs and awarded damages against manufacturer and two stores selling sweater. On claim for prejudgment interest, court recognized that it may make award even though Copyright Act silent, if award would further congressional purposes underlying statute. Court also noted Second Circuit has not squarely addressed issue. Prejudgment interest denied here because award of profits and attorney's fees was adequately compensatory and met goals of Copyright Act.

Love v. Kwitny, 772 F. Supp. 1367 (S.D.N.Y. 1991)

Court did not have to enter "thicket" over availability of prejudgment interest under Copyright Act, where on record presented there were no special circumstances justifying such an award. Exceptional circumstance advanced by plaintiff in reliance on *Cutter v. Gudebrod Bros. Co.*, 190 N.Y. 252 (1907) — that interest should be awarded when amount of damages is clear at time of infringement — held not to apply.

BMI v. Nortel Grill Inc., 20 U.S.P.Q.2d 1396 (W.D.N.Y. 1991)

Court awarded statutory damages of \$1,000 for each of eight infringements by owner of unregistered jukebox, and costs and attorney's fees and injunctive relief, but declined to grant prejudgment interest on statutory damages award. Noting Supreme Court precedent of *Rodgers v. U.S.*, 332 U.S. 371 (1947) holding statute (such as Copyright Act) is silent on subject, and recognizing split among courts as to whether award should be made in copyright infringement cases, court determined that case law supported view that prejudgment interest was only awarded in copyright cases based on actual damages and/or profits in order to compensate plaintiffs fully. Since plaintiffs in case at bar had elected statutory damages and had made no indication that such an award would not fully compensate them, court held that prejudgment interest would be inappropriate.

E. Miscellaneous

CCNV v. Reid, 652 F. Supp. 1453 (D.D.C. 1991)

Following remand for determination of whether CCNV and Reid were joint authors of "Third World America" sculpture, and Supreme Court's affirmation of D.C. Circuit's decision on work for hire issue, parties reached a settlement. Under terms of settlement that were embodied in consent judgment entered in January 1991: (1) CCNV is exclusive owner of original sculpture; (2) Reid is exclusive owner of copyright in any three dimensional reproductions of sculpture; and (3) parties are joint owners of copyright in any two-dimensional reproductions of sculpture. However, dispute soon arose because CCNV refused to provide Reid with access to sculpture so that Reid could make mold for exploitation of his exclusive right to make three-dimensional reproductions. CCNV took position that Reid had to re-sculpt work to make mold. Court resolved in Reid's favor preliminary question of whether it had jurisdiction to decide dispute. Concluding that it was empowered by All Writs Act to make further orders as "necessary and appropriate" and "in aid of" its prior exercise of jurisdiction to grant complete relief, court held that Reid was entitled to "a limited possessory right . . . in the nature of an implied easement of necessary" to create mold from sculpture belonging to CCNV. Court ordered CCNV to deliver sculpture to Reid for thirty days, after which time Reid's limited possessory interest would expire.

Jewelry 10, Inc. v. Elegance Trading Co., 20 U.S.P.Q.2d 1228 (S.D.N.Y. 1991)

On defendants' motion for summary judgment, court declined to limit any ultimate damage award to a reasonable royalty. Whether defendants were innocent infringers and whether they violated court's preliminary injunction order presented material issues of fact requiring trial.

Cabinetware Inc. v. Sullivan, Copyright L. Rep. (CCH) ¶ 26,832 (E.D. Cal. Jul. 15, 1991)

Relying on *Computer Assocs. Int'l v. American Fundware, Inc.*, 18 U.S.P.Q.2d 1649 (D. Colo. 1990) [see *supra*], court entered default judgment against defendant under Fed. R. Civ. P. 37(b)(2), as sanction for defendant's willful destruction of early version of source code after being served by plaintiff with a request for production. Court stated that magistrate's recommended sanction — that a rebuttable presumption of copying be established — would not serve necessary deterrent or punitive function. Since plaintiff thus established a likelihood of success on merits and a presumption of irreparable harm, court also granted plaintiff's motion for preliminary injunction enjoining defendant's exploitation of computer program.

gad inc. v. ALN Assocs., Inc., 781 F. Supp. 561 (N.D. Ill. 1992)

Plaintiffs moved to clarify scope of court's previous opinion (19 U.S.P.Q.2d 1907 (N.D. Ill. 1991) [see *supra*] to prevent defendant from recovering damages as a result of wrongful injunction vacated after a finding that plaintiffs had engaged in "egregious" copyright misuse. To resolve any doubt on subject, court initially stated its finding that plaintiffs had acted in bad faith in obtaining preliminary injunction. Relying on *Coyne-Delany Co. v. Capital Dev. Bd. of the State of Illinois*, 717 F.2d 385 (7th Cir. 1983), court noted that damages for wrongfully issued injunction normally would be limited by amount of injunction bond. However, that ceiling can be lifted where party has acted in bad faith. Question left open by *Coyne-Delany*, according to court, was procedure to award damages for wrongfully issued order. Court decided that proper route is motion brought under Fed. R. Civ. P. 65 for exercise of court's inherent power, rather than separate action for malicious prosecution, because malicious prosecution action requires opponent to have been defeated on merits. Court also relied on *Chambers v. NASCO, Inc.*, 111 S. Ct. 2123 (1991), where Supreme Court looked to inherent power concept as source of authority to shift attorney's fees for litigant's bad faith conduct.

Mistretta v. Curole, CCH Copr. L. Rep. ¶ 26,897 (E.D. La. 1992)

Notwithstanding finding of infringement, court gave defendants a one month sell-off of infringing Mardi Gras posters and T-shirts to end of season, where Court determined that plaintiff had delayed moving for preliminary relief and defendants had a significant investment in merchandise and had not acted in bad faith. Defendant was, however, immediately enjoined from further production.

VIII. PREEMPTION

Progressive Corp. v. Integon P&C Corp., 20 U.S.P.Q.2d 1682 (4th Cir. 1991) (Unpublished)

In copyright infringement suit, Fourth Circuit affirmed grant of summary judgment for defendant, holding that plaintiff insurance company's 1989 rate manual was not copyrightable. On issue of preemption, court rejected defendant's argument that requested copyright protection would violate Virginia's McCarran-Ferguson Insurance Regulation Act, although § 301 of Act did not preempt state statute since copying not equivalent to "business of insurance." Plaintiff's state unfair competition and tortious interference claims preempted under § 301 and properly dismissed, since those claims lack "extra element" required to render qualitatively different claim from copyright claim.

Computer Assocs. Int'l Inc. v. Altai Inc., 775 F. Supp. 544 (E.D.N.Y. 1991), *aff'd*, 23 U.S.P.Q.2d 1241 (2d Cir. 1992)

Court dismissed plaintiff's claim for misappropriation of trade secrets on ground that it was duplicative of plaintiff's copyright claim and therefore preempted. Relying on *Harper & Row Pub., Inc. v. Nation Enter.*, 723 F.2d 195 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1985), court stated that while former claim embraced additional element of a confidential relationship, such difference would not avoid preemption where gravamen of both claims was same, i.e., copying by defendant.

Major v. CBS Records, 43 P.T.C.J. 531 (Sup. Ct. N.Y. Cty. Mar. 13, 1992)

Plaintiff owner of copyright in photograph entitled "Midnight Oil" sued defendant in New York State court claiming that CBS exceeded scope of a one-time permission to use plaintiff's photo on video cover and promotional brochure. Claim preempted by § 301, since gravamen was for unauthorized use of copyright in photograph. Although plaintiff could point to contract as source of rights, court found "extra element" needed to make action qualitatively different from copyright action was lacking. In absence of claim for damages based upon an express or implied contractual right to be compensated, court held plaintiff's rights were "equivalent" to those protected by Copyright Act.

Yost v. Early, Copyright L. Rep. (CCH) ¶ 26,739 (Md. Ct. Spec. App. 1991)

Appellate court affirmed decision that computer programmer's unjust enrichment claim, based on unauthorized use of software programs, was preempted by Copyright Act. Claim of unjust enrichment is equivalent to copyright claim, since infringer always accepts benefits of copyrighted work without properly compensating creator and always unjust for infringer to retain benefits. Court rejected plaintiff's claim for conversion on similar grounds, since there were no allegations beyond claim of reproduction of coding sheets.

IX. MISCELLANEOUS

A. Antitrust

Columbia Pictures Indus., Inc. v. Professional Real Estate Investors, Inc., 944 F.2d 1525 (9th Cir. 1991), *cert. granted*, 112 S. Ct. 1557 (1992)

In action for infringement of performance right in copyrighted motion picture, Ninth Circuit affirmed grant of summary judgment dismissing antitrust counterclaim. Motion picture companies sued operator of resort for in-

fringement based on rental to guests of videodiscs for viewing in rooms. Defendant counterclaimed for antitrust violations, charging infringement suit was a sham brought to monopolize and restrain trade. Defendant's motion for summary judgment granted, holding no public performance when movies viewed by guests in rooms. Dismissal of studios then moved for summary judgment on antitrust counterclaim, which district court granted. Ninth Circuit agreed that infringement suit was not a sham and therefore was immune from antitrust attack, since suit presented issue of first impression, was brought with probable cause and presented issues difficult to resolve.

B. Constitutional Questions

People v. Anderson, 21 U.S.P.Q.2d 1223 (Cal. Ct. App. 2d Dist. 1991)

Defendant appealed his conviction under state anti-piracy statute on constitutional grounds, contending that statutory requirement that outside box cover or jacket of videotapes and audiotapes clearly disclose name and address of manufacturer violates First Amendment, is overbroad, and is preempted by Copyright Act. Court held no First Amendment violation, weighing purpose of statute and fact that commercial speech involved. Citing *Zauderer v. Office of Disciplinary Counsel*, 471 U.S. 626 (1985) which challenged on similar constitutional grounds statute requiring advertising of legal services to contain certain disclosures, court found that state had a compelling interest in enacting statute — protection of public at large and of entertainment industry from enormous losses resulting from bootlegging and piracy. Court emphasized that since context was one of commercial speech, only a reasonable relationship between statute and state's interest in protecting public need be shown. Appellant did not have proper standing to raise issue of overbreadth because, even though one to whom challenged statute may be constitutionally applied ordinarily is exempt from standing challenge when overbreadth asserted, rule does not apply when commercial speech involved. Preemption argument found meritless based on Supreme Court's analysis in *Goldstein v. California*, 412 U.S. 547 (1973). Court concluded no distinction between disclosure state's purpose and effect and anti-duplication requirements reviewed in *Goldstein*.

C. Bankruptcy Proceedings

In re AEG Acquisition Corp., 21 Bankr. Ct. Dec. (CRR) 1104, Bk. No. LA 89-16455 SB, Bk. No. LA 90-0893 SB, 1991 Bankr. LEXIS 638 (Bankr. Ct. C.D. Cal. May 8, 1991)

Court held that Chapter 11 debtor could recover as illegal preferences payments made for distribution rights to two foreign films, where transferor of films had failed to perfect security interests in films under 17 U.S.C. § 205. Transferor who filed UCC-1 financing statements in three states and recorded

security interests in Copyright Office but did not register copyright in films argued that films were exempt from registration as foreign works under Berne Convention. (Transferor recorded security interest in and registered domestic film assigned to debtor's predecessor, thus perfecting security interest in domestic film under § 205 of Act.) Following *In re Peregrine Entertainment Ltd.*, 16 U.S.P.Q.2d 1017 (C.D. Cal. 1990) holding that Copyright Act preempts Uniform Commercial Code for security interests in copyrighted works, court rejected transferor's argument. Court noted that Berne Convention is not self-executing and held that implementing legislation (§ 411 of Act) only exempts foreign works from registration with respect to statutory prerequisite to instituting an infringement action; thus, registration is necessary to perfect security interests in foreign works. Additionally, court pointed out that § 205 of Act dealing with transfers does not distinguish between foreign and domestic works.

In re C Tek Software, Inc., 127 Bankr. 501, Bk. No. 89-303, 1991 Bankr. LEXIS 725 (Bankr. Ct. D.N.H. Mar. 1, 1991)

Bankruptcy court held that security interest in software did not extend to modifications made by third party, pursuant to license from debtor, after security interest was taken. Changes to source code, consisting of elimination of "bugs," some minor "cosmetic" changes to display and controls and three major changes to import function, report customizer and communications message exchange, were significant enough to meet originality requirement for derivative works. Although judge misapplied some "sweat of the brow" decisions now overruled by *Feist*, error appears to be without prejudice. Court concluded that third party owned a valid copyright in modified program free and clear of any lien of security party, and secured party could foreclose under law of accession only on early version of source code prior to modifications.

D. Customs Proceedings

Miss Am. Org. v. Mattel, Inc., 945 F.2d 536 (2d Cir. 1991)

Second Circuit affirmed denial of plaintiffs' motion for a preliminary injunction seeking to compel release of imported dolls detained by Customs. District court had ruled that plaintiff must exhaust administrative remedies in defending claims of infringement in Customs proceedings. Upholding district court's ruling that exhaustion doctrine prevented judicial intervention, appellate court rejected plaintiffs' arguments that federal courts have exclusive jurisdiction over copyright actions, that Customs has authority over foreign importers only by virtue of legislative history of authorizing legislation for Customs regulations and that because Mattel could choose between administrative and court proceedings, plaintiffs should be entitled to similar choice. Court stated that under 28 U.S.C. § 1338, jurisdiction is only exclusive of

state court action, that 17 U.S.C. §§ 602 and 603 do not on their face limit Customs' authority to foreign importers and that clear purpose underlying both Copyright Act and Customs regulations is to favor copyright owners. Court also distinguished two cases cited by plaintiffs as authority for intervention (*Croton Watch Co. v. Laughlin*, 208 F.2d 93 (2d Cir. 1953) and *L. Batlin & Son, Inc. v. Snyder*, 394 F. Supp. 1389 (S.D.N.Y. 1975), *aff'd en banc.*, 536 F.2d 486 (2d Cir.), *cert. denied*, 429 U.S. 857 (1976)), on grounds that neither case implicated exhaustion doctrine. Exceptions to that doctrine also did not apply, since issue presented was not one of "purely statutory interpretation" and court found that on record presented administrative procedure did not "threaten so irreparable an injury as to justify interlocutory resort to corrective judicial process." Court "had no doubt" that were it to rule in plaintiffs' favor, Customs' exclusion order process would be eviscerated.

After argument in Second Circuit and before decision, Customs ruled that claims of infringement should be sustained and detained articles are infringing copies.

E. Cable/Satellite Transmissions

NBC v. Satellite Broadcast Networks, Inc., 940 F.2d 1467 (11th Cir. 1991)

Defendant with facilities in three states took plaintiff's copyrighted broadcasts off air waves and re-broadcast them via satellite to home subscribers. Defendant argued that it was a "cable system" and thus entitled to use plaintiff's broadcasts under "compulsory license" given in 17 U.S.C. § 111. Lower court awarded plaintiff summary judgment, on ground that defendant's facilities not located entirely within a single state. Eleventh Circuit reversed, finding Congress did not intend only local cable companies to be included in § 111(f) definition of "cable system." Language "located in any State" cannot be read so narrowly as to exclude satellite rebroadcast, especially in light of definition of "secondary transmission" in statute. Therefore, no infringement found.

F. Miscellaneous

New York Chinese TV Programs, Inc. v. U.E. Enters., Inc., 954 F.2d 847 (2d Cir. 1992)

Defendant's counterfeiting operation involved import, distribution and rental of over 61,000 copies of plaintiff's copyrighted mandarin language television programs. Liability issues were addressed in earlier decision that found defendant guilty as willful infringer and awarded increased statutory damages together with attorney's fees to deter type of flagrant infringement committed by defendants. Since issue on appeal was whether plaintiff's pro-

grams were eligible for copyright protection. Appeal questioned whether Taiwan had valid copyright treaty with United States. Defendants contended that Treaty of Friendship, Commerce and Navigation ("FCN Treaty") which empowered United States to grant copyright protection to works authored by Taiwanese citizens, lapsed in 1979, when U.S. de-recognized Taiwan. Court distinguished concepts of nationhood and diplomatic recognition, and held that enforcement of treaty with Taiwan was not dependent on continued U.S. diplomatic relations with Taiwan.

PART V

BIBLIOGRAPHY**A. BOOKS AND TREATISES***United States Publications*

CROWNE, JAMES D. Patent, trademark, and copyright regulations. 1 volume loose-leaf. Washington, D.C.: Bureau of National Affairs, 1991.

This volume consists primarily of regulations of the Patent and Trademark Office, Copyright Office, and the Copyright Royalty Tribunal. It includes regulations published in 37 CFR, but in looseleaf format. The work is updated as new regulations are published.

HENN ON COPYRIGHT LAW: A PRACTITIONER'S GUIDE. 3d ed. N.Y.: Practising Law Institute.

This edition analyzes the key problems and issues most likely to be encountered in copyright law. It covers the most recent legislative and judicial decisions, including the 1990 Judicial Improvement Act and international copyright protection under the Berne Convention.

INSIDE THE RECORDING INDUSTRY: AN INTRODUCTION TO AMERICA'S MUSIC BUSINESS. N.Y.: Recording Industry Association of America, Inc., 1985, 64 p.

In this booklet, the RIAA explains the recording business, its history, the industry's structure and the distribution procedure. It also explains how records and tapes are made. Some of the topics addressed by RIAA include mechanical and performance royalties, music video, home taping, the international market scene and record and tape piracy.

B. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS*1. United States*

ALCABES, ELISA A. Unauthorized photographs of theatrical works: do they infringe the copyright? *Columbia Law Review*, vol. 87, no. 5 (June 1987), pp. 1032-47.

The author discusses unauthorized photographing of concerts and theater productions. Ms. Alcabes states that copyright owners of theatrical works "enjoy the exclusive right to photograph their works and that all unauthorized photographs violate that exclusive right." Part I of the article discusses copyright in general and the concept of derivative works. Part II argues that unauthorized photographs should be labeled as derivative works but held lia-

ble under an infringement standard rather than a copyrightability standard. Part II examines the term "substantially similar" as it applies to photographs of theatrical works.

CASEY, TIMOTHY M. The Visual Artists Rights Act. *Hastings Communications and Entertainment Law Journal*, vol. 14, no. 1 (Fall 1991), pp. 85-107.

Mr. Casey provides a legislative history of the Visual Artists Rights Act of 1990. The author explains that the Act provides protection where existing law fails. He examines the Copyright Act as well as the concepts of a right to privacy, unfair competition and contract freedom. In his conclusion, he investigates the remaining unresolved issues, including "work made for hire" and "resale royalties." He also discusses the fact that film is excluded from the Act and highlights some of the constitutional issues that may arise.

KRASNOW, ERWIN G., WILLIAM E. KENNARD AND SUSAN O'KEARN TEMKIN. Maximizing the benefits of tax certificates in broadcast and cable ventures. *Hastings Communications and Entertainment Law Journal*, vol. 13, no. 4 (Summer 1991), pp. 753-67.

The authors discuss the broadcast and cable industries with an emphasis on tax certificates and their economic value. They also discuss how to apply for a tax certificate. Additionally, they provide a number of case studies involving the broadcasting and cable industries that also may be of interest to copyright and entertainment attorneys.

MARCUS, JASON H. Don't stop that funky beat: the essentiality of digital sampling and rap music. *Hastings Communications and Entertainment Law Journal*, vol. 13, no. 4 (Summer 1991), pp. 767-91.

Mr. Marcus explains digital sampling and how it has become an essential tool in the production of rap music. He explains the "patchwork" message and states that attempts to stifle this message by sanctioning samplers through litigation using existing copyright law is undesirable. He feels that the needs of the artist can be met through licensing with "sampled artists" receiving royalties and acknowledgement of their work.

RICHARD, MOLLY BUCK. An overview of copyright ownership and protection. *Texas Bar Journal*, vol. 53, no. 7 (July 1990), pp. 722-25.

Ms. Richard introduces the lay person to the law of copyright and copyright protection. She explains registration requirements, copyright notice, and the advantages of having a copyright registration. She also discusses copyright ownership, the duration of copyright protection and the "work for hire" doctrine.

WINSON, GAIL I. AND JANINE S. NATTER. Music law and business: a comprehensive bibliography, 1982-1991. *Hastings Communications and Entertainment Law Journal*, vol. 13, no. 4 (Summer 1991), pp. 811-938.

The authors include in this work journal articles on publishing, recording, and other types of contracts, and law review articles on copyright and related rights, digital sampling, digital technology, licensing, and piracy. They also include a listing for the researcher who is in search of remedies in foreign, international and comparative law. Newsletter and newspaper articles devoted to copyright-related issues are also in this study along with a listing of books, dictionaries and directories, U.S. government publications and legal institute program materials covering such diverse topics as jukeboxes, digital audio recording, record lyrics and source licensing.

2. Foreign

Aboriginal arts and copyright. *Australian Copyright Council*, bulletin no. 75 (1991), pp. 1-42.

This study is a guide for aboriginal artists and artists' representatives. Along with explaining copyright and who and what it protects, this study also informs authors and creators on steps to take if their work has been infringed and how to get permission to use another's work. It also focuses on other areas of law that might be of particular importance to Aboriginal creators, such as the protection of secrets, protection of reputation and character, protection of names and titles, and protection of sacred sites. A section of the study is devoted to some proposed reforms for bettering protection of Aboriginal works basically through resale royalties, public domain payments and special protection for Aboriginal folklore.

EC: Commission proposes 70 year copyright term. *Copyright World*, issue 21 (Mar./Apr. 1992), p. 8.

The European Commission approved draft legislation to adopt a 70-year term of copyright protection for literary and artistic works in the EC. The measure, which, if implemented by member states, goes into effect Jan. 1, 1994, also provides that neighbouring rights of performers, film and record producers, and broadcasters be protected for 50 years after their issuance or broadcast.

India: Historic copyright extension granted to Tagore. *Copyright World*, issue 21 (Mar./Apr. 1991), pp. 8-9.

India has decided to amend its Copyright Act to extend the copyright term of works whose copyrights would have expired Dec. 31, 1991, from 50 to 60 years.

Israel: Copyright in printed circuit. *Copyright World*, issue 21 (Mar./Apr. 1991), p. 9.

In a copyright infringement suit in an Israeli district court, the judge ruled that a printed circuit enjoys copyright protection in its own right, and not by virtue of being a reproduction of a drawing. The case involved the copying of "the get up of [plaintiffs'] differential thermostat and the layout of a printed circuit which was an essential component thereof."

KEREVER, ANDRE. Authors' rights and technological developments. *Revue Internationale Du Droit D'Auteur*, vol. 148 (Apr. 1991), pp. 2-14.

The focus of this article concerns the impact of technological developments on authors' rights. Mr. Kerever discusses France's Law of July 3, 1985 which amends Article 27 of the Law of March 11, 1957. He points out misunderstandings by the public of some expressions used in this article and how provisions can be interpreted several ways. He also questions whether authors' rights protection "should be limited purely to the fine-arts."

SPOOR, JAAP H. Protecting expert systems, in particular expert system knowledge: a challenge for lawyers. *EIPR*, vol. 14, no. 11 (Jan. 1992), pp. 9-13.

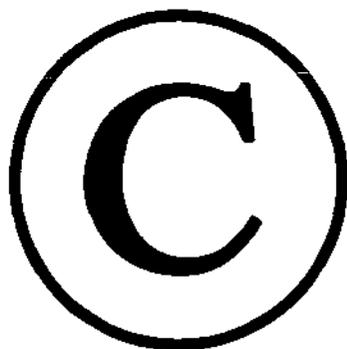
Dr. Spoor states that formalized expert knowledge used in conjunction with sophisticated software will be harder to protect under the prevailing copyright laws. He cites *Rural v. Feist* in the U.S. and *Romme v. Van Dale* in the Netherlands as examples. In this study, he discusses the originality requirement and also special copyright regimes for non-original works.

Journal

of the

Copyright Society

of the USA



VOL. 40, No. 2

WINTER 1992

JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A.
(formerly BULLETIN OF THE COPYRIGHT SOCIETY OF THE U.S.A.)

EDITORIAL BOARD

WILLIAM F. PATRY, *Editor-In-Chief*

JUNE BESEK
JANE GINSBURG
MARGARET GOLDSTEIN
MARCI HAMILTON
CRAIG JOYCE
ADRIA KAPLAN
I. FRED KOENIGSBERG
HON. JON O. NEWMAN

THOMAS P. OLSON
SHIRA PERLMUTTER
SHERI ROSENFELD
ANDREA RUSH
HARVEY SHAPIRO
BARRY SLOTNICK
DIANE L. ZIMMERMAN

Writers-Editors: N. ALICIA BYERS, GUY ECHOLS, SANDY JONES
(Employees of The Copyright Office)

THE COPYRIGHT SOCIETY OF THE U.S.A.
OFFICERS

President
ROGER L. ZISSU
Vice President
EUGENE L. GIRDEN
Secretary
HELENE BLUE

Assistant Secretary
JUDITH M. SAFFER
Treasurer
MICHAEL J. POLLACK
Assistant Treasurer
PHILIP M. COWAN

Executive Director (1975-1984)

ALAN LATMAN

Assistant Executive Director (1978-1986)

KATE MCKAY

BOARD OF TRUSTEES

HOWARD B. ABRAMS, Detroit, MI
BARRY S. AGDERN, New York, N.Y.
JON A. BAUMGARTEN, Washington, D.C.
SEYMOUR BRICKER, Los Angeles, CA
MARIA DANZLO, New York, N.Y.
PAUL E. GELLER, Malibu, CA
ANDREW J. GERBER, New York, N.Y.
MARCI HAMILTON, New York, N.Y.
HUGH C. HANSEN, New York, N.Y.
PAULA JAMESON, Washington, D.C.
PETER JASZI, Washington, D.C.
HARRY M. JOHNSTON III, New York, N.Y.
ADRIA G. KAPLAN, New York, N.Y.
KENNETH M. KAUFMAN, Washington, D.C.
I. FRED KOENIGSBERG, New York, N.Y.

M. WILLIAM KRASILOVSKY, New York, N.Y.
SLADE R. METCALF, New York, N.Y.
GLORIA MESSINGER, New York, N.Y.
SHIRA PERLMUTTER, Washington, D.C.
MARYBETH PETERS, Washington, D.C.
ERIC RAYMAN, New York, N.Y.
JEROME REICHMAN, Nashville, TN
E. LEONARD RUBIN, Chicago, Ill.
ANDREA F. RUSH, Toronto, Canada
ANDRA SHAPIRO, New York, N.Y.
ERIC H. SMITH, Washington, D.C.
KATHERINE C. SPELMAN, San Francisco, CA
WILLIAM S. STRONG, Boston, MA
JONATHAN ZAVIN, NEW YORK, NY

HONORARY TRUSTEES

RICHARD DANNAY
PAUL GITLIN
DAVID GOLDBERG
MORTON DAVID GOLDBERG

ALAN J. HARTNICK
HARRY G. HENN
WALTER J. JOSIAH, JR.

BERNARD KORMAN
E. GABRIEL PERLE
STANLEY ROTHENBERG
THEODORA ZAVIN

Published at the offices of the Copyright Society of the U.S.A. at the Center for Law and the Arts, Columbia University School of Law, 435 W. 116th St., New York, N.Y. 10027. Printed and distributed by Fred B. Rothman & Co., 10368 West Centennial Road, Littleton, Colorado 80127. Copyright 1993 by the Copyright Society of the U.S.A. All Rights Reserved.
ISSN 0010-8642

CONTENTS

	PAGE
PART I.	ARTICLES
	The Wrath of
	Robert Rauschenberg John Henry Merryman 241
	Resale Royalties in the United States for Fine Visual
	Artists: An Alien Concept Elliott C. Alderman 265
	Resale Royalties for Artists: An Analysis of the
	Register of Copyrights' Report Shira Perlmutter 284
	Report of the Register of Copyrights Concerning <i>Droit</i>
	<i>de Suite</i> , the Artist's Resale Royalty:
	A Response Carol Sky 315
PART II.	LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS
	United States 324
PART V.	BIBLIOGRAPHY
	Articles from Law Reviews and Copyright Periodicals . . 326
	United States 326
	Foreign 328

THE JOURNAL of The Copyright Society of the U.S.A. is published quarterly by The Society at the Center for Law and the Arts, Columbia University School of Law, 435 W. 116th St., New York, N.Y. 10027; Roger Zissu, *President*; Eugene L. Girden, *Vice President*; Michael J. Pollack, *Treasurer*; Helene Blue, *Secretary*; Philip M. Cowan, *Assistant Treasurer*; Judith M. Saffer, *Assistant Secretary*.

COPYRIGHT SOCIETY OF THE U.S.A. MEMBERSHIP DUES (Membership includes subscription to the Journal): *Law Firms, Companies and Associations*: Sustaining Member \$1,000. Patron Member \$500. *Individuals only*: Contributing Member \$250. Member \$125. Junior Member (up to three years out of law school) \$50. Senior Member (over the age of 65 and a member of the Society for not less than 10 years) \$50. Full-time students \$25.

SUBSCRIPTIONS: *Institutional Libraries* (Academic, Public and Governmental) \$50.

Additional copies of the JOURNAL for all members at same address \$50.

Business correspondence regarding subscriptions, bills, etc. should be addressed to the distributor, Fred B. Rothman & Co., 10368 West Centennial Road, Littleton, CO 80127.

CITE: 40 J. COPR. SOC'Y, page no., . . . (1993).

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. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is: 0010-8642/93 \$2.00/0.

ARTICLES

THE WRATH OF ROBERT RAUSCHENBERG

By JOHN HENRY MERRYMAN*

The *droit de suite*, or artists' resale proceeds right, requires the owner of a work of art who resells it to pay a percentage of the resale price (or, under some statutes, of the profit) to the artist. The *droit de suite* first appeared in France in 1920. California enacted a version of it in 1976¹ and is the only common law jurisdiction to have done so. A congressionally-mandated study on the topic was recently completed, however, and supporters of a federal resale proceeds right, repeatedly rebuffed in the past, are again preparing to press their case in Congress. They will again be opposed by knowledgeable people who see the right as a textbook example of uninformed good intentions in support of a bad cause. Within the European Community the French are pressing, and the Commission is pursuing, a proposal to impose the right on all member nations, a proposal that the British and others oppose. These developments and the recent American publication of a French monograph on the topic² by Liliane de Pierredon-Fawcett provide the occasion for a closer look at the arguments for and against the *droit de suite*.

Pierredon-Fawcett briefly deals with the justifications for the right in her first chapter and touches lightly on the objections to it at a number of points. That debate is not, however, where her main interest lies. Her brief study focusses instead on a description of the different forms this French invention has taken and the ways it is (or is not) collected in the 29 jurisdictions³ that have enacted it. These variations, discussed in the text and conveniently sum-

*Copyright 1993 John Henry Merryman, Sweitzer Professor of Law Emeritus, Stanford University.

¹ California Civil Code § 986. California is the only common law jurisdiction to have adopted the *droit de suite*. The California statute was held constitutional in *Morseburg v. Balyon*, 621 F.2d 972 (1980). It is widely ignored by sellers and only sporadically enforced by artists.

² Liliane de Pierredon-Fawcett, *The Droit de Suite in Literary and Artistic Property*. N.Y. Center for Law and the Arts, Columbia University School of Law. 1991. pp. x, 301. Originally a French doctoral dissertation, the monograph was translated by Louise Martine-Valiquette.

³ The *droit de suite* has actually been enacted in more than 29 jurisdictions but has been repealed in some of them—in Poland, for example. Those listed in the Pierredon-Fawcett study are Algeria, Belgium, Brazil, California, Chile, Congo, Costa Rica, Czechoslovakia, Ecuador, France, Germany, Guinea, Holy See (applying Italian law), Hungary, Italy, Ivory Coast, Luxembourg, Mada-

marized in a chart provided by the author at pp. 284-291, address such questions as: is the right alienable? (It is uniformly made inalienable); what is its duration? (Generally but not everywhere the same as for copyright); who are the beneficiaries after the artist's death? (The statutes vary in allocating the right to heirs, spouses, parents, assignees, etc.); to what works does the right apply? (Works of art generally, but with minor variations—thus the California statute specifically mentions works of art in glass, Costa Rica includes manuscripts, and Hungary includes tapestries); does the statute apply only to resales at public auction, as in France; does it apply both to resales by dealers and at public auction, as in Germany; or does it apply to private resales, as well as to dealer and auction sales, as in California? (Most apply to sales at public auction and dealer sales, but not to private sales); is the artist entitled to a percentage of the entire resale price (yes, in 21 of the jurisdictions), or only of the increase in value (as in the other 8 jurisdictions); how is the artist's portion of the resale price collected, if at all (In the 23 of the 29 jurisdictions in which the *droit de suite* legislation is a dead letter it is never collected; in California collection is at best sporadic) and so on. The texts of the 29 statutes, in English, are set out in an Appendix, together with the provisions of international instruments, proposed national legislation, the draft of a possible EC Directive, and Belgian and French judicial decisions. The author also provides a useful, though incomplete, bibliography. The writing is clear and the translation reads smoothly. No equivalent source of descriptive information about *droit de suite* legislation exists in any other English language publication.

To those interested in the policy of the *droit de suite* the interesting questions are (or should be): what are the arguments for and against the right? How valid are these arguments? How has the *droit de suite* worked in the jurisdictions that have adopted it? Who benefits and who loses from application of the right to real world transactions? Many advocates for the resale proceeds right are insufficiently informed about the art world to provide reliable answers to such questions and instead base their positions on stereotypes derived from a sentimentally appealing but seriously misleading folklore. In an effort to deal more adequately with the policy questions I briefly describe the art world, then discuss the folklore and then examine the arguments for and against the *droit de suite*.

THE ART WORLD⁴

The main components of the art world, in addition to artists, are dealers

gascar, Mali, Morocco, Peru, Philippines, Portugal, Senegal, Spain, Tunisia, Turkey, Uruguay, and Yugoslavia.

⁴ This description is based on the writer's decades of empirical observation, both as a teacher of art law and as the spouse and companion of an internationally active dealer in contemporary art.

and auctioneers, collectors, museums and their professional personnel, art historians, art critics and the art press. Within the art world, the art market is the principal medium for the distribution of art and the compensation of artists. The art world has an ecology, its own set of inner relationships and interdependencies. As in other ecologies, what affects one part resounds throughout the system and is felt by all the others. Responsible policy-making for the art world accordingly considers the effects of proposals like the *droit de suite* on all the players.

The art market has two major sectors: the primary (first sale) market and the secondary (resale) market. The artist's main source of income is the primary market. She participates in that market by selling her works directly, through friends and acquaintances, at art fairs, and to people who come to the studio, or indirectly, through a dealer. Most artists would rather spend their time making art than in promoting and selling their work and in the many distracting but essential housekeeping tasks (maintaining systematic records, arranging shows, handling sales, dealing with correspondence, photography, framing, insurance, packing and shipping, etc.) that dealers normally perform for them. Acquiring a knowledgeable and effective dealer who is genuinely interested in and capable of supporting and promoting the artist's work and who will take care of housekeeping matters in order to free the artist to make art is a crucial step toward recognition and market success for the artist.

The dealer usually holds the artist's work on consignment and takes a commission on sales. In the case of particularly promising or established artist the dealer may pay the artist regular advances against future commissions. Although the dealer's core function is to sell, he must, to succeed, effectively promote the artist's work and reputation with critics and the art press and among collectors and museum personnel. The most familiar promotion devices are the gallery exhibition, with its attendant publicity and vernissage and, perhaps, an illustrated catalog with an essay, the cultivation of critics, collectors and curators, arranging shows at other galleries, seeking commissions for public art, etc. Most dealers who try to succeed by operating solely in the primary market lose money and soon go out of business. The reason is that few artists' works command prices high enough to provide commissions that will cover the dealer's expenses.

The secondary, or resale, market differs in important ways from the primary market. Here the auction houses are central players. They acquire works on consignment from collectors, museums and dealers. Their transactions are documented by widely distributed catalogs published in advance of the sale and by price lists published after the sale, establishing a publicly available reference point for pricing art works. Most dealers who operate galleries and promote the work of their artists in the primary market are also active in the resale market, which provides the operating funds needed to

support the normally unprofitable primary market activity. Many other dealers operate only in the secondary market and do not represent artists, and some of them—called “private” dealers—work from apartments or homes by telephone and by appointment and maintain no public space.

The secondary market discriminates more sharply than the primary market. Of the hundreds of thousands of working artists in the US,⁵ only a very few—perhaps two or three hundred—have a significant secondary market.⁶

They compose an elite of artists who have already succeeded, who are recognized by critics and art historians, whose works have entered major private collections and are acquired by leading museums, who are the subjects of articles in *ARTnews* and *Art in America*, whose works are in demand and sell for high prices on the primary market: the Rauschenbergs, Lichtensteins, Hockneys, Johns, Stellas, Frankenthalers, Diebenkorns, and a few score

⁵ The 1970 U.S. Census listed 107,476 painters and sculptors in the U.S. The Bureau of Labor Statistics figure for the total number of painters, sculptors, craft artists and artist-print makers in the U.S. in 1985 was 200,000. For 1986, the latest year for which the data have been published at this writing, the Bureau of Labor Statistics number was 189,000. Bureau of Labor Statistics, *Handbook of Labor Statistics* (1989).

⁶ The only empirical study of the secondary market is Tom R. Camp, *Art Resale Rights and the Art Resale Market: An Empirical Study*, 28 *Bull. Copyright Soc. U.S.A.* 146 (1980). Camp examined all sales of contemporary art from the Scull sale in 1973 through 1977 at Sotheby's in New York and found that 191 American artists' work resold at \$500 or more (if \$1,000 is used as the minimum figure, the number of artists declines to 152) during that period. Among those artists, over half had only one or two sales, generally at low prices, while a small group of artists accounted for the largest number of sales at the highest prices. The one with the largest dollar amount of resales was, perhaps predictably, Mr. Rauschenberg, followed by Willem de Kooning, Alexander Calder, Jasper Johns and Frank Stella. Together, works by these five artists totalled 31.3% of all recorded resales.

The methodology of the Camp study is straightforward and could easily be expanded to include later auctions at Sotheby's plus sales at other major auction houses, such as Christie's in New York and Butterworth's in San Francisco, to provide a broader data base for estimating the potential returns to American artists from enactment of the *droit de suite*. The impression one gets from sampling catalogs from sales at the three auction houses during the 1980's and early 90's, however, is that the pattern demonstrated by the Camp study persists. Although some of the names change as new artists achieve recognition and success, the number of living or recently deceased artists whose works resell at these auction houses continues to be extremely small. Of course, auction houses are not the only players; dealers are also active in the secondary market and probably account for more resales than the three auction houses combined. Systematic data on such dealer resales are not readily available, but inquiries among dealers produce responses similar to those provided by public auctions. The same few artists dominate the resale market; the great majority of artists have no significant resales.

others. Their art world success correlates with their market success; they have a secondary market because they have succeeded.

The great majority of artists, however, are effectively shut out of the secondary market by simple economics. Auction houses and secondary market dealers do not accept their works for resale because they know from experience that such works are unlikely to resell at any price, and the few that did sell would bring commissions too small to cover the expense of sale. Primary dealers occasionally take back the works of artists they show and promote, but reluctantly, and usually only for credit against the purchase of other works by the same artist. Artists themselves do not welcome competition from such returned goods in the gallery's inventory; they prefer that the dealer promote their new work in the primary market. Often the only recourse for the collector who wishes to dispose of a painting or sculpture that she no longer loves is to donate it to a charity auction or to a marginal museum that accepts it to please the donor, with no intention of hanging it, in the hope that more substantial donations will follow. In fact, the only realistic source of income from their art is, for most working artists, first sales.

THE FOLKLORE OF THE DROIT DE SUITE

We turn now to a persistent folklore that clouds discussions of the *droit de suite*. This folklore (others have referred to it as a mythology) is congenial to discontented artists and to people who sentimentalize about the artist's life, but it has little connection with reality. Though demonstrably false, it persists in popular culture and among artists for a variety of reasons that it is unnecessary to explore here. In this folklore the world is unfair to artists of genius, who live in poverty while their works are resold at high prices by avaricious dealers to wealthy collectors. Or, as Pierredon-Fawcett puts it:

In point of fact, while Impressionist masters, excluded from official exhibitions, were scorned by the public, certain shrewd dealers bought their paintings at ridiculously low prices. General disdain was followed by infatuation and these same paintings commanded extraordinary amounts of money The artists were actually forced to sell their works at low prices in order to earn a living⁷

Even if we restrict our attention to the Impressionists, support for this version of history is thin. It is true but hardly surprising that, when their

⁷ p. 2. There is a good deal of this kind of language in the early chapters of the book, more than enough to lead the reader to assume that the author believes it. Only toward the end, in her Conclusion, does Pierredon-Fawcett reveal her own skepticism:

The Romantic image of the genius unappreciated by his contemporaries and worshipped by his successors was a warhorse for defenders of the *droit de suite* at the start of the 20th century It was really just a provocative image aimed at attracting the sympathy of the general public. (p. 144).

fellow-artists (the academicians who excluded the Impressionists from official exhibitions), as well as established critics and the public, disdained or ignored the work of these young artists, few people were interested in buying their paintings. The people who did buy them were not great museums of wealthy, established movers and shakers at the center of the French art world; they were venturesome collectors and dealers who existed on the fringes. No one else was interested. The artists (through their dealers, if they had them) charged and the collectors paid appropriately low prices for works that, at that time, had little market value. The motives of these modest patrons usually included genuine interest in art and a desire to advance the careers of artists in whose work they believed. Why else would they buy or otherwise support the work of such unknowns? (Pierredon-Fawcett evokes instead "the abuses committed by art dealers, often unscrupulous middlemen, who took advantage of artists' poverty."⁸) Some, probably most, of the artists these venturesome patrons supported failed to emerge; they and their works remained in obscurity, with little if any market value. The few among them who succeeded received increasing prices for their works and lived comfortable, affluent lives. Monet and Renoir lived well, contrary to Pierredon-Fawcett's invocation of "the shocking disparity between the poverty of creators of genius and the enrichment of those who traded in their works."⁹

That was then. Today in the United States, where some artists in their thirties have seven-figure incomes and are given "retrospective" exhibitions in major museums, it is even more difficult to take the "starving artist" or La Bohème art world mythology seriously. Critics, dealers, curators and collectors constantly seek fresh talent to promote and to collect; the scouting system leaves no undiscovered geniuses. Artists who achieve critical success and the esteem of their fellow-artists find a strong market for their works. Dealers compete to represent them. Collectors compete for their best works. Picasso was a billionaire; Chagall, Miro and Warhol left multi-million dollar estates. Diebenkorn, Frankenthaler, Hockney, Johns, Rauschenberg, Stella and other living artists are wealthy. These artists are not victims of exploitation, they are beneficiaries of an active, supportive market for contemporary art.

⁸ p. 3. In the United States, dealers generally do not buy works from artists but prefer to take them on consignment, reserving their capital for gallery operations and for the more profitable secondary market transactions. The quoted statement and other folklore references to dealers as buyers of works from artists thus seem out of tune with American practice, independently of whether the dealers are "unscrupulous," "crafty," etc.

⁹ P. 3. On the economic situation of working artists in the United States see Randall K. Filer, "The 'Starving Artist'—Myth or Reality? Earnings of Artists in the United States," 94 *J. Political Economy* 56 (1986). Filer finds that "artists do not appear to earn less than other workers of similar training and personal characteristics."

The folklore also asserts that the artist is the sole source of the work's market value. As Pierredon-Fawcett puts it: "in commercial transactions, the cleverness of the speculator had little to do with the price increase, which was essentially attributable to the artist's genius".¹⁰ Leaving aside the implication that all resellers are speculators (Are the collectors and museums who resell works as a normal part of their activity in building and refining their collections "speculators"?) and ignoring the economic naiveté in the suggestion that speculation is an unsavory activity (An artist who holds back one of her current works for sale at a future time, when she hopes that it will bring a higher price, is a "speculator"), is it true that the artist is the sole source of all that market value?

At one level the question assumes a profound form: is the value of an artifact intrinsic or attributed? Was the value always there, placed in the work by the then unrecognized genius, merely waiting for recognition, or is it a social construct, the product of forces operating independently of the artist? Discussion of this topic, though endlessly fascinating, is bound to be inconclusive. It does, however, compel us to observe the distinction between intrinsic value, if there is such a thing, and price.¹¹ The resale proceeds right operates on the resale price, and the resale price of a work of art is determined by the art market. We have arrived at a point at which it will be helpful to consider a celebrated episode in contemporary art history, which we may refer to as:

THE WRATH OF ROBERT RAUSCHENBERG

At a now-legendary auction in New York in 1973 which was captured for posterity in a widely distributed documentary film, a collection of works owned by collectors Robert and Ethel Scull was sold. One of them, a painting by the great American artist Robert Rauschenberg, entitled "Thaw," sold for \$85,000. The Sculls had bought it some years earlier for \$900, when Mr. Rauschenberg was relatively unknown. After the auction there was a celebrated encounter between Robert Scull and Rauschenberg, also captured in the film, in which the angry artist complained, "I've been working my ass off for you to make all that profit." Since that episode Rauschenberg has actively supported efforts to establish the *droit de suite* in the United States, and the film is regularly employed in support of the cause.

¹⁰ P. 2. To the same effect: "The art market undoubtedly has its inequities and fictions. Nonetheless, the general truth is that it is the genius of a Millet, Rousseau, Corot or Renoir that created the value This is the only type of property for which it is so easy to identify with certainty the author of the wealth." P. 12.

¹¹ The distinction between value and price, often expressed in the canard that dealers "know the price of everything and the value of nothing," raises a variety of interesting questions that need not be explored here. In all of the statutes, the operative concept is price.

Why was Rauschenberg wrathful? The large disparity between what he got for the painting on first sale and what Scull got for it on resale obviously appeared to Rauschenberg and others to be excessive. They believed that the artist who created the work was primarily responsible for the profit and should receive at least some of it. It seemed wrong for Scull to get such a large "unearned" profit from Rauschenberg's work. Were they right?

When Scull bought the painting for \$900 he paid the price established for it by Leo Castelli, Rauschenberg's dealer. Mr. Castelli was (and still is, at this writing) generally agreed to be one of the finest dealers, widely respected for his fair treatment of artists and extraordinary success in promoting their work. Scull paid the going price, what Castelli thought Thaw was then worth. Castelli's estimate provided the best available indicator of the painting's fair market value at that time. When, some years later, the same painting sold for \$85,000, its market value obviously had increased.

Where did the increase in market value come from? In part, of course, it came from the artist's activity in continuing to create a body of highly regarded work, from which he received increasing income through higher prices on primary sales and higher fees for commissions. But some of that increase was due to Castelli's successful efforts in promoting Rauschenberg's work. Some of it was due to the activities of critics, museum curators and venturesome collectors (like the Sculls) who admired, supported, showed and bought Rauschenberg's works before he became famous. Some of it was created by the Venice Biennale which, with skillful promotion by Mr. Castelli, awarded Rauschenberg its internationally publicized grand prize for painting. Some of it was due to the activities of dealers who bought and sold Rauschenberg's works on the secondary market. Some of it was due to the auction house which created the occasion on which so much money would be bid for the painting. Such activities, which made and supported the market for Rauschenberg's art, required the investment of time and money and incurred risk. People who invest time and money and incur risk must make a profit or go out of business. In the market for contemporary art, most of which declines in value, the occasional success has to offset the more frequent losses.

The folklore tells us that, in the absence of a resale proceeds right, the artist does not share in the increased market value of his works (Pierredon-Fawcett states: "The artists were excluded from this wealth"¹² and quotes with apparent approval the slogan: "real gold for the speculator, fool's gold for the artist"¹³). The statement is in a narrow sense true; Rauschenberg got no part of the price paid for Thaw at the auction. But it would be wrong to suppose that he did not share in the profits of the Scull sale. On the contrary, the sale added enormous value to Rauschenberg's other works. Raus-

¹² P. 2.

¹³ P. 3.

chenberg still held a number of earlier paintings of the same period as Thaw in his studio and on consignment at the Castelli gallery. Their prices were raised sharply the day after the auction. As someone remarked at the time, "the Scull sale made Rauschenberg a millionaire." The widely publicized sale also raised the price level that Rauschenberg's new work immediately commanded in the primary market.

ARGUMENTS FOR THE RIGHT

Appreciation of Value

One common and superficially plausible argument in support of the *droit de suite* supposes that much of the increase in the value of earlier works now in the hands of collectors and museums is a result of the artist's genius and increasing reputation, which is in turn due to her continuing production of highly regarded works. Since the artist is the principal source of the increase in value, so the reasoning goes, it seems only fair that the artist share in the proceeds when her works are resold at a profit:

[I]f a painting, which was initially bought for a few francs, later commands high sales prices, it is not because the painting improved with age. It is only because the author, who was unknown or unappreciated when he sold it, became famous and because that fame affects each of his works to which each new success gives a new value.¹⁴

One difficulty with this argument is that, as we have already seen, it ignores the value added to the artist's works by other art world players, such as critics, museums, collectors, dealers and auction houses. Another difficulty is that this argument only works to the artist's benefit if the work of art resells at a profit. But suppose it declines in value, as is far more often the case with the works of contemporary artists? Even recognized, successful artists sometimes have periods in which they produce disappointing work that resells at a loss, if it resells at all. That happened to Mr. Rauschenberg when several of his works from the mid-1980's brought sharply less than their first sale prices in a major New York auction. Should Mr. Rauschenberg have participated in the loss, repaying part of the first sale price to the consignor? When his continuing artistic production fell in esteem, did that also reduce the value of his earlier works already in the hands of collectors, museums and secondary market dealers? Should Mr. Rauschenberg have to compensate them? What happens when the vogue for a currently "hot" artist dies? Are those who bought her works entitled to a refund? Why not?

In short, if the theory is that the increase in market value is the result of the artist's subsequent artistic production, is the same not true of a decline in market value? And if that could happen to a Robert Rauschenberg, what are

¹⁴ p. 12, quoting José Théry.

the implications for the legions of unrecognized artists whose work has no appreciable resale market value? And what should happen when there is a general precipitous decline in the market for contemporary art, as happened in late 1989 and persists as this is written? Should collectors who bought at high prices before the decline and now find themselves reselling at substantial losses expect to receive a contribution from the artists whose works declined in market value? Most people would agree that the individual artist should not be held responsible for such a broad market decline. But in that case, what logic supports rewarding the artist when the prices of his works benefit from a broad, rapid rise in the contemporary art market, as was the case during the 1960-1989 period in the United States?¹⁵

Even if we indulge the artist's wish that the sale of her work to Collector to be treated as though the collector is a sort of venture capitalist who assumes the entire risk of loss while the artist retains the right to a share of any profits, how can the accounting for profits be made fair to both parties and be kept simple enough to be workable? Pierredon-Fawcett is realistically pessimistic on this point:

In any case, the upshot is that the complexity of the calculations necessary to manage a *droit de suite* based on appreciation of value would make it difficult, if not impossible, to implement.¹⁶

That statement could be paraphrased as "a resale proceeds right that is principled would be non-administrable." One who cared about principle might accordingly oppose adoption of the right. In practice, however, the statutes sacrifice principle to the desire to pay something to the artist. Nineteen of the statutes, following France's lead, give the artist a percentage of the gross resale price, without reference to profit. The collector who bought the Jasper Johns painting in 1989 for \$3 million and sold it in 1992 for \$1 million would owe Mr. Johns a percentage of the \$1 million resale price. Of the remaining 10 statutes, 9 give the artist a percentage of the reseller's "profit" (defined as the difference between the acquisition price and the gross resale price). One,

¹⁵ Further difficulties arise if we focus on the concept of resale "at a profit." Suppose Collector acquires a Rauschenberg painting in 1980 for \$150,000 and resells it in 1990 for \$200,000. Is all of the \$50,000 difference profit? What about the cost of the money used to buy the work in 1980? What about the change in the value of the dollar between 1980 and 1990? What about the commission Collector paid to the auction house when the painting resold in 1990? What about the costs of conservation, storage, insurance, packing and shipping from the time Collector acquired the painting until the time it sold at auction? In none of the statutes are such costs to the reseller considered in determining "profit" on resale, and the resulting concept of "profit" accordingly bears little relation to its normal significance.

¹⁶ p. 13.

California's, gives the artist 5% of the total resale price, but only if the resale is at a "profit" (similarly defined).

It seems clear that such statutes are not justified by the principle that the artist is entitled to compensation for his contribution to the increased value of the work. In Pierredon-Fawcett's words:

Indeed, the view which considers recovery of appreciation in value as the way to achieve a greater social justice must be rejected since it replaces one injustice with another. The owner of a work of art is expected to share the profits while he is the only one to bear the losses¹⁷

The Royalty Analogy

There is a more respectable argument for participation by the artist in the economic life of her work after its first sale. It rests on the analogy with authors' royalties, and indeed many supporters of the resale proceeds right prefer to refer to it as a "resale royalty."¹⁸ Authors and composers, the argument goes, participate through royalties in the market success of their works. It is true that authors and composers can sell their works outright for an agreed price and forego royalties, as many do, but they have the option of bargaining for a royalty agreement with a publisher. Artists seldom have any such opportunity; hence the need for the *droit de suite*.

Of course artists can claim a copyright in their works, as authors do, and that gives them control over reproductions. For recognized, successful artists there may indeed be an appreciable market for reproductions for which they could contract with a publisher for royalties in the same way as authors and composers do. But, although making and selling multiple copies of the same work is a productive way of exploiting cast sculptures and "fine prints,"¹⁹ it is

¹⁷ p. 11.

¹⁸ Purists insist that "royalty" is an inappropriate term for the resale proceeds right since it creates confusion with the "royalty" an artist gets for reproductions of his copyrighted work.

¹⁹ Successful, established artists (the only ones who would benefit from the *droit de suite*) extend their market and add substantially to their income by participating in the production and marketing of limited editions of "fine prints." The quotation marks signal the euphemistic nature of the term "fine print." The opportunities for practices ranging from disingenuous through misleading to crass fraud and forgery in the print market are too various to describe here. The widely publicized Dalí print scandals provide an introduction to the topic; see Lee Catterall, *The Great Dalí Art Fraud and Other Deceptions* (1992). Cynical artists like Dalí who engage in these practices, and the "art galleries" that thrive in tourist centers and hawk dubious "fine prints" are an embarrassment to the serious art trade. Even in the legitimate print market some editions are mere reproductions of works created by the artist in another medium, printed on good paper, numbered and signed by the artist. The minimum re-

less valuable for unique works, for which the normal method of exploitation is by exhibition.

Exhibition of paintings and sculptures in fact appears to be the closest functional analogy to publication of literary works (and to public performance of dramatic and musical works): people read [published] books; they look at [exhibited] paintings and sculpture.²⁰ For a time the Whitney Museum in New York paid artists a fee when it publicly exhibited their works, but the practice conflicted with the mores of the museum world and has never become widespread. Under U.S. copyright law the artist has the right to prevent or control exhibition of her work,²¹ but that right does not survive a transfer of ownership of the work by the artist.²² An artist has the power to insist on an exhibition royalty by making it a term of the first sale, but there is no practicable way to make such an agreement "run with" the painting or sculpture to bind those who subsequently acquire it. These impediments to an exhibition fee could of course be corrected by amending the copyright act to give the artist continuing copyright control over public exhibition, analogous to the playwright's or composer's control over public performance of her work for profit. Or the artist could be expressly given a separate statutory right to an exhibition fee.

Artists' political action groups and artists' rights collection societies in the United States and Europe have not, however, pursued the exhibition fee idea with anything like the energy and enthusiasm that they have given to the *droit de suite*. That may reflect a practical judgment, originally reached in France for reasons peculiar to the French *milieu*, that the prospects of political success in establishing an exhibition fee were unpromising. (In France, museums are state institutions; there are no major private, non-profit museums of the kind that dominate the American museum landscape. Any proposal to require museums to pay exhibition fees to living artists thus raises different issues in the two nations). Or it may reflect a simpler judgment that

quirement of legitimacy appears to be that the artist authorize use of the image, approve the resulting edition and personally sign each of them. (Signing blank sheets of paper and selling them to entrepreneurs, as Dali and a number of other well-known European artists are alleged to have done, is considered cheating.) The US and, more recently, European print markets, however, now include many serious, truly fine prints, the products of collaboration between master printers and artists who use print-making as an independent medium for making art. Major contemporary artists like Jasper Johns, Roy Lichtenstein, Robert Rauschenberg, David Hockney and Jim Dine often have annual incomes of well into six figures from prints alone.

²⁰ For a full discussion of control of the right of display as an alternative to the *droit de suite* see Carleton, Copyright Royalties for Visual Artists: A Display-Based Alternative to the *Droit de Suite*, 76 Cornell L. Rev. 510 (1991).

²¹ 17 U.S.C. § 106(5).

²² 17 U.S.C. § 109(c).

the prospects of substantial returns to artists from an exhibition fee were unpromising because museums do not have deep pockets. Or their relative inattention to the exhibition fee may simply show that artists' rights advocates in France preferred to extract money from the art trade, as the rhetoric seen above in discussing the folklore suggests. A final possibility is that artists want their work to be shown and perceive that an exhibition fee would, at the margin, discourage museums from exhibiting their works. Or, worse, since the money has to come from somewhere, paying exhibition fees would come out of the same pot as museum acquisition funds and thus inhibit artists' first sales to museums. Whatever the reasons, by the time the movement to expand artists' rights began to grow in the United States in the 1960's and 70's, the French precedent of the *droit de suite* had substantial momentum; it was established in practice and in the literature and, with the moral right, was a prominent component of artists' rights action programs. Accordingly, the American artist's search for an equivalent to authors' royalties has settled on the *droit de suite*.

ARGUMENTS AGAINST THE RIGHT

Arguments against the *droit de suite* fall into two groups: "it doesn't work" and "even if it works it's a bad idea."

"It Doesn't Work."

This argument finds impressive empirical support in Pierredon-Fawcett's statement:

"Among the 29 jurisdictions, including the State of California, that recognize the right in their domestic legislation, 24 apply it little or not at all."²³

So spectacular a failure in practice would appear to discredit the *droit de suite*, but the author has an explanation: "in some countries the legislature has adopted principles for collection which . . . are so complex that they suffice in themselves to explain why the *droit de suite* is not applied."²⁴ In other countries she states that the fault lies in "the resistance of art dealers."²⁵ Both explanations invite further investigation.

What are the principles for collection that are so "complex" that they make all but five of 29 *droit de suite* statutes dead letters? Pierredon-Fawcett contrasts laws that impose the charge on resales at any price (as in France and 19 other jurisdictions) with those that limit it to resales at a gross "profit"

²³ Pierredon-Fawcett, p. 106. The five jurisdictions in which the right is said to work are Belgium, France, Germany, Hungary and Spain. Of these, the Spanish law applies only to sales of sculpture ("three-dimensional art") at public auction.

²⁴ *Ibid.*

²⁵ *Ibid.*

(as in California and 8 others²⁶). Thus if Collector buys a Jasper Johns painting for \$3 million in 1988, at the height of the boom in the contemporary art market, and resells it in California for \$1 million in 1992, after the market has plummeted, Mr. Johns gets nothing. In France and other nations that impose the right on resales at any price, however, Collector would owe the artist a percentage of that price. To Pierredon-Fawcett the California version of the right is "excessively complex" because it requires comparing the resale price with the seller's acquisition price to determine which is greater. Where is the complexity? There is, of course, the necessity of proving the seller's acquisition price; such proof is not always easy, and perhaps that is what the author meant to say. But the difficulty of providing that additional element of proof does not explain the failure of the *droit de suite* in 15 of the remaining 20 jurisdictions whose statutes apply to resales at any price.

"Even If it Works it's a Bad Idea."

As to the resistance of dealers (and, within the art trade, auctioneers), Pierredon-Fawcett neglects to add that the resale proceeds right is also opposed by collectors, museums and some artists. They resist it for several kinds of reasons: collectors and museums because they see it as a tax that they would prefer not to pay when they dispose of works in the market; the art trade for the same reason and because they believe that it shifts some secondary market transactions (which are crucially important to most dealers and to their success in promoting the work of artists in the primary market) to jurisdictions that do not impose it. They observe that works of art are easily transportable to other markets, and they believe that at present the *droit de suite*, by diverting auction transactions from France, significantly weakens the French and strengthens the British and American markets in contemporary art. On this point, French auctioneers generally agree with them. Those in the art trade also remind us that Sotheby's immediately terminated its regular program of contemporary art auctions in Los Angeles when California enacted its version of the *droit de suite* in 1976, to the disadvantage of the California and the advantage of the New York art trades.

Knowledgeable artists oppose the right because they believe that it works to their disadvantage. They know that they have little possibility of significant income from the *droit de suite* because their works are not traded in the resale market. In Pierredon-Fawcett's words: "The *droit de suite* is not designed . . . to come to the aid of needy artists."²⁷ The artists who do have a resale market and the prospect of additional income from the *droit de*

²⁶ In some of these (California is an example) the artist is entitled to a percentage of the entire resale price (5% in California), but only if it exceeds the purchase price. In others (e.g. Italy) the artist is entitled only to a percentage of the "profit."

²⁷ p. 144.

suite are the few who have achieved recognition and success. Of course, some presently unrecognized artists will eventually gain recognition and achieve market success. That gives all unrecognized artists an important incentive, and the incentive is enhanced to some extent by the prospect of participation in the proceeds of resales of their work if and when recognition and success finally come. But if success strikes, the income from resale proceeds will be trivial in comparison with that from first sales, commissions, and participation in the print market.²⁸ Even if, as the folklore has it, there were injustice to artists in the art market, the *droit de suite* would seem unlikely to correct it.

There is, indeed, a persuasive argument that the *droit de suite* would make things worse for most artists. Since the primary market is the artist's principal source of income, it is in the artist's interest that the supply of money available to buy the work of living artists remain stable or increase. The enactment of a resale proceeds right, however, is likely to have the opposite effect. The prospect of having to pay part of any resale proceeds to the artist may tilt those at the margin toward collecting something else: cubists or post-impressionists or surrealists or old masters or antiquities or, for that matter, oriental rugs or manuscripts or first editions or perfume bottles or classic automobiles or other collectibles to whose eventual resale the *droit de suite* does not apply. Accordingly, it seems reasonable²⁹ to suppose that the amount of money available to buy the work of living artists, in a jurisdiction that has adopted the right, is less than it would otherwise be. There is a smaller pot to be divided among those who sell their art.

Further, the smaller pot is now divided differently. A museum that disposes of a work by Mr. Rauschenberg at auction must now pay a part of the hammer price to him. Even assuming that the museum uses its receipts from the sale to buy other works for its collection, as is the approved practice, that amount is smaller than it would otherwise have been. So also of collectors who dispose of works in their collections. More of the money spent to buy contemporary art now goes to Mr. Rauschenberg and other members of the elite group of artists whose work has a resale market. Less remains available in the hands of collectors and museums to buy works by other artists. It is Robin Hood in reverse, taking from the poor and giving to the rich.

Even if one were persuaded that the additional increment of income to successful artists was worth whatever price it imposed on other artists, the case for the *droit de suite* would be far from complete. Artists are only one

²⁸ See note 19, *supra*.

²⁹ The text proposition is cautiously stated because it is based on an assumption that the demand for contemporary artworks is to some extent price elastic—or, as stated by Stephen Weil: "Unhappily, though, no matter how bravely we proclaim 'ya gotta have art,' nobody 'gotta' have art, and especially contemporary American art." Stephen E. Weil, *Beauty and the Beasts* (1983), p. 217.

group among the interested parties; the resale proceeds right also affects the interests of collectors, museums, dealers and auction houses. To return to an earlier metaphor, the art world has its own ecology: what affects artists also affects the rest of the art world. We have seen that collectors, museums, dealers and auction houses generally, and rationally, oppose the *droit de suite* out of self-interest. Does the possible harm to their interests outweigh any possible benefits of the *droit de suite* to artists? The empirical basis we would need for a definitive judgment on that question does not exist, but to anyone familiar with the art world the question is important.

Conversely, what affects the rest of the art world affects artists. If the resale proceeds right impairs the interests of museums, collectors and the art trade there will be obvious consequences for artists themselves. For example, by imposing a tax on resale transactions, the *droit de suite* reduces the primary dealer's financial ability to support and promote his artists' work. Dealers who maintain galleries (the rent! the insurance! the salaries!) and actively support the work of "emerging" (a currently fashionable euphemism for "unrecognized") artists must subsidize this generally unprofitable activity or go out of business. Most of them subsidize their "front rooms" by dealing in the secondary market for the works of successful, recognized artists. They make a good buy on a Sam Francis gouache for \$50,000 and resell it at a \$10,000 profit, or they help a collector sell a Jasper Johns drawing for \$100,000, with \$90,000 net to the collector. If these transactions took place in California, the dealer would owe Mr. Francis \$3,000 (5% of the resale price) and Mr. Johns \$5,000. The amount available to support himself and his family, to maintain the gallery and to subsidize the front room, where the shows of his artists are held, has decreased by 40%, from \$20,000 to \$12,000. Over time, that loss of income will reduce his effectiveness in promoting the work of his artists, and that will impair their progress toward recognition and market success.

Studies by economists are severely critical of the resale proceeds right. Asimow, a lawyer-economist, calls it a "bad tax" because "It interferes seriously with the market, produces negligible revenue, is costly to administer, and is poorly accepted by the market."³⁰ Rottenberg concludes that "Resale revenue-sharing laws make no artists better off and make some artists worse off."³¹ Bolch, Damon and Hinshaw say that "The resale royalty law will result in only a small economic gain to a few and an economic loss to many. It should be repealed for the sake of the artists affected."³² Pierredon-Fawcett does not come to grips with these analyses. Among the legal com-

³⁰ Michael Asimow, *Economic Aspects of the Droit de Suite*, in *Legal Rights of the Artist* (M. Nimmer, ed.) (1971).

³¹ Simon Rottenberg, *The Remuneration of Artists*, *Frontiers of Economics* (1975), p. 45.

³² Ben W. Bolch, William M. Damon and C. Elton Hinshaw, *An Economic Analysis of the California Art Royalty Statute*, 10 *Conn. L. Rev.* 692 (1978).

mentators, she does mention the leading, and equally negative, article by Monroe Price, but without seriously challenging its reasoning or its conclusions,³³ and she omits any reference to the case against the right made by Stephen Weil.³⁴

To observers who are knowledgeable about the art world and about the way the art market works, much of the case in support of the resale proceeds right seems uninformed and unpersuasive. Only the analogy with authors' and composers' royalties bears scrutiny, and some of its force is offset by the availability to artists of income from reproductions and, more significantly, from fine prints and multiples. The arguments against the right, while they depend on incomplete data and on assumptions about the market effects of this form of "tax" on resale transactions, are convincing; the data, even though incomplete, are unchallenged, and the assumptions are consistent with economic theory and with market experience. The conclusion that the *droit de suite* harms most artists, and museums, collectors and the art trade, while producing benefits only for Mr. Rauschenberg and a few other successful artists, seems unchallengeable.

Where does support for the *droit de suite* come from? Clearly, some support comes from artists like Mr. Rauschenberg, who might actually benefit from it, although the amount he would receive is, in relative terms, small.³⁵ In France and Germany, where artists' rights collection societies have an obvious interest in retaining the *droit de suite* at home and propagating it abroad, we can identify another rational source of support for it.³⁶ But many American artists who have no realistic possibility of income from the resale market and would more likely be made worse off if the *droit de suite* were

³³ Monroe E. Price, Government Policy and Economic Security for Artists: The Case of the Droit de Suite, 77 Yale L. J. 1333 (1968).

³⁴ Stephen E. Weil, Resale Royalties: Nobody Benefits, ARTnews, Vol. 77, No. 3 (March 1978); reprinted in Stephen E. Weil, Beauty and the Beasts: On Museums, Art, the Law, and the Market (Washington, 1983), p. 210.

³⁵ During the four-year period of the Camp study, cit. supra n. 6, works by Mr. Rauschenberg resold for the highest total of all American artists. If he had been entitled to 5% of the total of \$608,250 paid by the purchasers he would have received \$30,412.50, an average of \$7,600/year. That amount, though not insignificant, pales in comparison with his income from the primary market for his works, from commissions, and from prints.

³⁶ In France there are two artists' rights collection groups: SPADEM and ADAGP. These organizations monitor public auctions (the only transactions to which the French *droit de suite* applies) and collect the proceeds owed to their members. The analogous German organization is Bild Kunst. Such organizations quite rationally seek to extend their activities and influence. They are active in litigation and in efforts to extend the reach of the *droit de suite* within their nations and abroad. In the United States similar organizations have been established (VAGA is one) and, quite reasonably from their point of view, actively support proposed *droit de suite* legislation.

adopted also favor it. Well-meaning people who care about art and artists are enthusiastically for it. Why? The only plausible explanation is that such people are misguided. Their critical/analytical vision is clouded by unfamiliarity with the art world and by a folklore that sentimentally misportrays the artist's life, invidiously caricatures collectors and dealers, does not even mention museums, ignores art market realities, disregards art world interdependencies, and is blind to the failure of *droit de suite* legislation in 24 of the 29 jurisdictions that have enacted it.

SO?

Without the political support of artists and the public the *droit de suite* would have little chance of adoption. With their support, however misplaced it might be, the eventual enactment of some form of the right in the United States is a definite possibility. That being the case, it makes sense to discuss what such a law should look like. The crucial questions are four: to what kinds of market transactions does the right apply? Does the right apply to the entire resale price or only to the profit? Who gets the money? May the right be waived?

1. Taxable Transactions

The three major categories of transaction are resales at public auction, resales by dealers, and private resales, in order of increasing difficulty of application and enforcement. Public auctions are the easiest because they are public, often documented by published catalogs and published lists of hammer prices. It takes little effort to identify the artists whose works have resold and to calculate the amount to which they are entitled. Although the consignor may be the one who actually owes the artist a portion of the resale price, it is a simple and logical step to require the auction house to withhold the artist's share and pay it to the artist (or to an artists' rights collection organization).

Dealer resales present a more difficult problem. In a nation like Germany with a strong civic culture, where dealers are licensed and regulated by the state and belong to a powerful national dealers' organization, it is reasonable to expect the necessary disciplined law conformance by them. But in other nations the attempt to apply the *droit de suite* to dealers is more likely to lead to only sporadic conformance. That is one reason why the French statute has been implemented only as to auctioneers, even though its language permits its application to dealers, and why the Belgian and Spanish statutes apply only to auctioneers. Since art dealing is largely unregulated in the United States, it seems unlikely that any attempt to impose the *droit de suite* on dealer transactions here would produce more than occasional observance unless it were part of some comprehensive scheme of dealer regulation, and

any proposal to regulate art dealers raises a host of complex issues that reach far beyond the scope of this essay.

There is an interesting question of equity in systems like those in France, Belgium and Spain, in which the *droit de suite* applies to sales at auction but not to dealer resales. Since secondary market dealers are in competition with auction houses both for works to resell and for buyers, the system appears to discriminate against auctioneers, who must collect and pay over the artists' shares, in favor of dealers, who need not do so. The observation plays both ways. To opponents of the *droit de suite* it is a further argument against enacting the right at all, but to advocates equity requires that it apply to dealer resales as well as to sales at auction. To apply the resale proceeds right to both, however, again raises the problem of dealer non-compliance and introduces an important question: how much equity would result from formal adoption of an obligation on dealers when compliance is unlikely. And that raises the further and more fundamental question whether it is good policy to enact unenforceable statutes. The French, the Belgians and the Spanish appear to have made the practical judgment that it is better not to do so, and the California experience would seem to support the same conclusion.

Private resales are the most difficult of all to monitor and enforce, and in practice the effect of the *droit de suite* on private resales is certain to be even more desultory and the law even less enforceable than in dealer resales. Even Germany does not attempt it. Accordingly, despite the lack of conceptual neatness and the arguable inequity to auction houses, a proposal to adopt the *droit de suite* in the United States would be most workable and would create the fewest problems of application and enforcement if it applied only to public auctions.

2. Taxable Base

The question is whether the reseller should owe the artist something even if the resale is not profitable. Recalling the earlier discussion of justifications for the *droit de suite*, if it is seen as a way of giving the artist part of the reseller's profit (a justification that, as we have seen, entails a number of difficulties) then it obviously should apply only where the resale is profitable. If, however, the right is seen as a way of giving artists something analogous to the royalties available to authors, playwrights and composers, then it logically applies to all resales, without reference to their profitability. The latter position has the advantage of easier application, since it does not require comparison of the resale price with the reseller's acquisition price. Justifications aside, some people will always think it unfair to the reseller to impose the charge on a unprofitable transaction. The response that the *droit de suite* is merely another kind of transaction tax, analogous to a sales tax, does not totally convince them. They think that sales taxes should be paid to the state and spent by it for public purposes; the charge on resale proceeds is paid to

the individual artists and used by her for her private purposes. That makes the welfare approach, discussed in the next paragraph, interesting.

3. *Who Gets the Money?*

The answer seems obvious: the artist who created the work that is resold should get the money. We have seen, however, that only the successful artists whose works have a secondary market would receive any benefit from the *droit de suite*. Put another way, the money paid to artists from resales would go to those who appear to need it least. Many of the remaining mass of serious, working artists are self-employed, lack access to health and retirement plans and lead economically precarious lives. That suggests that if there were to be a charge on art resale transactions it might better be collected and administered for the benefit of needy artists. Instead of an artists' *droit de suite* there would be a charge on resale transactions paid into an artists' welfare fund.³⁷ In Germany, a combination of the two approaches was accomplished by contract between Bild Kunst, the artists' rights collection society, and BDK, the dealers' organization (bargaining in the shadow of the German *Folgerecht* law after a period of intense resistance to it by dealers and others). Under this agreement dealers pay a flat 1% of their gross income from sales (including first sales) of 20th century art to a governmental Art Compensation Office which distributes more than half of the money to social welfare funds for artists. The remainder goes to pay *droit de suite* benefits to individual artists from the resale of their works.

4. *Waiver*

All of the 29 statutes provide that the artist may not waive the right, and the obvious question is why not? Why should the artist who wishes to do so be unable to transfer her resale proceeds right along with the painting, drawing or sculpture on the first sale to a collector or a museum? The answer lies deep in the folklore: we are told that artists are unworldly innocents who, dedicated to Art, neglect their own material interests in the pursuit of Higher Things. Like children and the mentally handicapped, they need special legal protection. The rule against waiver is there to protect the artists from victimization by avaricious buyers who would otherwise make waiver of the *droit de suite* a standard condition of purchase:

[T]he same reasons which time and time again lead artists to accept ridiculous offers would lead them to surrender the right . . . Freedom of contract would have given the advantage to the dealers.³⁸

³⁷ This proposal has the interesting effect of making the *droit de suite* look more like a social welfare measure than something related to copyright and might raise a question about the constitutional basis for federal legislation: would it still be sustainable under the copyright power?

³⁸ Vaunois, *La Loi Française du mai 1920 et le droit des artistes sur les ventes publi-*

Even if one accepts its premises and the caricatures on which they rest, this argument seems illogical. If the artist is competent to set a price on her work and sell it, why is she incompetent to put a price on the proceeds right and sell that? The price she gets for the work on first sale will, in all but the rare case, be all she will ever get for it; the possibility of future income from the *droit de suite* is, as we have seen, slight and remote. To those who believe it important to protect the artist against victimization by buyers, the price received on first sale is a far more rational object of concern.

There is another difficulty with the rule against waiver: no similar rule prohibits authors or composers from selling their works for a lump sum and waiving their rights to future royalties.³⁹ Why should visual artists be treated differently? Recall that the only persuasive policy argument in support of the *droit de suite* is based on the desire to give artists equality with authors and composers. To make the *droit de suite* nonwaivable undercuts that argument. Pierredon-Fawcett agrees:

One must note, though, that the writer or composer who, without restriction, transfers his reproduction right in return for a lump sum is in the same situation as the artist who would transfer his *droit de suite* for a lump sum because in both cases there is a bargain based on a hypothetical value. Why should artists enjoy an exclusive inalienable right while other creators, from the moment the exclusive right is transferred without restriction, will have no grounds for demanding a share in the profits made by exploiters? To make the *droit de suite* inalienable is to create between the various categories of authors an inequality of treatment that is in no way justified and that should be avoided.⁴⁰

An even more telling objection to nonwaivability is that collectors, museums and the art trade generally would prefer to acquire and transfer works free of the *droit de suite*, or to have the option to do so, and some artists would prefer to have the power to bargain for a waiver. Folklore aside, there is no apparent reason why their preference should be subordinated to that of the proponents of nonwaivability. In one author's words:

A democratic law cannot persist in this paternalistic arrangement

ques de leurs oeuvres, 33 *Droit d'Auteur* no. 1, 55 (1950), quoted in Pierredon-Fawcett, p. 33.

³⁹ An analogous but less troublesome sort of paternalism crept into the Copyright Act in provisions giving authors a nonwaivable right to terminate a license to publish after 35 years from the contract or the date of publication of the work. 17 U.S.C. §§ 203, 304(c). The annotation to 17 U.S.C. § 203 in U.S.C.A. indicates that these provisions were motivated by a concern for authors' lack of bargaining power and the possibility of exploitation by publishers.

⁴⁰ *id.* at 34.

which consists of imposing legal protection even against the author's will. In this area, there is not a general interest to safeguard, nor any conflict between a general and a private interest, which would justify intervention by the State or an obligation to use the machinery of the law, merely because the work exists and has appreciated in value. Having recognized this right, the law should leave its exercise to the free discretion of its owner.⁴¹

In fact, the only art world players that have a genuine interest in retaining nonwaivability are artists' rights collection societies.

CONCLUSION

Pierredon-Fawcett favors the *droit de suite* in its French form, except that she would make the right waivable. That exception might seem to reduce the distance between us. A waivable right will often be waived; many buyers will wish to acquire works free of the right, and many artists will wish to take the cash and let the credit go. The availability of the waiver, however, will not eliminate other difficulties created by the *droit de suite*. Where the right has significant value to the artist and the buyer wants a waiver, the artist (or, more realistically, the artist's dealer on the artist's behalf) will expect payment for it. A collector wishing to buy one of Mr. Rauschenberg's paintings free of the *droit de suite* will have to pay some significant additional amount for that freedom. There will be transaction costs: first sale transactions will be complicated by the waiver question, and when a waiver does result the buyer will need some tangible transferable record in order to prevent the charge being applied to subsequent resales of that work. The existence or nonexistence of waivers, real or forged, may become a question in resale transactions. At the margin, some collectors may be discouraged from collecting the work of living artists, and as a result a marginally smaller amount of money will be available to buy such works. That money will be redistributed regressively, more going to those who enjoy, or who promise to enjoy, market success and less to those who do not. The additional charge on art transactions will work to the relative disadvantage of the art market within the jurisdiction that imposes it, encouraging some art business, and associated art world activity, to move elsewhere.

I conclude that the *droit de suite*, even in its French form, and even

⁴¹ Filippo Pasquera, *Nuovi lineamenti del diritto dell'autore sul plus valore delle opere d'arte* (1947) pp. 153ff, quoted in Pierredon-Fawcett, p. 47. Pierredon-Fawcett agrees: "We have often alluded to the sentimental origin of the *droit de suite*. The legislature, wishing to protect the artist and his family against themselves, allowed itself to be led into a path which departs from the usual legal rules and has created, as between the legal arrangements made for artists and those made for other authors, a *distortion that does not seem to be justified by any convincing argument*" p. 47 (emphasis added).

without the prohibition of waiver, imposes significant costs on the art world and the art market. Among artists, the benefits it confers on a few are outweighed by the costs to the majority of artists. If we add in the costs to collectors, museums and the art trade, the cost-benefit equation becomes heavily lop-sided. Pierredon-Fawcett, however, appears to disagree with this conclusion and, since her book is a serious comparative study, her position deserves serious consideration. Why does she advocate something that I believe would do more harm than good?

At bottom my differences with Pierredon-Fawcett and other supporters of the *droit de suite* can be explained by two related considerations. The first, already discussed above, is that these advocates display inadequate sensitivity to the art world as a whole. Their vision is dominated by the artist. The idea that other participants in the art world have legitimate functions and vulnerable interests does not arise. Though they mean well, these advocates are unfamiliar with the art market, particularly with the secondary market. They show little understanding of how critics, historians, collectors, museums, dealers and auctioneers add value to works of art. They seem unaware that, for most artists, participation in the resale market is unlikely and the probability of returns from the *droit de suite* small. Such errors lead them to suppose that the *droit de suite* costlessly offers substantial benefits to artists, when the costs—to collectors, museums and the art trade, and to most artists—are significant and the prospect of benefits to all but a small minority of artists remote.

Most fundamentally, the minds of some advocates of the *droit de suite* are confused by another tenet of the folklore: a peculiarly unsophisticated variety of market aversion that takes form as an expression of regret that works of art or other cultural objects are bought and sold—"commodification" is the currently stylish epithet. Collectors and dealers are denigrated as investors and speculators who contribute to the impairment of artistic values. Even museums, when they sell off works from their collections, become soulless commodifiers. Contact with the market soils the work of art, and participation in the market (except by artists who sell their works and might, under the *droit de suite*, receive a portion of resale proceeds) soils the participant. The people who invest their talent, time and money in activities that make and maintain the market for works of contemporary art, a market from which many artists derive the income that frees them to make art, are demonized. The art market and the art trade are transformed into enemies of Art, their interests unworthy of consideration in the debate about the desirability of enacting the *droit de suite*.

It is difficult to take such an attitude seriously. The notion that one can be moved by art, care about the history of art and respect its creators, and still buy and sell works of art, is hardly incongruous. There are *dilettantes* and *poseurs* among collectors and dealers, as there are among artists. There

are, or were before the art market collapsed in late 1989, people who treated art as though it were merely another variety of investment. But such people are always an atypical minority with a short art world half-life. What binds the art world together, gives it coherence and characterizes those who are seriously engaged in it, from artists through art historians, curators, critics and collectors to and including the art trade, is a fascination with and devotion to art. All of their interests deserve consideration before acting on legislative proposals that would affect them, as the *droit de suite* world.

CONCLUSION

There are many ways to support and advance the artistic enterprise in the United States. Enacting the *droit de suite* is not one of them. It would, indeed, have the opposite effect. But if the Congress finds itself driven by political realities to enact a form of resale proceeds right, then something like the French version described by Pierredon-Fawcett, modified as she recommends by making the artist's right waivable, would do the least harm and would, for that reason, be preferable.

RESALE ROYALTIES IN THE UNITED STATES FOR FINE VISUAL ARTISTS: AN ALIEN CONCEPT

By ELLIOTT C. ALDERMAN*

I. INTRODUCTION

On December 1, 1990, President Bush signed into law the Visual Artists Rights Act of 1990,¹ which was generally effective on June 1, 1991, and extends to visual artists the federal moral rights of attribution and integrity.²

*The author is a Senior Attorney at the U.S. Copyright Office, and worked on the Office's recent study, *DROIT DE SUITE: THE ARTIST'S RESALE ROYALTY, A Report of the Register of Copyrights* (1992). This article incorporates some material that was previously published in the Register's Report. The views expressed here, however, are strictly those of the author and in no way represent the views of the Copyright Office, nor serve as the conclusions of the Office's report.

¹ Pub. L. No. 101-650, 104 Stat. 5089, 5128 (codified at 17 U.S.C. § 106A (1990) ["VARA"]). One of the provisions that was effective upon enactment required the preparation of a study on artists' resale royalties. See note 4, *infra*.

² Although a detailed exposition of moral rights is beyond the scope of this article, the following will provide a simple framework. Several European and other countries recognize natural law rights, termed *droit moral* or moral rights, which are personal to creators, and separate from the proprietary aspects of copyright. These include the right to be known as the author of a work and to prevent others from claiming authorship; to prevent false attribution of authorship; to prevent deforming changes in a work; to withdraw a work from distribution if it no longer represents the views of the author; and to prevent others from using a work or an author's name in a way detrimental to his professional standing. 2 M. Nimmer & D. Nimmer, *Nimmer on Copyright*, § 8.21[A] p. 8-254 (1992 ed.).

Upon ratification of the Berne Convention, the United States obligated itself to protect at least the Article 6*bis* rights of attribution and integrity. *Id.* at 8-255. However, U.S. moral rights protection is not coextensive with that of Continental countries. *Id.* at 8-258. Indeed, the VARA specifically extends the rights of attribution and integrity to a small group of visual artists only, and not to other categories of works. See H.R. Rep. No. 101-514, 101st Cong., 2d Sess. 11 (1990).

Copyright protection in the United States, on the other hand, is based on statutory right, not natural law. *Sony Corp. v. Universal City Studios*, 464 U.S. 417, 431 (1983) (quoting *Wheaton v. Peters*, 33 U.S. (8 Peters) 591, 661-62 (1834)). The rights of creators are balanced against the public good—providing broad availability of literature, music and art—the ultimate aim of which is to stimulate artistic creativity. *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975). See *Sony Corp.*, 464 U.S. at 429 ("The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special re-

The legislation also requires the Register of Copyrights,³ in consultation with the Chair of the National Endowment for the Arts, to study the feasibility of implementing a resale royalty on the sale of works of visual art.⁴ This royalty

ward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.”). The grant of a resale royalty would affect the distribution right and the First Sale doctrine, see 17 U.S.C. §§ 106(3), 109(c), requiring amendment of the Copyright Act.

The Copyright Act's balancing of creator and user interests also provides a logical framework to analyze the viability of the resale royalty. The royalty is a hybrid of moral and economic rights. On the one hand, it is inalienable, Berne Convention for the Protection of Literary and Artistic Property, Art. 14ter(1), and based on the right of paternity, surviving the sale of a work. Yet if one equates the resale with a new exploitation of the work, it is also remunerative. See, e.g., P. Katzenberger, *The Droit de Suite in Copyright Law*, 4 Int'l. Rev. of Indus. Prop. and Copyright L. 361, 367-68 (1973). For a more detailed explanation of the moral/proprietary right debate, see note 30, *infra*.

On balance, it may be argued that European and other societies with natural law traditions, which broadly recognize a moral obligation to authors apart from the proprietary rights of copyright, are inherently more receptive to the resale royalty, despite its shortcomings.

³ To assist in the preparation of its study, the Copyright Office issued a Notice of Inquiry requesting public information. The Notice specifically sought information from “groups or individuals involved in the creation, exhibition, dissemination, and preservation of works of art, including artists, art dealers, auction houses, investment advisors, collectors of fine art, and curators of art museums.” 56 Fed. Reg. 4110 (1991). The Office received 18 comments in response to its Notice, and held two public hearings: one in San Francisco, on January 23, 1992; the other in New York, on March 6, 1992.

⁴ The legislation mandates that:

[1] [NATURE OF STUDY]—The Register of Copyrights, in consultation with the Chair of the National Endowment for the Arts, shall conduct a study on the feasibility of implementing—

[a] a requirement that, after the first sale of a work of art, a royalty on any resale of the work, consisting of a percentage of the price, be paid to the author of the work; and

[b] other possible requirements that would achieve the objective of allowing an author of a work of art to share monetarily in the enhanced value of that work.

Id., § 608(b).

The definition of a “work of visual art” in the VARA extends to paintings, drawings and sculptures in limited editions of 200 copies or fewer, and contains a parallel provision for photographs produced only for exhibition purposes. 17 U.S.C. § 101 (1976) (definition of “work of visual art”). However, because one of the principal arguments underlying application of the resale royalty to visual artists is that they lack a commercially significant reproduction right, see notes 9 and 37 *infra* and accompanying text, for purposes of this article analysis of the royalty will be limited to fine visual artists who create in either unique or limited copies, and not graphic or other artists with a significant market for reproduction. Thus, the definition in the VARA is broader than the category of works covered by the resale royalty.

would allow a fine artist to share monetarily in the enhanced value of his work through the payment at resale of a percentage of the increase in the work, or a portion of the total sales price.

The resale royalty, or *droit de suite*, which posts a continuing remunerative relationship between a visual artist and his creation, surviving the sale of the material object embodying the work, is a foreign concept born of different social and legal systems, and is antithetical to the Anglo-American tradition of free alienability of property.⁵ Additionally, since the copyright model in the United States is market-driven and rewards only successful creation,⁶ it is an inappropriate means to reallocate wealth to struggling contemporary artists. Grounded in the principles of the free-market, U.S. copyright law functions adequately if fine artists and other creators can compete effectively in the marketplace. Yet faced with deciding whether to incorporate a resale royalty into U.S. law, Congress is confronted with a paucity of economic data comparing the remuneration of fine artists with others who create in multiple copies. Lacking such data, the proponents of the resale right have not demonstrated empirically that the Copyright Act,⁷ in fact, treats fine artists less favorably than authors and composers who create numerous copies of their works. Nor have they shown that the creation of a resale royalty would promote the broad availability of works and stimulate artistic creation: the constitutional foundations of the Copyright Act.⁸ Finally, because of inherent problems with the *droit de suite* and the difficulties of integrating the right into the domestic marketplace, even were it shown that the Copyright Act

⁵ Restatement (Second) of Property 143 (1983) ("Much of modern [real] property law operates on the assumption that freedom to alienate property interests which one may own is essential to the welfare of society."). Freedom of alienation is also central to intellectual property in the Copyright Act. Although the copyright owner has exclusive distribution rights, 17 U.S.C. § 106(3), once a work is sold the new owner is free to resell or otherwise dispose of it without the authority of the creator. *Id.*, § 109. The subsequent amendments of the First Sale doctrine by the Record Rental Amendment Act of 1984, Pub. L. 98-450, 98 Stat. 1727, and the Computer Software Rental Amendments Act of 1990, Pub. L. 101-650, 104 Stat. 5089, prevent the commercial exploitation by the new owners of copies of programs and phonorecords by rental, lease or lending, but leave intact their ability to sell their purchases without encumbrances like the resale royalty owed to the program and sound recording creators. Such royalties would, thus, be a new intellectual property right, and not merely the extension of an existing one.

⁶ See *American Geophysical Union v. Texaco*, 23 USPQ 2d 1561, 1582 (S.D.N.Y. 1992) ("The copyright law celebrates the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge.") (emphasis in original).

⁷ 17 U.S.C. § 101 *et seq.* (1976).

⁸ See U.S. Const., Art. 1, Sec. 8, Cl. 8.

does discriminate against visual artists, the resale royalty is not an adequate means of rectifying the situation.

II. THE ORIGIN OF THE DROIT DE SUITE

The rights of visual artists in Europe have evolved around the recognition that artistic creations deserve special protection.⁹ Unlike authors and composers, who are able to distribute identical copies of their works, each having the same value, artists create unique or a limited number of objects. Artists are also different from other authors in that they cannot generally rely on repeated use of copies of their works. Since it has been argued that works of fine art are exploited with each sale,¹⁰ whether or not there is a profit, resale royalties rest on the desire to encourage artistic production by guaranteeing creators compensation, as with other economic rights.¹¹

⁹ L. dePierredon-Fawcett, *The Droit de Suite in Literary and Artistic Property*, 17 (1991). The protection of visual artists through *droit de suite* is fairly pervasive and extends beyond Europe. Thirty six countries and the State of California have some form of resale royalty right: Algeria, Belgium, Benin, Brazil, Burkina Faso, Cameroon, Central Africa, Chile, Congo, Costa Rica, Czechoslovakia, Ecuador, France, Germany, Guinea, Hungary, Holy See, Italy, Iraq, Ivory Coast, Laos, Luxembourg, Madagascar, Mali, Monaco, Morocco, Peru, Philippines, Portugal, Rwanda, Senegal, Spain, Tunisia, Turkey, Uruguay, and the former Yugoslavia. However, three European countries—Belgium, France and Germany—provide the most eloquent testimony of the benefits of the royalty.

¹⁰ Katzenberger, *supra* note 2, at 367-68; San Francisco Hearing, at 11-12 (statement of Professor Thomas M. Goetzl). Indeed, Professor Goetzl justifies the payment of a royalty, even if there is a loss, on the fact that the sale provides the next audience for a work. The situation is no different, he argues, than a playwright being paid a royalty by a theater company if a play flops, or an author getting to keep an advance for an unsuccessful book. *Id.* Fawcett also argues that the transfer of ownership of an original work is an exploitation of the work. Like Goetzl, she contends that the transfer allows a new group of users to enjoy the work in its most perfect expression. Fawcett, *supra* note 1, at 28.

Perhaps a more convincing argument may be made that the sale of unique works and those that can be produced in numerous copies are not analogous since the triggering event for the former is the substitution of one owner for another, rather than the distribution of another example of the original work. S. Weil, *Resale Royalties: Nobody Benefits*, ARTnews 2 (March 1978). Viewed this way, the reselling of an original is not an exploitation, since no additional work is being created.

¹¹ Fawcett, *supra* note 9, at 18-20. The *droit de suite* is most frequently justified as compensation for the commercial insignificance of the reproduction right for works of fine art. With works created in multiple copies, reproduction rights are commercially exploited by communicating copies of the work to the public. *Droit de suite*, on the other hand, rewards exploitation by direct communication of the very object. Fawcett, *supra* note 9, at 54-55. Only the original, it is believed, can provide complete artistic enjoyment; and transfer of only the

One particularly romantic argument advanced in support of the royalty maintains that the original buyer, possessing artistic taste and courage, should benefit from any increase in the value of a work of art since he gambled his money on it when it had no established market value. Yet when the subsequent purchaser is a businessman without any artistic taste who wants a good business deal by buying the article—now of recognized high value—it is fairer to give the increase to the artist or his heirs.¹²

In France, the seller pays for the privilege of having enjoyed a work of art during the time he owned it. Much like the author who receives royalties, the artist participates in the continuing exploitation of his works.¹³ Under French law, the artist shares in the total sales price of his work at resale.¹⁴ This approach, however, focusing strictly on the personality rights of the artist, accounts for neither the low profit margin on art sales, nor the seller's costs and dealer commission.¹⁵ Nor does it contemplate the inequity of permitting an artist to benefit from increases, without also having to share in the

original provides a new circle of users with this "perfect" enjoyment. Katzenberger, *supra* note 2, at 368.

However, it is more likely that because works of fine art and other works that may be created in numerous copies are not capable of being commercially exploited in the same ways, they are not economically analogous. Even assuming that a fine artist may be inspired to create additional works with the incentive of a resale royalty, expanding his body of work, by definition he will not create another example of a unique work. Works created in multiple copies, on the other hand, may be expanded by additional production. Thus, there is no justification for extending a royalty to fine art, which is different in kind and not just degree. See B. Bolch, W. Damon and C. Hinshaw, *An Economic Analysis of the California Art Royalty Statute*, 10 Conn. L. Rev. 689, 691 n.9 (1978). See also discussion, *infra* at 272-275.

¹² F. Hepp, *Royalties From Works of the Fine Arts: Origin of the Concept of Droit De Suite in Copyright Law*, 6 Bull. Copyright Soc. 91, 92-93 (1959). A shortcoming of this theory, however, is that the royalty is motive-blind, and on resale, the enlightened original purchaser is the seller who pays the royalty instead of the philistine businessman, who only pays, if at all, on his resale of the work. And the more successful the first purchaser's gamble was, the greater the royalty he will pay when he sells the work. Conversely, the businessman, savvy to investment possibilities, might retain the work long enough to offset a portion of the costs of ownership and sale.

¹³ Australian Copyright Council, Bulletin 69, 11 (1989).

¹⁴ Law of May 20, 1920, reprinted in Fawcett, *supra* note 9, at 218.

¹⁵ L. Solomon and L. Gill, *Federal and State Resale Royalty Legislation: "What Hath Art Wrought?"*, 26 U.C.L.A. L. Rev. 322, 341 (1978). One estimate is that a \$10,000 painting would require 20 percent average expense for maintenance. If the gross sales proceeds are coupled with a five percent resale royalty, the break even point for the sale would be at 133 percent of the purchase price. Weil, *supra* note 2, at 4. Thus, royalties encourage the retention of works for periods long enough to amortize the costs of ownership and sale, rather than either the transfer of ownership of the works to new audiences or the injection of new money into the contemporary art market.

risk of loss.¹⁶

The artist's royalty in Germany is premised on the belief that the increased value of a creation was always latent in it,¹⁷ and that increases in individual works are also due to the artist's continuing body of work. Thus, the increase in value in a particular work over time is what the artist should have received originally. Artists are exploited, in this view, because a work's true value is not realized until many years after its original sale, and without resale royalties the creators do not share in any appreciation. Since good art is ahead of public whim,¹⁸ artists should not be punished for their prescience.

In a free-market, however, the value of an object is what a willing buyer will pay a willing seller at a given time.¹⁹ Thus, when a young artist without a recognized market sells a work to a collector—who assumes the considerable risk that the work may decline in value—market forces dictate the price and terms of the exchange. And consistent with free-market property rights, the collector receives the interests he negotiated in the work as a *quid pro quo* for his gamble.

The intrinsic value supposition is also marked with other flaws. First, there is nothing inherent in the concept of art which furnishes artists with particular privileges. The relationship between the artist and his work is largely driven by cultural interests, and whether a work is valued, in and of itself, is a matter that varies from time to time and society to society.²⁰ Second, factors other than the continuing efforts of the artist raise the value of a work. These include the premature death of the artist, his failure to live up to earlier promise, and any reduction in supply of an artist's work or inclusion in a well-known collection, as well as inflation in the art market generally.²¹

The price of art, like other commodities, varies with supply and demand,

¹⁶ Fawcett, *supra* note 9, at 11.

¹⁷ *Id.* Cf. San Francisco Hearing, at 47 (statement of Richard Mayer, National Artists Equity Association) (worth implicit in work of art lies in artist's development over years of production, not with object sold). The intrinsic worth concept is a variation on the economic doctrine of "just price," that things have an objective, intrinsic value, in and of themselves. Bolch, Damon, and Hinshaw, *supra* note 11, at 690.

¹⁸ As one author noted:

Works of the fine arts have an economic value which varies considerably, according to the tastes of public fashion, and the evolution of artistic views. The greatest masterpieces of art have generally not been recognized at the time they were created.

Hepp, *supra* note 12, at 92. See also New York Hearing, at 161 (statement of Sanford Hirsch, Adolph & Esther Gottlieb Foundation) (fashion is key factor in art market).

¹⁹ New York Hearing, at 215 (statement of Stephen Weil, Hirshhorn Museum).

²⁰ M. Price, *Government Policy and Economic Security for Artists: The Case of the Droit de Suite*, 77 Yale L.J. 1333, 1336 n.13 (1968).

²¹ One royalty advocate, acknowledged, in fact, that if royalties are paid on the gross sales price, there is no need to adjust for inflation because the royalty will have

and the artist is only one of the many factors that impact on price.²² Third, it is an economic reality that most art depreciates in value, so a royalty based on profit will not benefit most artists.²³ As a matter of fairness, as well, it is difficult to ignore devaluation of currencies and conservation costs. Fourth, the intrinsic value concept relies on the attenuated connection between artists and subsequent and unknown sellers: eventually purchasers buy a share of the artist's fame instead of a work.²⁴ Finally, the complexity of calculations makes a royalty based on appreciation difficult to implement.²⁵

In Belgium, the contract principles of changed circumstances and unjust enrichment underlie the royalty right. Based on the continuing relationship between the artist and those who purchase his work, it is believed that a subsequent seller should not benefit unjustly from any increased value in an artist's work.²⁶ Changed circumstances and unjust enrichment presuppose that value increases are not the result of any specific activity or ability of the owner of a work who, therefore, should not benefit at the creator's expense.²⁷

The Belgian and intrinsic value theories, however, share many of the same problems. Initially, the putative enrichment is based on a contract between a willing seller and buyer that was legitimate at the time of the transaction. Then, no injury was caused when the purchaser paid the artist a modest sum to buy a work. Only later when the work increased in value—whether through the artist's additional efforts or not—did the price become insuffi-

been paid in inflated currency. Comment 14 (Volunteer Lawyers for the Arts), at 9-10.

²² New York Hearing, at 209-10 (statement of Stephen Weil, Hirshhorn Museum). Indeed, Weil maintains that even if the artist's continuing efforts *are* the principal basis for the increased value, the artist still should not be entitled to a share of the increase. If a house's sales price increases because a developer builds a golf course nearby or the architect later becomes famous, he argues, neither the developer nor the architect is entitled to a share of the proceeds. *Id.* at 210. In fairness, however, the analogy is circular, since neither the developer nor the architect possesses any societally recognized proprietary rights that would be realized on the resale of the house; the artist, on the other hand, does possess a copyright in his work, and the question that remains with resale royalties is whether the artist's proprietary rights should survive sale.

²³ Solomon and Gill, *supra* note 15, at 341.

²⁴ Fawcett, *supra* note 9, at 16.

²⁵ *Id.* at 13. See New York Hearing, at 101-02 (statement of Ted Feder, Artists' Rights Society) (experience not successful in Italy, Portugal, Uruguay, Czechoslovakia and California, where royalty applied to increase in value over preceding sale); Comment 13 (American Society of Magazine Photographers), at 8 (gross revenue calculation avoids confusion from trying to base percentage on seller's profit). *But see* New York Hearing, at 220 (statement of Stephen Weil, Hirshhorn Museum) (information necessary to calculate royalty based on appreciation must be reported for income tax purposes).

²⁶ Fawcett, *supra* note 9, at 14.

²⁷ *Id.* at 13.

cient.²⁸ For unjust enrichment to be truly equitable, the seller would be permitted to deduct the cost of resale and the expenses of ownership.²⁹

III. RESALE ROYALTIES AND THE U.S. COPYRIGHT ACT

Copyright legislation in the United States is founded in the constitutional clause, which provides that Congress shall have the power

[t]o promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.³⁰

Copyright motivates creativity, while encouraging the broad public dissemination of works.³¹ Thus, in contemplating changes to the copyright law—whether resale royalties constitute authors' rights or are more in the nature of moral rights—³² this constitutional framework serves as a logical matrix for balancing creator and user rights.

One can argue that the potential for increased remuneration is a potent

²⁸ *Id.* at 14-15.

²⁹ Collectors pay for framing, conservation, storage, time-use of capital and absorb any loss on resale. Under this scenario, it may be argued, the only plausible economic basis for a resale royalty would be if there were no ownership costs and art always increased in value. New York Hearing, at 217 (statement of Stephen Weil, Hirshhorn Museum). Moreover, contemporary art is the most difficult to sell, and in addition to all the costs of conservation and maintenance, the seller must also pay a 15-20 percent dealer commission, and capital gains tax. New York Hearing, at 256, 261-62 (statement of Gilbert Edelson, Art Dealers Association of America). For auction sales in England and the United States, transaction costs are split between the seller and buyer, 10 percent each. New York Hearing, at 260-61 (statement of Mitchell Zuckerman, Sotheby's Financial Services).

³⁰ U.S. Const., Art. 1, Sec. 8, Cl. 8.

³¹ See *Sony Corp.*, 464 U.S. at 429. This is also the purpose of the Visual Artists Rights Act of 1990. H.R. Rep. No. 101-514, 101st Cong., 2d Sess. 5 (1990).

³² Because the *droit de suite* is inalienable, Berne Convention, Article 14^{ter} (1), some have concluded that the right is more akin to a moral, than an economic, right. But there is disagreement. One theory is that a work embodies a property interest attached to its creator, and the work sold is the creation, not the art object. The resale royalty has no autonomous existence under this approach, it is merely a consequence of the moral right of paternity. Another perspective is that moral rights and economic rights coexist: the creative personality is protected by moral rights, while the creation which is the fruit of it is protected by economic rights. Fawcett, *supra* note 9, at 32. Still another view is that the resale royalty is more closely allied with the reproduction right as a pecuniary right and is, thus, part of the author's copyright. D. Schulder, *Art Proceeds Act: A Study of The Droit De Suite and a Proposed Enactment for the United States*, 61 Nw. U.L. Rev. 19, 22 (1966). See also R. Hauser, *The French Droit De Suite: The Problem of Protection for the Underprivileged Artist Under the Copyright Law*, Bull. Copyright Soc. 94, 110 (1959) (*droit de suite* is author's right because it protects artist in exploitation of his work).

incentive for further creation. But it is not clear whether the royalty is too far removed from the act of creation to be a motivating force.³³ On the other hand, the decreased prices for works of visual art in the primary market—the consequence of the later royalty payment³⁴—will not help a damaged contemporary art market. With increased sales charges, institutional collectors, such as museums, will be discouraged from taking risks on portfolios of contemporary art.³⁵ Yet the royalty cost may be absorbed like other costs associated with art transactions, without causing a ripple in the art market.³⁶

Some argue that the Copyright Act has failed to provide economic incentives for visual artists comparable with those granted to authors and composers.³⁷ Unlike other creators who can produce and market endless copies of their works, the fine artist creates only one or a very limited number of works—the very value of which lies in their uniqueness.

Authors and composers receive royalties through reproduction and performance rights for all the copies of their works that are exploited.³⁸ Visual artists, on the other hand, are paid only for the initial sale of their works and have commercially insignificant reproduction rights.³⁹ And unfortunately, they lose their most remunerative right—that of public display—once they

³³ See, e.g., Comment 15 (California Lawyers for the Arts), at 3 (royalty unlikely to either encourage or discourage creation of new works); Comment 16 (Societe des Auteurs dan les Arts Graphiques et Plastiques), at 1 (royalties have no effect because creation is independent of economic criteria).

³⁴ Bolch, Damon & Hinshaw, *supra* note 11, at 693. In addition to reducing original bid prices, the royalty also forces artists to invest in their own work, sometimes contrary to their best interests. *Id.* at 695. Moreover, except for well-established artists, who might ultimately benefit from royalties despite the initial price decrease, most artists' works do not increase substantially in value and the resale royalty will not make up for the initial deficiency. S. Weil, *supra* note 10, at 5. The worst problem facing contemporary artists, it has been argued, is the lack of a broad initial market for their works, not abuses in the resale market. What would benefit them most is an increase in the funds available to purchase art in the primary market. *Id.*

³⁵ Bolch, Damon and Hinshaw, *supra* note 11, at 695.

³⁶ See Comment 14, at 4 (participants in art market accustomed to incurring charges on sale of art, and a number of collectors are art lovers who purchase for more than economic gain).

³⁷ See, e.g., T. Goetzl and S. Sutton, *Copyright and the Visual Artist's Display Right: A New Doctrinal Analysis*, 9 Colum. J. Art & Law 15, 16 (1984).

³⁸ See 17 U.S.C. §§ 106(1), (4). In this way, authors who create in many copies maintain a continuing connection with their works. Authors' royalties, however, are subject to their market power at the time of their contract negotiations. If they are not well-established at that time, they will not have the power to exact large royalties.

³⁹ See San Francisco Hearing, at 5 (statement of Professor Thomas M. Goetzl) (reproduction not primary market for works of visual art); New York Hearing, at 179 (statement of James Rosenquist, Artist) (paid only \$3,000 in 31 year career for reproduction rights).

sell their creations.⁴⁰

However, the comparison of the relative protection and remuneration of artists and other creators is rife with subjective determinations, and it is extremely difficult to establish with any empirical certainty that the copyright treatment of fine artists is detrimental, and not just disparate. Although authors who do not create unique works are rewarded by royalties and can produce numerous copies and reap the benefits, the value of works of fine art is determined by scarcity and such works do not require the same level of demand to secure a living for an artist.⁴¹ Indeed, even though some fine art-

⁴⁰ Even though the copyright law recognizes a distinction between a work and the material object in which it is embodied, 17 U.S.C. § 202, this separation largely disappears where the work is created in only one or an extremely limited number of copies: once a collector has purchased an original painting, for example, the artist no longer possesses either the work or the object to display. Although sale of the painting does not, without an agreement, transfer copyright to the purchaser, *id.*, even if the artist has retained copyright, the First Sale doctrine effectively cuts off his public display right with unique works and allows competing displays for works created in limited copies. *Id.*, § 109(c) (owner of copy entitled to display copy publicly). Fine artists may bypass the limitations of the First Sale doctrine, by leasing or otherwise alienating works without selling them, although as a practical matter, purchasers would want ownership of paintings, sculptures and other works of fine art that they acquire.

The sculpture "Third World America," at issue in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), provides ample illustration of the difficulty in separating work and embodiment in a unique work of art. On the District of Columbia Circuit's remand to the district court to determine whether there was joint authorship of the sculpture, 846 F.2d at 1499, the lower court explained how a Consent Judgment had been reached confirming CCNV's exclusive ownership of the sculpture, Reid's exclusive ownership of the copyright for three-dimensional reproductions, and joint ownership of the copyright for two-dimensional reproductions. *Community for Creative Non-Violence v. Reid*, Civ. Action No. 86-1507 (TPJ) 1 (D.D.C. 1991). However, even though the parties had agreed to these terms, CCNV, which possessed the sculpture, refused access to Reid so he could not capitalize on his three-dimensional reproduction rights. *Id.* at 1-2. The organization, in fact, went so far as to assert that if Reid wanted to use his reproduction rights, he would have to re-sculpt the work. *Id.* at 2. This, Reid argued, was impossible without making a master mold, from which three-dimensional replicas could be cast. *Id.* In a Solomonian gesture, the court concluded that Reid had an easement of necessity, permitting him to make a master mold of the sculpture, but requiring him to return the sculpture promptly to CCNV. *Id.* at 3.

⁴¹ Weil, *supra* note 10, at 2. The copyright law provides statutory recognition of proprietary rights in intellectual property, but it also reflects the economic realities of how works are exploited in the market. Given a painter or sculptor, and an author or composer of comparable stature, the former will receive greater remuneration for each original or limited edition painting or sculpture than he sells than will the latter for each book or sound recording sold. Authors and composers must therefore sell more copies of their works than paint-

ists cannot fully exploit their reproduction rights, it may be argued nevertheless that the marketplace favors these artists.⁴² Additionally, successful artists—and those are really the only ones that copyright⁴³ and *droit de suite*⁴⁴ reward—secure ever increasing prices as their reputations grow and they sell successive works.⁴⁵ In this way, in fact, they continue to maintain a connection with their body of work, even after sale,⁴⁶ undercutting another primary argument supporting the resale royalty.

Most importantly, the sale of works subject to continuing royalties and works of fine art are not analogous. First, the former are sold in thousands of copies to large groups of customers, and until the last copy is sold, the author, entitled to remuneration for all copies, does not know the total revenue from the work; works of fine arts, on the other hand, are sold to one or a limited number of customers and the creator can control the distribution of his works and has all, or virtually all, this information at the time of sale.⁴⁷ Second, the triggering event for the resale royalty is the substitution of one owner for another, rather than the distribution of another example of the original work, as is the case with works created in many copies.⁴⁸ A more apt point of comparison perhaps would be the resale of a first-edition book, for which authors typically are not paid a royalty.⁴⁹

The essence of the resale royalty is the disparity between the initial sales

ers and sculptors to receive equal remuneration. Thus, the copyright law favors the exploitation of works of unique or limited copies.

⁴² See *id.* Authors also receive their royalties over time, while artists get a lump sum that can be invested and receive interest. Price, *supra* note 20, at 1346. Moreover, having more recognizable objects to manipulate, artists are favored under the tax code, since they are better able to arrange expenses and charitable deductions to minimize income taxes. *Id.* at 1347.

⁴³ See *American Geophysical Union*, 23 USPQ 2d at 1582 (“The copyright law celebrates the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge.”) (emphasis in original).

⁴⁴ New York Hearing, at 201-02 (statement of John Koegel, Committee on Art Law of the Association of the Bar of the City of New York) (resale royalties, like copyright, reward only successful creativity).

⁴⁵ Solomon and Gill, *supra* note 15, at 331; Comment 11 (Art Dealers Association of America), at 11. For a comparison between artist social security, which provides financial assistance to young creators generally, and *droit de suite*, which by its terms is a personal right of each artist and benefits only successful creators, see Katzenberger, *supra* note 2, at 370-71.

⁴⁶ Australian Copyright Council, *supra* note 13, at 11.

⁴⁷ Comment 11 (ADAA), at 7-8.

⁴⁸ Weil, *supra* note 10, at 2.

⁴⁹ See New York Hearing, at 24-25 (statement of Stefan Andersson, Swedish Galleries Association) (authors are not paid for resale of first edition books). However, the Berne Convention contemplates that writers and composers will receive resale royalties for original manuscripts, Article 14*ter* (1), although it is not clear whether French law, for example, extends the *droit de suite* to literary

price and the price for which a work is later sold.⁵⁰ This concept fits easily within the European natural law systems that recognize a continuing relationship between an artist and his work, even after sale.⁵¹ Consistent with this view, possession of art is not like owning a widget: even after a work is sold it remains under the influence of its creator.⁵² The United States, however, follows the more traditional view of property rights—that the purchaser of an item for a freely negotiated price is the absolute owner—and is less receptive generally to restraints on free alienability.⁵³ Indeed, the lack of alienability in the *droit de suite* is the most substantial restriction of the owner's rights: the transferee may receive and assign any or all of the author's exclusive rights that he has acquired in a work, but he is barred from obtaining the resale royalty.⁵⁴

The royalty also raises significant privacy concerns because artists would need to obtain certain information about sales prices and ownership that sellers, purchasers and other owners may not want to disclose.⁵⁵

or musical manuscripts. Comment 10 (Societe des Auteurs des Arts Visuels), at 6.

⁵⁰ P. Sherman, *Incorporation of the Droit de Suite into United States Copyright Law*, 18 Copyright L. Symp. (ASCAP) 51 (1968).

⁵¹ However, even under French property and contract law, for example, the alienation of chattel without any reservation results in a complete and total divestment of all the seller's interests. Thus, if an artist sold a work without reserving any rights, but for moral rights, he would be stripped of any claims to it. Through moral rights, however, a creator may control and even suppress the use of his product, even though he no longer owns it. This principle is in complete derogation of the concept of exclusive ownership, and, in fact, in France, exclusive and total ownership of intellectual property, other than by the creator, is impossible. Hauser, *supra* note 32, at 103.

⁵² See Fawcett, *supra* note 9, at 16-17. Although, at least one artist implicitly conceded, in the context of arguing that artists should not have to share any loss if they receive the benefit of the resale royalty, that art is like stock or an automobile and that purchasers should not expect to be reimbursed for depreciation in value. New York Hearing, at 76-77 (statement of Hans Haacke, Artist). The analogy is inappropriate, however, since an art owner possesses his work subject to an encumbrance, yet the stock or automobile owner has no such encumbrance. In any event, it is difficult to have it both ways: once one enters the stream of commerce and desires the benefits of the marketplace, it is disingenuous to argue that art is a commodity for purposes of remuneration, but something different to insulate the artist from risk of loss.

⁵³ See note 5 *supra* and accompanying text.

⁵⁴ See Berne Convention, Article 14*ter*(1); see generally Fawcett, *supra* note 1, at 34.

⁵⁵ New York Hearing, at 198 (statement of John Koegel, Art Law Committee of the New York City Bar). In France, privacy is either not a concern or the tradition of *droit de suite* is so ingrained in the social and legal fabric of life that it outweighs the interests of sellers and purchasers. There, by agreement, auction houses send sales catalogues to the collection societies, ADAGP or SPADEM, before each sale. After a sale, the houses send statements to the collecting society with sales prices, amounts of resale royalties and other information.

IV. INHERENT PROBLEMS OF THE DROIT DE SUITE

Even assuming that fine artists do have a more difficult time than other creators exploiting their works under the Copyright Act, it is not clear that resale royalties are the best means by which to level the playing field. Although the point is not without strong disagreement, it has been argued, for example, that the presence of royalties has had an adverse effect on the art markets in California and France.⁵⁶

The *droit de suite* also depends on frequent resale, making the right valueless unless art changes hands within the term of the royalty.⁵⁷ And since artists benefit more from frequent resales than larger appreciation of individual works that do not sell as often, the royalty reflects velocity of turnover rather than market-based recognition of value.⁵⁸ Moreover, most artists, not having a resale market,⁵⁹ will suffer as purchasers pay less in the primary

After resolution of administrative commissions and costs, the collecting society pays its members. The payment is accompanied by a statement containing, among other information, the name of the work involved, the name of the auction house, the place of the sale, the sales price and the applicable resale royalty. New York Hearing at 40 (statement of Jean-Marc Gutton, Societe des Auteurs dans les Art Graphiques et Plastiques).

However, privacy is a concern apparently in Germany, where a one percent charge on contemporary art has largely replaced the resale royalty. Collection of the *droit de suite*, as in France, is handled by an agreement between art trade organizations and an artists' rights licensing and collection organization—in Germany, Bild-Kunst. The agreement covers both resale royalties and contributions to Social Security. Under the agreement, dealers and auctioneers pay one percent of sales of twentieth century art to Bild-Kunst, which distributes the revenue to artists for proceeds rights. Half of the money goes to the artists' social security fund; the other half is distributed to artists who claim the *droit de suite*. Report of the Register of Copyrights, *Droit De Suite: The Artist's Resale Royalty*, 44-45 (1992).

⁵⁶ Comment 11 (ADAA), at 13-14. The president of the ADAA also maintains that England, not having as strong an economy as France—but also lacking the resale royalty—has a healthy art market. *Id.* at 14. *But see* Comment 15 (CLA), at 4 (California art market thriving despite royalty); Comment 14 (VLA), at 5 (French art market has thrived). *Cf.* Comment 16 (ADAGP), at 1 (auction houses in countries without a royalty—England, Switzerland and the Netherlands—do not have higher turnover than France or Germany, where right exists).

⁵⁷ The German collection society, Bild-Kunst, acknowledges, in fact, that it is doubtful that the royalty will help most living artists, since their works will not be resold during their lives. Comment 17 (Bild-Kunst), at 1. The difficulty in resale is particularly acute for art that is easily reproducible, ephemeral or of monumental scale. Price, *supra* note 20, at 1341-42. *But see* Katzenberger, *supra* note 2, at 371-72 (inapplicability of *droit de suite* in certain circumstances does not invalidate the right since it is only one of several exploitation rights which in totality protect the author).

⁵⁸ See New York Hearing, at 220 (statement of Stephen Weil, Hirshhorn Museum).

⁵⁹ A 1980 survey conducted by Tom Camp—according to Stanford Law Professor

market, factoring in the future royalty.⁶⁰ The right is administered best when applied to public sales, like auctions, and most works are not sold in this manner.⁶¹ When the right is applied to dealer and private sales, it is difficult to administer and the costs may outweigh the benefits of the system.⁶² Finally, galleries spend equal amounts promoting their artists, experienced or not. But the works of young artists are not profitable and need to be subsidized by more successful, established artists. For smaller galleries particularly, the resale royalty could reduce the number of exhibitions of inexperienced artists.⁶³

It is imperative, as well, to identify the wrong that resale royalties would right. As a matter of policy, does Congress want to help struggling artists or provide an economic right that, like copyright⁶⁴ rewards only commercially successful creators and frequent resellers? There is a considerable body of literature concluding that the royalty favors artists who are already established and does not aid the plight of those without a market for their works.⁶⁵

John H. Merryman the only empirical study of the resale market for artists—concluded that out of 200,000 living American professional artists, there were only 150 with any resale market. San Francisco Hearing, at 33 (statement of Professor John H. Merryman). Today, the figures have approximately doubled: 300 out of about 400,000 artists. *Id.* Cf. New York Hearing, at 229 (statement of Gilbert Edelson, ADAA) (only two percent of living artists ever have a secondary market). And there is some indication that the price of most resales will be at the lower end of the continuum. During the 1990-91 season at Sotheby's and Christies, for example, only 219 living American artists met the threshold standard for resale, of works valued at \$10,000.00 or more. New York Hearing, at 213 (statement of Stephen Weil, Hirshhorn Museum).

⁶⁰ See San Francisco Hearing, at 31 (statement of Professor John H. Merryman).

⁶¹ Australian Copyright Council, *supra* note 13, at 14. See New York Hearing, at 163 (statement of Sanford Hirsch, Gottlieb Foundation) (auctions are market of last resort); *Id.* at 234 (statement of Gilbert Edelson, ADAA) (more than 90% of sales of works of living artists are private rather than auction sales).

⁶² *Id.* at 13. See Comment 4 (Sotheby's Holdings), at 5 (costs and administrative burdens of collection in West Germany greatly exceeded revenues collected). Similarly, although more artists would benefit if the threshold value triggering the resale royalty were lowered, the difficulty in administering the right would increase proportionately with the larger number of artists whose rights needed to be processed.

⁶³ Comment 11 (ADAA), at 7. See San Francisco Hearing, at 31-32 (statement of Professor John H. Merryman) (dealers will be forced to have fewer shows of unrecognized artists and limit purchases and resales to works of famous artists).

⁶⁴ See *American Geophysical Union*, 23 USPQ 2d at 1582 ("The copyright law celebrates the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge.") (emphasis in original).

⁶⁵ See, e.g., Fawcett, *supra* note 9, at 144; New York Hearing, at 198 (statement of John Koegel, Art Law Committee of the City of New York); Weil, *supra* note 10, at 5; Bolch, Damon and Hinshaw, *supra* note 11, at 692, 695. Cf. T. Camp,

Thus, if Congress wants to provide an additional source of income for successful visual artists with frequent resales, royalties will help. On the other hand, royalties are an inappropriate mechanism to reallocate wealth to struggling artists.

Moreover, are the benefits of the royalty worth the concomitant costs: for example, does Congress want to make inherent value judgments about why people should buy art—whether for consumption or investment—and reward the true connoisseur who does not contemplate reselling his work?⁶⁶ The resale royalty also encourages the creation of particular types of art.⁶⁷ To be truly effective the *droit de suite* must be an incentive to produce works that are resold frequently:⁶⁸ easel paintings and traditional sculpture, for example, where conception is embodied in a single object.⁶⁹ Finally, does Congress want to eliminate, or even qualify, the First Sale doctrine, and abandon well-settled principles of free alienability in Anglo-American property jurisprudence?⁷⁰

V. ECONOMIC PROBLEMS WITH THE RESELL ROYALTY

Regardless of whether the resale royalty is based on the entire sales price or merely the increase in value of the art work, there are consequences to the

Art Resale Rights and the Art Resale Market: An Empirical Study, 28 Bull. Copyright Soc. 146, 158-59 (1980) (resale right would have deleterious effect on purchasers for whom price is important factor).

⁶⁶ People buy art as either a pure consumption good, to enjoy the nonmonetary benefits from ownership with no resale foreseen; or at least partly for investment. Bolch, Damon and Hinshaw, *supra* note 11, at 690. Yet contemporary art is a bad financial investment. Unlike stock, which has tax deductible losses and costs of ownership, and a sales commission of only one percent, the costs of selling a piece of art are often 15 to 25 percent of the purchase price, plus the intermediate costs of insurance, conservation and shipping—none of which are deductible. The disparity is particularly great where royalties are calculated based on gross proceeds, since tax is keyed to profit alone. Weil, *supra* note 10, at 4. As an additional cost of sale, the resale royalty is another factor encouraging the retention of works and discouraging purchase for investment. See New York Hearing, at 28 (statement of Stefan Andersson, Swedish Galleries Association) (resale royalty is "punishment" for not holding on to works). Contrary to one of the constitutional purposes of copyright, royalties would thus inhibit the dissemination of artworks. See U.S. Const., Art. 1, Sec. 8, Cl. 8.

⁶⁷ Price, *supra* note 20, at 1338.

⁶⁸ *Id.* at 1338 n.15.

⁶⁹ *Id.* at 1339 n.16.

⁷⁰ See note 5 *supra* and accompanying text. See also New York Hearing, at 7 (statement of Jean-Marc Gutton, ADAGP) (contrasting resale royalty with notion of copyright as pecuniary right over commercial product for which artist retains no right); Schulder, *supra* note 32, at 28 (describing concept of purchaser having to share ownership with another as inconsistent with American property law).

integration of the royalty into the domestic free-market system. For example, if the royalty encumbers future sales and depresses the art market, to the extent that works of visual art can be substituted readily by another commodity, patterns of demand will be altered, and prices and sales volume will be reduced.⁷¹

Moreover, the commercial insignificance of the fine artist's reproduction right is one of the main economic arguments justifying the resale royalty, it is not clear that artists are using all available media to exploit their works—posters, cards, prints, shirts, rugs, art books⁷²—media in which they can benefit from the exploitation of numerous copies, in addition to the unique or limited copies of their original work.⁷³ And if fine artists are not using their full economic potential, should society subsidize them?

Finally, even though almost all works of living artists decline in value, purchasers may not deduct these losses on their taxes, even though any profit is fully taxable.⁷⁴ Seen in these terms, the royalty is a deterrent to and not an incentive for the collection of modern art, and the money for administration of the right may come from collectors who would otherwise have used their funds to acquire art.⁷⁵

A. The "Starving" Artist

Society's perceptions of the role of artists and their economic status is also crucial to assimilation of the royalty. The notion of starving artists being exploited by wealthy, savvy investors may not do justice to reality. Rather, it might be that, as Monroe Price argued forcefully a quarter of a century ago, the concept of *droit de suite* is based on romantic nostalgia:

The *droit de suite* springs from a nostalgic recollection of the late nineteenth century. It is a case, not unusual, of legislation passed to correct a situation that no longer exists with the intensity that provoked reform.⁷⁶

⁷¹ Comment 11 (ADAA), at 4.

⁷² For example, visual artists earn approximately \$6,000.00 for a full color advertising illustration, *Graphic Artists Guild Handbook Pricing & Ethical Guidelines* 51 (6th ed. 1987); more than \$10,000.00 for a final poster illustration used in a major film advertisement, *id.* at 55, \$3,000.00 for a large corporation's employee magazine or company publication, *id.* at 59, \$24,000.00 to \$30,000.00 for twelve illustrations for a corporate calendar, *id.*, \$3,500.00 for a wrap-around paperback book cover illustration, *id.* at 61, and \$3,000.00 to more than \$5,000.00 for a sound recording cover illustration. *Id.* at 70.

⁷³ The purported commercial insignificance of the artist's reproduction right is also undercut by the popularity of drawings, studies and versions of works. Price, *supra* note 20, at 1340.

⁷⁴ New York Hearing, at 229 (statement of Gilbert Edelson, ADAA).

⁷⁵ *Id.* at 231-32 (statement of Gilbert Edelson, ADAA).

⁷⁶ Price, *supra* note 20, at 1335.

Significantly, Price warned that the starving artist perception can have perverse effects as the basis for public policy, if the government concentrates on the perceived inequity of the lag time between artistic creation and market acceptance, and *droit de suite* becomes society's penance.⁷⁷

The 1980 Census data, even though it is 12 years old, still provides the most complete information about the annual earnings of artists as a group.⁷⁸ According to that data, artists earn no less than other workers of similar training and personal characteristics.⁷⁹ In any event, some individuals are attracted to high-risk careers in the arts, like participants in a lottery, for the possibility of an eventual large payoff or the significant nonmonetary rewards of creation, and are willing to sacrifice consumer goods for other advantages.⁸⁰ For example, artists work a substantially lower average number of hours,⁸¹ have more rapid earnings growth than other workers,⁸² and, over the age of 40, earn more than nonartists.⁸³ Moreover, artists have higher job satisfaction than other workers: fewer of them leave their professions than do workers in other occupations.⁸⁴ Finally, those visual artists potentially eligible for a resale royalty have lower unemployment rates than the general civilian labor force.⁸⁵

Since artists enter their profession and the free-market voluntarily, it may be argued that they are not exploited when they enter into a transaction with a wealthy buyer.⁸⁶ The artist is faced with a choice of whether to sell his work today, or to hold the art as an investment for a certain time period. A sale will take place if the artist has a greater present need for consumption than the buyer. Although both the artist and the buyer agree on the future price of a work, they differ in their preference for present relative to future consumption.⁸⁷

⁷⁷ *Id.* at 1336.

⁷⁸ H. Horowitz, *Status of Artists in the U.S.A., A Background Paper for the European Symposium on the Status of Artists*, 10 (1992). Detailed occupational information about artists from the 1990 Census will not be published until later in 1993. *Id.* at 2.

⁷⁹ R. Filer, *The "Starving Artist"—Myth or Reality? Earnings of Artists in the United States*, 94 *J. of Pol. Econ.* 56 (1986). *But see* New York Hearing at 169-70 (statement of George Koch, National Artists Equity) (artists work less in their chosen professions than do accountants, for example, and make less money).

⁸⁰ Filer, *supra* note 79, at 57.

⁸¹ *Id.* at 61.

⁸² *Id.* at 72.

⁸³ *Id.* at 63.

⁸⁴ *Id.* at 59.

⁸⁵ In 1991, for example, the unemployment rate for the latter was approximately 6.7%, while visual artists suffered only 4% unemployment. Horowitz, *supra* note 69, at 7.

⁸⁶ Bolch, Damon and Hinshaw, *supra* note 11, at 693.

⁸⁷ *Id.* at 692-93. As a practical matter, however, an artist needs money for food and

In any event, to support the argument that the Copyright Act discriminates against fine artists in the economic exploitation of their works, a more appropriate comparison would be the relative remuneration of unique and limited copy creators to authors who create in many copies, rather than a comparison of the salaries of fine artists to the general population. However, despite the implicit argument that the Act favors the exploitation of copyrightable works through reproduction and performance, the little economic data that exists comparing the respective remuneration of the two groups of creators indicates that visual artists earn more annually than musicians and composers, and only slightly less than authors.⁸⁸ Moreover, employment projections by the Bureau of Labor Statistics to the year 2005 estimate faster than average growth for visual artists, with only average growth for writers and below average growth for musicians and composers.⁸⁹

CONCLUSION

The natural law concept of resale royalties is the product of European-influenced moral rights, a system that focuses principally on the personality rights of creators. This perspective views art as a metaphysical concept instead of a market commodity, and ignores the realities of low profit margins, expenses of ownership and sale, and the inequity of sharing profit without risking loss. Although the United States recognizes moral rights as an ancillary system to copyright protection, limiting the uses that purchasers can

shelter, as well as the costs associated with the preparation of his work, and may not have any choice about selling his work for present consumption. See San Francisco Hearing, at 48 (statement of Eleanor Dickinson, Artists Equity Association) (producing art is very expensive and present income is needed to continue production); New York Hearing, at 161-62 (statement of Sanford Hirsch, Gottlieb Foundation) (artists bear cost of development and many of dealer's overhead costs for crating, transportation, framing and advertising). But Willem de Kooning's perspective—that collectors who benefitted from increases in the value of de Kooning's works helped him to continue painting by paying for art materials, food and rent—is probably a more realistic appraisal of the choice of entering the art profession. See New York Hearing, at 237-38 (statement of Gilbert Edelson, ADAA).

⁸⁸ Based on 1979 annual earnings from the 1980 Census data, visual artists earned \$13,286.00 per year, compared to \$12,339.00 for musicians and composers and \$13,899.00 for authors. Horowitz, *supra* note 69, at 10. Data collected by the Current Population Survey conducted monthly by the Bureau of Census on behalf of the Department of Labor shows that although annual salaries are not available for authors and composers, visual artists currently earn about \$23,400.00 per year. See *id.* at 9.

Although these figures may not be limited to compensable copyright exploitations, they are helpful as a benchmark for comparison of creator compensation. They demonstrate that visual artists are compensated favorably compared with other authors. It has not been established, in any event, that the contrary is true.

⁸⁹ *Id.* at 13.

make of acquired works, U.S. law does not extend the remunerative relationship between creator and progeny beyond the sale of copyrighted works. Such an approach is antithetical to copyright's free-market origins, as well as the fundamental tenet of free alienability in American property law. The two approaches are irreconcilable and pose a clash in cultures.

Thus, although the development of innovative fine art is an important fulcrum in the advancement of culture in the United States, funding this necessary goal would be served best by an infusion of capital either directly to financially needy artists or into the primary art market generally, instead of the creation of a new right based on the possibility of resale, which might trickle down benefits eventually from secondary and later markets.

U.S. copyright protection rewards market success, and is not an engine for redistributing wealth. Proponents of the resale royalty have not demonstrated empirically that the Copyright Act provides other than a level playing field for fine artists and other creators to exploit their works in the marketplace. As a threshold matter, more detailed economic study is needed of the respective compensable exploitations of fine artists and other authors to show that the Act favors the marketing of works through reproduction and performance.

Royalty advocates have also not effectively shown that the creation of a new encumbrance attached to the distribution right would further the constitutional purposes of encouraging creation and promoting the dissemination of fine art. Rather, there is indication that the possibility of a royalty from the resale of a work is too tentative to spur creation. Adding the burden of the royalty to the already thin profit margins of art sales and the expenses of ownership might also encourage the retention instead of the dissemination of works, and limit the availability of capital to invest in new works.

The U.S. Constitution requires the balancing of creator and user interests, and copyright is a strictly statutory concept, reflecting the economic realities of the marketplace. While legal systems that contemplate only the interests of creators may provide a ready fit for the concept of resale royalties, the approach does not assimilate well within the domestic economic and legal systems. So, even if further economic study discloses the need for financial support of fine artists as a group, the inherent problems of the *droit de suite* make it an unacceptable candidate for the job.

RESALE ROYALTIES FOR ARTISTS: AN ANALYSIS OF THE REGISTER OF COPYRIGHTS' REPORT

By SHIRA PERLMUTTER*

INTRODUCTION

In 1920, the French legislature adopted a revolutionary new law for the benefit of artists. The law granted artists a *droit de suite*¹—the right to be paid a percentage of the sales price whenever an original work of art was resold.² The rationale behind this right was that artists did not benefit from copyright law as did other authors, since their works were seldom reproduced and sold in copies.³ In contrast, dealers were able to make a substantial profit when they bought art works at low prices from undiscovered artists and resold them after the artists had become well-known.⁴ By granting the artist a *droit de suite*, the legislature ensured that the artist would share in any profit made by others from the resale of his or her work.

Since the pioneering statute of 1920, approximately thirty countries have followed France's lead, adopting some form of *droit de suite* in their laws.⁵ Nor is the concept unknown in the United States; while no such right has ever been provided by federal law, the State of California enacted its own version in 1976.⁶

On an international level, *droit de suite* has been recognized as an important right. The leading multilateral copyright convention, the Berne Conven-

*Assistant Professor, Columbus School of Law, The Catholic University of America. Copyright © 1993 by Shira Perlmutter. This article was originally published in the Columbia-VLA Journal of Law & the Arts.

¹ Literally, the term means a "right of following."

² Law of May 20, 1920, 1920 B.L.D. 236, 20 Duv. & Boc. 539, Imposing on Public Sales of Artworks a Right Inuring to the Benefit of Artists, reprinted in LILIANE DE PIERREDON-FAWCETT, THE DROIT DE SUITE IN LITERARY AND ARTISTIC PROPERTY 218 (1991) (hereinafter DE PIERREDON-FAWCETT). Not every sale, however, triggered an obligation to pay the artist; the law was limited in application to sales at public auction. Law of May 20, 1920, *supra*, art. 1. In 1957, it was extended to apply to sales made through dealers. Law of March 11, 1957, Title II, art. 42, reprinted in DE PIERREDON-FAWCETT, *supra*, at 225.

³ See DE PIERREDON-FAWCETT, *supra* note 2, at 1-2.

⁴ *Id.*

⁵ See *id.* at 6, n.31 (listing 28 countries); SAM RICKETSON, THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS: 1886-1986 410-11 (1987) (hereinafter RICKETSON (same)); U.S. COPYRIGHT OFFICE, *Droit de Suite: THE ARTIST'S RESALE ROYALTY* 8 (1992) (identifying thirty-six countries) (hereinafter REPORT).

⁶ CAL. CIV. CODE § 986 (West Supp. 1993).

tion for the Protection of Literary and Artistic Works, since 1948 has included on an optional basis the principle of *droit de suite* for artists and other authors in original works of art and original manuscripts.⁷ Recent developments have brought the issue back into the spotlight: the European Community is currently considering whether to propose a Directive to harmonize the *droit de suite* laws of individual member states.⁸

The United States joined the Berne Convention on March 1, 1989.⁹ Inspired by the moral rights provisions of Article 6bis of Berne, Congress enacted the Visual Artists Rights Act of 1990 ("VARA") to provide new rights of attribution and integrity to the creators of works of the visual arts.¹⁰ As originally drafted, the VARA also contained provisions establishing a resale royalty for artists.¹¹ Because the royalty provisions proved controversial, they were deleted from the final bill. Congress did not, however, abandon the idea of *droit de suite* legislation. Rather, it postponed its consideration, requiring the Register of Copyrights to conduct a study examining the feasibil-

⁷ See art. 14ter, Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, completed at Paris, May 4, 1896; revised in 1908, 1914, 1928, 1948, 1967 and most recently in Paris on July 24, 1971, S. TREATY DOC. No. 27, 99th Cong., 2d Sess. 37 (1986), 3 Copyright Laws and Treaties of the World (BNA), Multilateral Conventions, Berne Copyright Union: Item H-1, at 1. If granted by a member country, the right to a royalty may be claimed there only if the author's country has also adopted the *droit de suite*. *Id.* ¶ (2). For an analysis of the scope of reciprocity provided for by Berne, see generally RICKETSON, *supra* note 5, at 417-21.

The other major international convention, the Universal Copyright Convention ("U.C.C."), Sept. 6, 1952, 6 U.S.T. 2731, does not contain any recognition of the *droit de suite*. This omission is not surprising, as the U.C.C. was drafted in the 1950s to be compatible with contemporaneous U.S. law.

The Model Law of Tunis, written as a model copyright statute for the use of developing countries, also provides for a *droit de suite*. See Model Law of Tunis, art. 4bis, reprinted in DE PIERREDON-FAWCETT, *supra* note 2, at 201.

⁸ See DE PIERREDON-FAWCETT, *supra* note 2, at 259; REPORT, *supra* note 5, at 55-58.

⁹ Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (1988).

¹⁰ Visual Artists Rights Act of 1990, Pub. L. No. 101-650, Title VI, 104 Stat. 5089 (1990).

¹¹ This was not the first attempt to incorporate a resale royalty right into federal law. Proposals dating back to the 1960s culminated in a *droit de suite* bill introduced in Congress in 1978, which was unsuccessful. H.R. 11403, 95th Cong., 2d Sess. (1978). The Visual Artists Rights Act itself had its roots in earlier bills introduced in the 1980s, which included a resale royalty right. S. 2796, 99th Cong., 2d Sess. (1986) and H.R. 5722, 99th Cong., 2d Sess. (1986); S. 1619, 100th Cong., 1st Sess. (1987) and H.R. 3221, 100th Cong., 1st Sess. (1987).

ity of implementing a resale royalty system in this country.¹²

On December 1, 1992, the Register of Copyrights delivered his report to Congress.¹³ His recommendation was conditionally negative. The Report does not squarely oppose resale royalties, but declines to endorse them based on the current record. After considering written comments, testimony at two hearings held in San Francisco and New York, and the experiences of jurisdictions with *droit de suite* legislation, the Copyright Office was "not persuaded" that there is sufficient justification as a matter of economics or copyright policy to warrant adopting the *droit de suite* in the United States.¹⁴

This conclusion was based primarily on a theoretical analysis of the impact of current law on the visual artist and an assessment of the likely effect of resale royalties on artists and the U.S. art market generally. The Copyright Office stressed that it had insufficient up-to-date empirical data on the relative income received by artists from the sale of their works as compared to other types of authors, and on the characteristics of the art resale market. Even if it were determined that artists are treated less favorably than other authors under the copyright laws, the Office expressed the view that resale royalties might not be the best remedy, and suggested a number of alternatives.

Despite the negative recommendation, the door was left open. The Report indicates that a different conclusion might be in order if the European Community takes steps to harmonize its members' treatment of *droit de suite*. Finally, in the event that Congress decides to adopt a resale royalty system, the Copyright Office drew from the variety of features of existing systems to propose a suitable model.

This article analyzes the Report's approach to the evidence presented and its treatment of the arguments on both sides. The article also examines the alternatives to a *droit de suite* system suggested in the Report and evaluates the proposed model.

DISCUSSION

The Report is structured as follows: After an executive summary of the Report's contents, Parts I and II describe the history and treatment of *droit de suite* both abroad and in the United States. Part III summarizes the written comments submitted to the Copyright Office and the testimony presented at hearings held by the Office in San Francisco and New York.¹⁵ Part IV

¹² Visual Artists Rights Act of 1990, *supra* note 10, § 608(b) (codified at 17 U.S.C. § 106A note (Supp. 1992)).

¹³ REPORT, *supra* note 5.

¹⁴ *Id.* at 149.

¹⁵ These comments and the transcripts of the hearings are reproduced in full (although without various written submissions referred to in the hearing testimony) in a separately bound Appendix to the Report (hereinafter Appendix). Part I of the Appendix consists of the comment letters; Part II is the transcript of the San Francisco hearing; Part III is the transcript of the New York hear-

discusses the arguments for and against the resale royalty, and how the concept might be incorporated into existing U.S. law. The Office's conclusions and recommendations are set forth in Part V.

It is obvious that considerable effort and thought were devoted to the preparation of the Report. The research involved was extensive, ranging from scholarly articles to legal and factual data from countries around the world. Interested parties were given ample opportunity to present their views. Nevertheless, the Report has a number of critical shortcomings, which call into question the validity of the Office's conclusions. These shortcomings relate to both methodology and substance.

I. METHODOLOGY

Although the Copyright Office's conclusions do not communicate a firm opposition to the concept of *droit de suite*, the Report as a whole conveys the distinct impression that this is its unarticulated view. This view often seems to influence the Office's treatment of the facts and arguments presented.

Most significantly, the Report exhibits a disturbing approach toward evaluating the merits of proposed new rights under copyright. While advocates of a new right properly bear the burden of persuasion that the benefits of the right will outweigh any negative effects, the standard imposed here is remarkably high. The Report demands empirical evidence of a degree not heretofore required, and perhaps not possible to obtain.

In addition, the Report's interpretation of the evidence is not even-handed. The Report displays a pattern of evaluating the relative merits of arguments in the abstract, without comparing the data available to back them up. As a result, actual evidence of positive experience with the resale royalty is weighted less heavily than theoretical arguments against its adoption. The Office appears to accept readily the arguments of opponents of the royalty, while subjecting proponents' arguments to stringent analysis, and to resolve doubts in favor of the former.

Stylistically too, a negative tone prevails. Even factual portions of the Report, such as summaries of comments and testimony, are colored by the choice of words and manner of presentation. Well before reaching the Office's conclusions, the outcome seems predetermined.

For example, the Report states that while most of those submitting comments or testimony supported resale royalties, a "vocal minority" opposed them.¹⁶ Not emphasized, however, is the fact that sides were drawn along obvious lines. Virtually every witness or commentator opposing royalties was in the business of buying, selling, or otherwise using works of art, or repre-

ing. For excerpts from the New York hearing, see *Copyright Office Hearings on the Droit de Suite*, 16 COLUM.-VLA J.L. & ARTS 185 (1992).

¹⁶ REPORT, *supra* note 5, at 99.

sented those in such businesses.¹⁷ Those commentators who were individual artists, artists' associations, and organizations of lawyers representing artists uniformly supported the concept.¹⁸ The Report does not explain why the opponents, representing approximately one quarter of the commentators, were judged to be any more "vocal" than the supporters.

II. SUBSTANCE

A. *The Case for the Droit de Suite Examined*

The Report recognizes the arguments in favor of a *droit de suite*, and sets them forth succinctly. These arguments can be broken down into five major points: (1) the visual arts are fundamentally different from other types of works of authorship, and are exploited in different ways; (2) in part as a result

¹⁷ Negative comments came from art dealers (the Art Dealers Association of America, Inc. and the Swedish Galleries Association); an auction house (Sotheby's Holdings, Inc.); museum officials (Stephen Weil, Deputy Director of the Hirshhorn Museum and Sculpture Garden, and the Smithsonian Institution, submitting articles by Mr. Weil); an organization of companies in the publishing, communications, broadcasting, advertising and recording fields (the Committee for America's Copyright Community); practicing lawyers (the New York Patent, Trademark and Copyright Law Association and the Committee on Art Law of the Association of the Bar of the City of New York); a law professor (John Henry Merryman of Stanford University); and an individual of unidentified affiliation (Walter Baumann).

One art dealer who testified at the New York hearing broke ranks to support the resale royalties proposal. John Weber expressed some surprise at his colleagues' resistance to what he felt was "a very just and deserving situation." Appendix, *supra* note 15, Part III, at 74.

¹⁸ The artists who testified or submitted comments were Yanick Lapuh, Richard Mayer (sculptor and Vice President of National Artists Equity), Eleanor Dickinson, Jerome Carlin, Ruth Asawa, Hans Haacke, James Rosenquist, and Sanford Hirsch (artist and Executive Director of the Adolph & Esther Gottlieb Foundation). The artists' organizations were the National Artists Equity Association, the New York Artists Equity Association, Inc., the Artists Rights Society, Inc., the American Society of Magazine Photographers, the Visual Artists and Galleries Association, and the San Francisco Arts Democratic Club. (In addition, several European artists' societies testified as to the functioning of the resale royalties systems in their respective countries.) The lawyers supporting royalties were Lawyers for the Creative Arts, Volunteer Lawyers for the Arts, California Lawyers for the Arts, Jack Davis, Richard A. Covell, and Professor Thomas M. Goetzel of Golden Gate University School of Law.

Although the artists' testimony at the hearings and in written comments was unanimous in favor of resale royalties, not every American artist agrees. The Visual Artists and Galleries Association, which as an entity supports resale royalties, reported that a minority of its members took a contrary view. (The National Artists Equity Association suggested that the only artists opposing royalties were "a handful" organized by art dealers. See Appendix, *supra* note 15, Part I, at 28.)

of this difference, U.S. copyright law has always had a discriminatory impact on visual artists, which should be remedied as a matter of fairness; (3) both equity and copyright policy demand that artists be compensated when their works are exploited just as other authors are; (4) a resale royalty would be consistent with the purpose of copyright by serving as an incentive for further creation by artists; and (5) artists should be able to maintain a continuing relationship with their works, which typically exist only as single originals in someone else's possession.

1. *Manner of Exploitation*

No one disputes that works of the visual arts are exploited differently than other copyrighted works. Unlike other works, their value lies in the uniqueness of the original¹⁹ physical embodiment, the painting or sculpture itself. Rarely are artworks reproduced and sold in multiple copies—the chief method of exploitation for literary works.²⁰ Despite the consensus on this basic distinction, there is sharp disagreement on what the consequences are or should be.

2. *Discriminatory Impact of Copyright Law*

The cornerstone of the case for *droit de suite* is a recognition of the disadvantageous position of visual artists under copyright law. The Report acknowledges the limited nature of the artist's rights under current law, but gives little historical perspective.²¹ The problem, however, is longstanding and pervasive.

American copyright law has never provided satisfactory protection for works of the fine arts.²² Indeed, for most of the first century of copyright in this country, works of fine art were not included within the subject matter protected by the federal copyright act.

Even after these works were brought within the coverage of statutory

¹⁹ The word "original" is used here in its art-world meaning, rather than its copyright meaning. It refers to the first embodiment of the intangible work of art in material form, produced by the artist herself through the application of paint to canvas or, chisel to stone.

²⁰ In the language of economic theory, original works of visual art, unlike literary works, are not "public goods." Their enjoyment by one member of the public precludes their equal enjoyment by others.

²¹ REPORT, *supra* note 5, at 126-27.

²² Both before and after the effective date of the 1976 Copyright Act, commentators criticized the law's unsatisfactory treatment of fine artists. See, e.g., Donald M. Millinger, *Copyright and the Fine Artist*, 48 G.W. L. REV. 354 (1980); Jacqueline Fabe, *The Fine Artist's Right to the Reproductions of His Original Work*, 23 ASCAP COPYRIGHT L. SYMP. 81 (1977); Daniel Brenner, *A Two-Phase Approach to Copyrighting the Fine Arts*, 24 BULL. COPYRIGHT SOC. 85 (1976).

copyright in 1870,²³ the rights granted by the law had little value to their creators. Why? The original model for copyright was books. American copyright law, derived from the first general copyright statute, England's Statute of Anne,²⁴ began by giving authors the right to prevent others from selling copies of their books. From these roots sprang a focus on the exclusive right to make and sell copies as the chief feature of the author's property—hence the word "copyright." And yet, as discussed above, this right has little value for the typical fine artist. Because there is unlikely to be a market for copies²⁵ of her work, financial success depends instead on the price she can obtain from the sale of a single original.

As the subject matter of copyright expanded over time, so did the list of the author's exclusive rights. Even under current law, however, copyright brings little return to the artist. A long-standing principle of copyright law known as the 'first sale doctrine' helps to ensure this result. Under the first sale doctrine, once the original of the work is sold, the artist is deprived of control over its subsequent disposal by the purchaser.²⁶ It is for this reason that she obtains no benefit from resales.

The 1976 Act did add a right that could be of real value to the artist, as it directly addresses the typical manner of exploitation of a work of art: the right to display the work publicly.²⁷ Unfortunately, Congress took away with one hand what it had granted with the other, by bringing this right too within the first sale doctrine, extinguishing it for most purposes upon the sale of the physical embodiment of the work.²⁸ The purchaser thus has the right to exhibit the work in a museum or gallery without the artist's consent or the payment of compensation.²⁹

For many years, to the extent that the reproduction right conferred by copyright might prove valuable to the artist, the law was written and interpreted in such a way that the right could easily be lost through inadvertence. Until as recently as 1989, copyright protection was conditioned upon compliance with formalities, erecting roadblocks few artists had the wherewithal to hurdle. The most critical of these formalities was the notice requirement. Publication without proper notice of copyright could throw the work irre-

²³ See Act of July 8, 1870, 41st Cong., 2d Sess., 16 Stat. 198 (1870).

²⁴ 8 Anne c.19 (1710).

²⁵ The word "copies" is used in this article in its non-technical sense, to refer only to subsequent copies of the original physical embodiment of the work, not including that embodiment itself. Cf. definition of "copies" in the Copyright Act, 17 U.S.C. § 101 (1988), as "includ[ing] the material object . . . in which the work is first fixed."

²⁶ *Id.* § 109(a).

²⁷ *Id.* § 106(5).

²⁸ *Id.* § 109(c).

²⁹ The artist also has the right to create derivative works, *id.* § 106(2), but it is rare for this right to be exercised on a commercial scale.

trievably into the public domain.³⁰ This rule was a trap for the legally unsophisticated. Few artists were aware of the notice requirement, or understood that the sale of an original might qualify as a triggering "publication." Even if aware, many were loath to disfigure their work by affixing a legal notice in a prominent position.³¹

Even if an artist had successfully navigated the shoals of publication and notice, if she had obtained a federal copyright before 1978, additional formalities posed serious obstacles to maintaining the copyright. If the initial twenty-eight-year term of copyright expired without an application being filed for the renewal term, the work fell into the public domain—losing a full half of the term of protection potentially available to the copyright owner (and even more than half after 1977).³²

It is true that many of these difficulties have been removed or significantly ameliorated by recent changes in the law.³³ Unfortunately, during the lengthy era of copyright formalities, many artists forfeited irretrievably any claim to copyright protection for their works. These artists today have no possibility of securing an ongoing return from creations that would otherwise still enjoy copyright protection.

Most opponents of resale royalties acknowledge the relative disadvantage of the visual artist under copyright law, but argue that a resale royalty right is not a desirable remedy. One leading opponent goes further, taking the counterintuitive position that any negative impact of the copyright law on artists is outweighed by the benefits they receive from their method of exploiting their work. According to Stephen Weil, visual artists are actually favored over other creators by the copyright law, because they do not need the same level of demand to secure a reasonable financial return for their work. The work's value is determined by its scarcity, and only one willing purchaser is necessary for the artist to realize that value. With books, on the other hand, many people must buy copies before the author receives a comparable

³⁰ See, e.g., *Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189 (2d Cir. 1985).

³¹ See Timothy M. Sheehan, *Why Don't Fine Artists Use Statutory Copyright?—An Empirical & Legal Survey*, 22 BULL. COPYRIGHT SOC. 242, 255-61 (1975).

Inadvertent forfeiture was much less likely with other types of copyrighted works, since copyrights in other works were more commonly owned or administered by business entities like publishing, recording or motion picture companies. This difference was exacerbated by the fact that the line between published and unpublished was less clear for artworks than other works.

³² See 17 U.S.C. § 24 (1909) (repealed 1978); 17 U.S.C. § 304 (1988). Again, unlike literary works, no publisher stood by to ensure that the copyright was registered and the renewal term secured.

³³ See, e.g., Berne Convention Implementation Act of 1988, *supra* note 9 (eliminating notice requirement for publications after March 1, 1989); Automatic Renewal Act, Pub. L. No. 102-307, 106 Stat. 264 (1992) (eliminating need to file application for renewal term).

recompense.³⁴

Weil's argument is accepted by the Office without close examination.³⁵ The Report states unequivocally that "from a purely economic perspective, the copyright protection extended to fine artists is more favorable, or at least equal to, that given to authors and composers."³⁶ Yet the argument has several fundamental flaws. Chief among them is the failure to account for the fact that works as well as authors often become more popular over time. When works are sold in multiple copies, that increased popularity is reflected in increased sales, and correspondingly greater income to the author. When a work is sold as a single original, the benefit from its increased popularity is enjoyed by its owner upon any resale, to the exclusion of the artist. Although it may be true that whatever price is paid for a work of art is by definition its "real worth," it is only its real worth *as of that moment*.³⁷ Value is not static, and scarcity cannot make a work valuable until there is demand for the work that exceeds its availability—a point in time that may well be subsequent to the initial sale.

There are other flaws in the argument that copyright law favors the visual artist. For one thing, it makes no sense to say that copyright law favors those who sell only a single original rather than multiple copies. Artists are not exercising copyright rights when they sell paintings. Even if artists could be shown to be better off economically than other authors, their relative success would be a function of their ownership of the physical original, rather than their ownership of copyright. It is no thanks to copyright law that they might benefit from scarcity; the fact remains that copyright law has effectively discriminated against them in many respects for centuries. Mr. Weil's

³⁴ Stephen E. Weil, *Resale Royalties: Nobody Benefits*, ARTNEWS, Mar. 1978 at 58, reprinted in Appendix, *supra* note 15, Part I, at 4. Given the realities of the publishing and recording industries, some authors are less dependent on a large audience than Mr. Weil suggests. Authors typically receive an advance against royalties from the publisher or record company—an amount that may provide reasonable recompense even before a wide audience is found, and is often not returned if such an audience never materializes. See generally, *The "Satisfactory Manuscript Clause" in Book Publishing Contracts: A Roundtable Discussion*, 16 COLUM.-VLA J.L. & ARTS 285 (1992). It is thus the publisher or record company who in some respects is the author's most important audience.

³⁵ See REPORT, *supra* note 5, at 131, n.26; 143.

³⁶ *Id.* at 131, n.25.

³⁷ Cf. the "intrinsic value" justification for *droit de suite* discussed in REPORT, *supra* note 5, at 135-38, which is based on the proposition that the intrinsic value of a work of art is not recognized at the time of first sale, either because it is too *avant-garde*, or because its value subsequently increases due to the artist's continuing work. This justification, often identified as the German theory of *droit de suite* (see, e.g., *id.* at 135, 146; DE PIERREDON-FAWCETT, *supra* note 2, at 15), is not a major argument put forward by proponents of a resale royalty in this country.

point would be better phrased as an argument that artists have less need than other authors for meaningful copyright protection.

Whether rephrased or not, the argument does not convince. The seller of a scarce one-of-a-kind product will only do better than the seller of unlimited copies if one compares the markets at a fixed point in time. While artists may receive their full reward for creation sooner than other authors, there is no reason to believe they will receive more in absolute dollars. Rather, it is more likely that the time value of the artist's money up front will be matched, if not outweighed, by the author's opportunity to participate in an unlimited future market.

Nor is the hypothesis backed by available fact. The Report cites no empirical proof that artists make more from the sales of their works than do other authors. Mr. Weil asserts this to be the case, stating that artists are "consistently better compensated for their creative effort than their peers in the other arts."³⁸ As evidence, he compares artists such as Pablo Picasso, Andy Warhol, Marc Chagall and Henry Moore, on the one hand, to composers such as Igor Stravinsky, Béla Bartók and Benjamin Britten, and writers Thomas Mann, Vladimir Nabokov and W.H. Auden, on the other. Even apart from the fact that these superstars of the art world were among the few artists able to profit from their reproduction right under copyright, it is far from clear that the comparisons are apt. While the composers and writers Weil cites may be superstars in intellectual and academic circles, their works have not entered popular American culture. What, one wonders, are the incomes of Harold Robbins, James Michener, or Jackie Collins, with their multi-million-dollar paperback and subsidiary rights sales? Would not a more fitting analogy to Andy Warhol be Madonna or Michael Jackson, rather than Stravinsky or Bartók?

3. *Compensation for Exploitation*

Copyright's methodology is to compensate authors not when their works are created, but when they are exploited by others. For works that are exploited through sale in copies, or through rental, public performance or display, the copyright owner typically shares in the return when each additional member of the public participates in the exploitation. Proponents of *droit de suite* argue that such a system will allow artists, whose works are exploited primarily through sale of the original physical embodiment, to share similarly in the proceeds derived when another member of the public enjoys the work.

³⁸ Stephen E. Weil, *Resale Royalties: Nobody Benefits*, *supra* note 34, at 58. See also Mr. Weil's testimony in Appendix, *supra* note 15, Part III, at 215-16: "[T]he successful visual artist would, when measured in economic terms, appear to have been enormously successful There is no evidence that serious creative artists who are compensated through royalties have done nearly so well as have successful visual artists."

The response to this argument noted in the Report is that a resale of the original is not analogous to exploitation through the sale of copies. With the former, one owner is substituted for another; the latter involves the creation of another copy and the addition of another owner. Accordingly, because neither the scope of production nor the size of the audience has changed, it is argued that the resale of art is not the type of exploitation that warrants recompense.³⁹ The Copyright Office appears to accept this argument, stating:

While the event of resale is a convenient touchstone for triggering payment to the artist, it is not clear that it is actually a new exploitation of the work. A more apt comparison between books and sculptures would be the resale of a first-edition book, for which authors are typically not paid a royalty.⁴⁰

It cannot be gainsaid that the manners of exploitation of fine art and of works sold in multiple copies are not analogous. If they were, artists would be adequately compensated by traditional copyright law and would have no need for resale royalties. But it is not enough merely to point out differences. The question is whether the differences militate against providing some comparable compensation to artists.

On this issue, too, the proponents seem to have the better of the argument. Copyright is meant to provide an incentive to create the intangible work, not to manufacture numerous copies or to market the work in such a way that many people can enjoy it simultaneously. As a matter of first copyright principles, then, there is no reason why fine artists should not be given a comparable incentive for creation.

In addition, the copyright law already provides for profits to be made in ways other than the sale of copies. A play will make a profit if many people come to see it, despite the fact that additional copies are not made for their enjoyment. A computer program may be licensed and used by a single person at a time, rather than sold in copies. Performers in a concert may play a work from memory without using any copies, yet the entire audience will buy tickets for the pleasure of hearing it.

Perhaps the closest analogy to a resale royalty is the payment of an admission fee for an exclusive performance or display before an audience of one. Because another member of the public is enjoying the work for a fee, it is an appropriate moment to compensate the creator. While it is true that authors do not receive a royalty from the sale of their manuscripts or first editions, they do, unlike most artists, receive royalties from the sale of copies. The

³⁹ See Report, *supra* note 5, at 125, nn.2 & 3 (citing the Weil article, *supra* note 34, and Ben W. Bolch, William Damon & C. Elton Hinshaw, *An Economic Analysis of the California Art Royalty Statute*, 10 CONN. L. REV. 689 (1978)).

⁴⁰ REPORT, *supra* note 5, at 144.

point is to find a feasible way to remedy this inequity, not a perfectly analogous way.

4. *Incentive for Creation*

The most critical issue is whether a resale royalty right will further the constitutional goal of copyright by serving as an incentive for creation. If so, it is at least justifiable as copyright legislation, whether or not advisable or ideal. On this issue, the Office does not take a definitive stand. The starting point is the basic assumption behind all copyright that increased remuneration for the creator leads to more creation. The Report points out, however, several arguments why this assumption may not be justified for resale royalties.⁴¹

First, it is suggested that the royalty, coming years after the initial sale of the work, may be too far removed from the act of creation to affect motivation. Perhaps the incentive is greater if immediate, but surely awareness of a right to future profits is of value too. Moreover, the passage of time has not been thought to destroy incentive in other contexts, such as the renewal reversion or the termination right.⁴² If the ability to recapture rights thirty-five years down the line is a sufficient incentive under the Constitution, so too should be the ability to share in profits whenever a resale occurs.

Several witnesses and commentators posited that a resale royalty is not necessary as an incentive because artists create for reasons other than money.⁴³ Noting a number of witnesses who felt otherwise,⁴⁴ the Report properly does not give much weight to this testimony. After all, writers and composers may also create for non-financial reasons; this has never been viewed as a disqualification for the benefits of copyright. The law does not look to personal motive, but instead operates on the assumption that making the act of creation financially advantageous will overall, in the long run, lead to increased creation.

The main argument that the royalty will not add incentive is that it will effectively decrease rather than increase the return to artists. First, it is asserted that artists will receive a lower return on each of their works because prices in the primary market will fall in anticipation of the royalty to be paid upon resale.⁴⁵ On this issue, the Report quotes testimony by Stephen Weil and Professor John H. Merryman, both longtime opponents of the *droit de suite*, to the effect that artists may end up suffering because the implementation of the royalty will depress primary market prices.⁴⁶ As the only factual

⁴¹ *Id.* at 128-29, 142.

⁴² See 17 U.S.C. §§ 203, 304 (1988).

⁴³ See REPORT, *supra* note 5, at 100 and n.13, 128 and n.14.

⁴⁴ *Id.* at 99-100, nn.9 & 11.

⁴⁵ See *id.* at 142.

⁴⁶ *Id.* at 103.

basis for these predictions, the Report cites Mr. Weil's reliance on a 1978 study, which it describes as having "found" that resale royalties depressed prices in the primary market and that "most artists never made up the initial loss."⁴⁷ Contrary to the Report's description, the study does not provide evidence of the actual effect of royalties on the primary market, but simply sets forth the authors' own speculation based on economic theory.⁴⁸

Such speculation, whether or not supportable in theory, is given more weight in the Report than reports of actual experience. For example, John Weber, an art dealer who has imposed a resale royalty contractually in representing certain artists over a period of almost twenty years, testified that the royalty provision is not a factor in price negotiations, and has not led to less money being paid by the buyer.⁴⁹ As to the foreign experience, the President of Artists Rights Society, an organization representing the interests in the United States of several major European artists' rights groups, testified that the predicted depression of the primary market has not been known to happen in any country that has the *droit de suite*.⁵⁰ Yet the Report confidently describes decreased prices in the primary market as "the consequence of the later royalty payment," as though this were established fact.⁵¹

Another version of the decreased return argument focuses on the effect on the art market as a whole, and its corresponding impact on artists' total income. The argument is that a resale royalty will harm the primary markets for contemporary art in the United States, diverting investment to other jurisdictions without a royalty, or to other forms of investment, either older art or non-art.⁵² The Copyright Office seems to accept this possibility as likely, despite reporting "strong disagreement" as to whether such harm has occurred in either California or France.⁵³ The Report notes the dispute over whether

⁴⁷ *Id.* at 103, n.29. The study referred to is the article by Ben W. Bolch, William Damon & C. Elton Hinshaw, *An Economic Analysis of the California Art Royalty Statute*, *supra* note 39, which is cited frequently in the Report.

⁴⁸ Mr. Weil himself described the article as concluding that "the introduction of the royalty could be anticipated to depress prices generally in the primary market." Appendix, *supra* note 15, Part III, at 223 (emphasis added).

⁴⁹ *Id.*, Part III, at 79-80.

⁵⁰ *Id.*, Part III, at 99.

⁵¹ REPORT, *supra* note 5, at 128. See also *id.* at p.x ("[T]here is evidence that resale royalties will depress prices for works in the primary market, possibly chilling rather than stimulating the incentive to create").

⁵² Such a diversion would hurt all American art suppliers, artists and dealers alike. It is therefore also the basis of an independent argument against *droit de suite*: that the harm to the market as a whole may outweigh the benefit to individual artists.

⁵³ See REPORT, *supra* note 5, at 132. The Office concludes:

Regardless of whether the resale royalty is based on the entire sale price or merely the increase in value of the art work, there are consequences to the integration of the royalty into the free market system. Some argue that the

the California resale royalty was a major factor in Sotheby's decision to stop selling contemporary art in Los Angeles,⁵⁴ but declines to draw conclusions as to the situation abroad, citing "mixed reports" about the markets in other countries.⁵⁵ It is true that the reports are mixed. But each side is not equally persuasive. On the one hand, there is statistical evidence from the European collecting societies indicating that art sales have not been diverted from countries with a *droit de suite*.⁵⁶ On the other, there are unsupported assertions of competitive harm to the market by auctioneers and dealers.⁵⁷

royalty encumbers future sales and depresses the art market. And to the extent that works of visual art can be substituted readily by another commodity, patterns of demand are altered and prices and sales volume are reduced.

Id. at 139 (citing only comment letter submitted by Art Dealers Association of America).

⁵⁴ *Id.* at 106, n.38.

⁵⁵ *Id.* at 107.

⁵⁶ The Société des Auteurs des Arts Visuels ("SPADEM"), a French artists' society, stated in its comment letter that the *droit de suite* "does not serve as an impediment to either [French artists'] artistic career[s] or the art market." Appendix, *supra* note 15, Part I, at 47. The Société des auteurs dans les arts graphique et plastique ("ADAGP"), the other artists' collecting society, concurred in this judgment, stating:

The marketplace for works of art subject to such a requirement is not much affected. The most important auction houses in United Kingdom, Switzerland or the Netherlands, where this law does not exist, do not obtain a turnover very much higher in this field than France or Germany. The art market in France which has thrived over the last few years has never been adversely affected by this law (tripled value of auction sales). The main point is that a marketplace should be a centre of creation which is the case of France and especially Paris.

Id., Part I, at 189. ADAGP pointed out that the amounts it had collected for *droit de suite* payments increased from \$2,350,000 in 1988 to \$9,400,000 in 1990. *Id.*, Part I, at 191. See also more detailed testimony and comparative sales figures presented by Jean-Marc Gutton of ADAGP at the New York hearing. *Id.*, Part III, at 11-13.

In response to a questionnaire on *droit de suite* in the European Community, EVA stated: "Experience with the introduction of *droit de suite* in individual Member States confirms that art trade stays in its traditional locations and environments. As far as we know, neither Germany nor Denmark nor Spain have seen displacements of any importance." *Id.*, Part I, at 196.

⁵⁷ See Letter from Gerard Champain, President, Chambre nationale des Commissaires Priseurs, to Ralph Oman, Register of Copyrights (September 30, 1992), quoted in REPORT, *supra* note 5, at 29; *id.* at 132, n.31 (contrasting statements in comment letter of Art Dealers Association of America with those of other commentators); testimony of Mitchell Zuckerman, President of Sotheby's Financial Services Inc., Appendix, *supra* note 15, Part III, at 242-44. On this point, too, the Report cites the speculative predictions of Stephen Weil and the Bolch, Damon and Hinshaw article. REPORT, *supra* note 5, at 28, n.106.

This state of affairs is not surprising, as most art markets are essentially local in character.⁵⁸ And to the extent that art buyers have been able to avoid the California royalty by purchasing art in Nevada, a federal statute would prevent such domestic forum-shopping. Moving from one state to another is considerably easier than moving to Europe.

The validity of the diversion scenario depends on the assumption that art is purchased solely or primarily for its investment value. But many collectors buy art for aesthetic reasons.⁵⁹ Moreover, art is not fungible; the work of one artist does not have the same aesthetic or investment value as that of another. The market for older works in particular has its own limiting factors: a collector is unlikely to buy a Renoir simply because he wishes to avoid a three percent royalty on the work of a young American painter.

Apart from the question of their inherent plausibility, the negative arguments regarding the economic effects of a *droit de suite* are inconsistent. If the royalty is too remote and contingent to mean anything financially to artists, it is hard to understand how it will mean anything financially to collectors. If the royalty decreases initial prices sufficiently to make it valueless to artists, then collectors will not bear an increased risk. By saving money on the initial purchase, they will defray any royalty to be paid upon resale. In other words, collectors only lose if artists gain. Opponents of resale royalties cannot have it both ways; either a royalty will help the artist and hurt the collector, or it will do neither.⁶⁰

The most likely outcome is one mentioned in the Report, that royalty payments will be absorbed by the art market without significant effect.⁶¹ After all, the market has successfully absorbed dealer commissions and auction fees that dwarf the rates being considered for resale royalties.⁶² While of

⁵⁸ See testimony of Stefan Andersson, President of the Swedish Galleries Association, Appendix, *supra* note 15, Part III, at 57. The market may be different in the rarified world of the large auction houses. See testimony of Mitchell Zuckerman, President of Sotheby's Financial Services, Inc. *id.*, Part III, at 243.

⁵⁹ See Tom R. Camp, *Art Resale Rights and the Art Resale Market: An Empirical Study*, 28 BULL. COPYRIGHT SOC. 146, 158 (1980); testimony of Eleanor Dickinson, Appendix, *supra* note 15, Part II, at 51: "Most people buy art because it's prettier than stock on their wall."

⁶⁰ The vociferous objections of auction houses and dealers strongly suggest a perception that the royalty system will in fact benefit the artist to their detriment.

⁶¹ REPORT, *supra* note 5, at 142. A number of witnesses shared this view. See comments and testimony cited *id.* at 102, nn.20-23; comment letter of painter Yanick Lapuh, Appendix, *supra* note 15, Part I, at 2; comment letter of Professor Thomas M. Goetzl, *id.*, Part I, at 185-86.

⁶² See testimony of Art Dealers Association of America, Inc., Appendix, *supra* note 15, Part III, at 256-58 (dealers' commission set at 33-50% on initial sales and 5-20% on resales); testimony of Sotheby's Financial Services Inc., *id.*, Part III, at 260-61 (auction house charges standard commission of 10% to seller and 10% to buyer); testimony of Eleanor Dickinson, *id.*, Part II, at 51.

course at some point costs can become high enough to have a real impact, no explanation has been given as to why this particular, relatively minor cost should be the straw that breaks the camel's back. Indeed, one study cited in the Report indicates that prices for art are relatively elastic, and that dealers and collectors may simply be able to charge more for many works on resale.⁶³

5. *The Artist's Ongoing Relationship with Her Work*

The final point in the case for the *droit de suite* is the proposition that the artist should be able to maintain a continuing relationship with her work, rather than severing the bond entirely once the original physical embodiment is sold.⁶⁴ There is merit, it is said, in the artist knowing who has possession of the original and when it changes hands, as well as in having a stake in what happens to it.

Certainly this type of ongoing contact is desirable from the artist's point of view, from both a psychological and a financial perspective. To the extent the benefit is psychological, it may legitimately be questioned whether copyright is an appropriate mechanism for securing it. This type of benefit can be seen as an aspect, or an outgrowth, of a moral right—the right of paternity.⁶⁵ To the extent the benefit is financial, it is simply one form of monetary incentive for creation, albeit an unorthodox one in our legal system.⁶⁶

⁶³ Tom R. Camp, *Art Resale Rights and the Art Resale Market: An Empirical Study*, *supra* note 59, at 158-61, concluding that art buyers are not highly sensitive to price, and that a five percent resale royalty probably would not prevent many sales, just those that were marginal. Only one passage from this section of the Camp study is noted in the Report, stating that the "resale right would have [a] deleterious effect for purchasers for which price is [an] important factor." REPORT, *supra* note 5, at 133, n.38. See also Neil F. Siegel, *The Resale Royalty Provisions of the Visual Artists Rights Act: Their History and Theory*, 93 DICK. L. REV. 1, 12 (1988) (concluding that market effects of resale royalty are likely minimal).

⁶⁴ In the words of Richard Mayer, a California sculptor and Vice President of National Artists Equity Association, the combination of a resale royalty and a right to prevent mutilation of a work gives artists a "legal umbilical" cord to their works after they are sold. Appendix, *supra* note 15, Part II, at 42-3.

⁶⁵ Although the United States is required as a member of the Berne Convention to provide for moral rights for authors, existing moral rights in this country are considerably more restricted than those in France and other parts of Europe. The right of paternity in the U.S. clearly has never included the right to track the location of a work and share in the proceeds from its resale.

⁶⁶ This is not to say it is unprecedented. At least one court has permitted an artist to maintain an ongoing relationship with the physical original of his work after its initial sale, for the purpose of exercising the traditional copyright economic rights of reproduction and distribution. See *Community for Creative Non-Violence v. Reid*, Copyright L. Rep. (CCH) ¶ 26,860 (D.D.C. 1991) (awarding sculptor a forty-day "limited possessory right" to sculpture owned by commissioning party, "in the nature of an implied easement of necessity," in order to allow the making of a master mold).

The Copyright Office, however, finds the entire concept inconsistent with our traditional system of property rights. It questions whether Congress wants to "abandon well-settled principles of free alienability in Anglo-American property jurisprudence."⁶⁷ This question overlooks an equally well-settled pattern of paternalism toward authors embodied in Anglo-American copyright jurisprudence. Copyright law already restrains free alienability in a number of respects: renewal rights revert automatically despite an absolute grant by the copyright owner;⁶⁸ prior grants can be terminated after certain periods of time;⁶⁹ the owner of a work of visual art is prohibited from modifying the work in a manner injurious to the artist's reputation;⁷⁰ the owner of a lawfully purchased computer program or phonorecord cannot rent it for money.⁷¹ There is ample precedent for statutory encumbrances on a purchaser's property rights—and a small royalty has a moderate impact compared to renewal reversion or termination rights.

The Report also adopts the argument that a connection to each particular work may not be necessary for the artist, since she maintains a connection to her entire body of work even after the initial sales.⁷² When the artist's earlier work is resold at a higher price, the argument goes, her reputation is enhanced and her subsequent works will sell for more. This position is epitomized by the remark that collector Robert Scull, far from harming artist Robert Rauschenberg when he sold one of Rauschenberg's paintings for more than eighty-five times the price he had paid for it, benefited him by making him a millionaire—because the market value of all of his extant and subsequent works immediately increased significantly.⁷³

⁶⁷ REPORT, *supra* note 5, at 134.

⁶⁸ See *Stewart v. Abend*, 495 U.S. 207 (1990).

⁶⁹ 17 U.S.C. §§ 203, 304 (1988).

⁷⁰ *Id.* § 106A (Supp. 1992).

⁷¹ *Id.* § 109(b).

⁷² REPORT, *supra* note 5, at 131.

⁷³ See testimony of R. Frederick Woolworth in opposition to H.R. 3221, 100th Cong., 1st Sess. (1987), submitted with comment letter from Art Dealers Association of America, Inc., Appendix, *supra* note 15, Part I, at 77.

Of course Rauschenberg had also greatly benefited Scull. While many factors combine to cause an increase in value, surely a major factor for most works is the artist's contribution through the further development of his talent through the years. In the words of Richard Mayer, sculptor and Vice President of National Artists Equity Association:

What if Rauschenberg had stopped painting in 1960 [two years after Scull's initial purchase]? Is it likely that Skull [sic] could have realized a profit of \$84,100 by selling *Thaw* 13 years later? No, not very likely.

It was Rauschenberg's commitment to productivity and growing excellence over the 13-year period that drove up *Thaw's* value. *Thaw's* value in 1973 was a function of Rauschenberg's history as an artist.

Id., Part II, at 47.

The problem with this argument is that it goes too far. Of course artists benefit when their works rise in price on the resale market, even if they see no part of the profit. But the same could be said of every author: when one work does well, an author's reputation and ability to sell the next work increase. Yet copyright law has never limited the author's reward for the success of one work to its impact on the sales of the next. In the words of Professor Thomas M. Goetzl,

Why should artists be the only socialists in this capitalist society? If they are successful, why shouldn't they get richer just like anyone else? Imagine calling up Irving Berlin after having broadcast an hour-long concert of his music, and telling him he should be grateful for the exposure. Now he'll sell more sheet music and records, and, after all, he has all the money a centenarian could possibly need. No, it is *his* music and he is entitled to be paid for the broadcasting of his music. And so too, why shouldn't a collector be required to pay the artist a royalty for the ongoing enjoyment of his work (the very existence of a secondary market in which to sell the work)?⁷⁴

B. Additional Arguments Against the *Droit de Suite*

In addressing the suitability of the *droit de suite* as a solution to any disadvantage artists may suffer under copyright law, the Report raises a number of arguments in addition to those discussed above.

1. Artists Are Not in Need of Financial Help

In deciding whether a *droit de suite* is needed to remedy inequities in the copyright law, it might be appropriate to compare the relative wealth of visual artists and other authors.⁷⁵ If all creators of copyrightable works are equally penurious, perhaps no special treatment is in order for artists. The level of artists' incomes in itself, however, has little bearing on the issue. Yet the Report goes out of its way to discount the financial need of the artist, disputing the "myth" of the starving artist.⁷⁶

In language as damaging to the cause of artists generally as it is unnecessary, the Report states:

⁷⁴ Thomas M. Goetzl, *In Support of the Resale Royalty*, 7 CARDOZO ARTS & ENT. L.J. 227, 259, reproduced in part in *id.*, Part II, 175-87, at 186.

⁷⁵ This is one of the main issues as to which the Report concludes there is insufficient empirical evidence. See REPORT, *supra* note 5, at vii.

⁷⁶ See *id.* at 140. But see statistics offered by Mr. Weil showing that "the overwhelming majority of American artists earn extraordinarily little from their calling." Appendix, *supra* note 15, Part II, at 212-13. Several artists testified to the difficulty of making a living from art. See, e.g., comment letter of Yanick Lapuh, *id.*, Part I, at 2.

The notion of starving artists being exploited by wealthy, savvy investors does not do justice to reality. Rather, it *might* be that . . . *droit de suite* is based on romantic nostalgia. . . .⁷⁷

No explanation is given as to why this notion is no longer accurate.⁷⁸ Nor is it relevant to the serious arguments made by proponents of the *droit de suite*, which are based on equity and economics rather than sentimental images of the artist.

Inconsistently, the Report goes on to suggest both that artists are not low-paid, and that they voluntarily choose to be low-paid:

Some convincing arguments were made that artists earn no less than other workers of similar training and personal characteristics. Like participants in a lottery, some individuals are attracted to high-risk careers in the arts for the possibility of an eventual large payoff or the significant nonmonetary rewards of creation, and are willing to sacrifice consumer goods for other advantages.⁷⁹

⁷⁷ REPORT, *supra* note 5, at 140 (emphasis added).

⁷⁸ The Report does cite on this point the well-known article by Monroe E. Price, *Government Policy and Economic Security for Artists: The Case of the Droit de Suite*, 77 YALE L.J. 1333, 1335 (1968), which stated that the artist's stereotypical plight "no longer exist[ed] with the intensity that provoked [*droit de suite*] reform."

Since writing this article, Professor Price has apparently modified his views, advising the Governor of California on that state's resale royalty bill before it was signed into law. As reported by George Clack, *Artists' Rights*, THE CULTURAL POST, Mar./Apr. 1977 at 11, Professor Price explained:

Let's say my thinking on the subject has been enriched. There are a couple of things different from the time when the article was written. First, economic benefits and royalty rights haven't come through contracts in the marketplace [as proposed in his article]. . . . Symbolically, it is important for artists to organize, determine their priorities, and get a law through. You have to make political judgments about what can be passed and if you can't get things like larger subsidies for artists, then you take whatever steps in that direction you can.

See also Lewis D. Solomon & Linda V. Gill, *Federal and State Resale Royalty Legislation: "What Hath Art Wrought?"* 26 U.C.L.A. REV. 322, 355-57 (1978) (concluding that the bases for Professor Price's opposition to resale royalties are no longer valid).

⁷⁹ REPORT, *supra* note 5, at 140-41 (footnotes omitted). The "convincing arguments" referred to are derived from a single article, Randall K. Filer, *The "Starving Artist"—Myth or Reality? Earnings of Artists in the United States*, 94 J. OF POL. ECON. 56 (1986). REPORT, *supra* note 5, at 140, n.67. Testimony to the contrary by the Vice President of National Artists Equity, Appendix, *supra* note 15, Part III, at 169-70, Volunteer Lawyers for the Arts, *id.*, Part III, at 135-36, and the Executive Director of the Adolph & Esther Gottlieb Foundation, *id.*, Part III, at 160, was apparently found to be less convincing, as it is either not mentioned, or mentioned only as a "however" in a footnote. *Id.*

This overly rosy picture of the artist's life is further exemplified by a refusal to acknowledge the inherently unequal bargaining power between artist and buyer. The Report explains, as if it were objective fact, that artists are not exploited by buyers, as they have a choice of selling today or holding the work as an investment until it appreciates in price.⁸⁰ While a footnote acknowledges testimony of artists at both hearings to the effect that this choice may be illusory because artists have too great an immediate need for money to pay for the necessities of life as well as materials for further creation,⁸¹ the same footnote concludes without explanation that testimony by the Art Dealers Association that collectors who profit from the artist's work are indirectly covering these costs is "a more realistic appraisal of the choice of entering the art profession."⁸²

2. *Insufficient Benefit to Artists*

The Report also suggests that implementing a resale royalty may not be worth the effort, noting several studies indicating that few artists have a resale market for their works.⁸³ While these studies do suggest that the resale market is small, their significance is limited by the narrow scope of their research. Two examined sales at only one or two auction houses, and only of works sold during the artist's life or the first five years after her death. One examined sales during the 1990-91 season at two of the major American auction houses, Sotheby's and Christie's. It found that only 219 living artists met the auction houses' \$10,000 threshold for resale—according to Stephen Weil, less than one percent of all the visual artists now working in this country.⁸⁴ The impact of these figures is modified by several factors: they reflect only living artists, in the context of a proposal to grant royalties until fifty years after an artist's death; they reflect only sales at two auction houses, excluding gallery and private sales; and they exclude the vast majority of artworks, which are sold for less than \$10,000. The auction sales are the tip of the iceberg.

The other survey cited, examining the frequency of use of the California statute, indicates that few artists and dealers in that state have handled resale royalties.⁸⁵ The Office read these statistics to mean that not many artists enjoy a resale market. The more obvious conclusion is that the California statute is poorly enforced and underutilized—a conclusion that is virtually

⁸⁰ REPORT, *supra* note 5, at 141. Again, the Office's economic analysis is drawn from the Bolch, Damon and Hinshaw study, *supra* note 39.

⁸¹ REPORT, *supra* note 5, at 141, n.71. Not cited in the footnote is Eleanor Dickinson's testimony that it is not economically feasible for most artists to pay storage and keep large stocks of older art in the hope of being able to sell it someday. Appendix, *supra* note 15, Part II, at 56-57.

⁸² REPORT, *supra* note 5, at 141, n.71.

⁸³ *Id.* at 103-05.

⁸⁴ Appendix, *supra* note 15, Part III, at 213-14.

⁸⁵ See REPORT, *supra* note 5, at 104.

unanimous on both sides of the issue.⁸⁶

It seems likely that a relatively small percentage of artists have a resale market. Just how small, however, is unclear, and the benefit to these artists may be significant. Figures from France indicate that many artists are benefited substantially by the royalty there.⁸⁷ Moreover, as the Office recognizes, the studies are far from conclusive.⁸⁸

In any event, it can be argued that even a small positive effect is worth the effort. A resale royalty system can be administered privately, without government funding or supervision. And given the rationale behind *droit de suite*, it is appropriate for artists to benefit only when there is a new exploitation of their work, even if that means infrequent benefits. Writers, too, receive no royalties when their books no longer sell.

It should be noted that this argument creates a major contradiction with one of the primary negative arguments relied on by the Report. If the royalty will not provide enough money to artists to justify its existence, how will it have a significant deleterious effect on the art market?

3. *Uneven Distribution Among Artists*

The Office also points out that the benefits conferred by *droit de suite* will not be evenly distributed among artists. According to the Report, while successful artists may profit from a resale royalty, others may receive little benefit for several reasons: the royalty would be less valuable to the artist whose works do not change hands frequently, even if her works appreciated more in value than those of others; most artists do not have a resale market, and may therefore lose more in depressed initial sales than they will gain in royalties; most works are not sold in public sales, the type of transfer most easily made subject to *droit de suite*; administration costs (presumably ultimately borne at least in part by the artist) may be higher than the benefits obtained; and galleries may be less willing to incur the cost of mounting an exhibition for an inexperienced artist since their offsetting profits from established artists will be lower.⁸⁹

The Report refers to "a considerable body of literature" concluding that

⁸⁶ See comments of Peter H. Karlen and witnesses at the San Francisco hearing, *quoted in id.* at 105. Eleanor Dickinson testified that "[t]here is a heavy resale market" in California. Appendix, *supra* note 15, Part II, at 51.

⁸⁷ See testimony of Jean-Marc Gutton, General Manager of ADAGP, Appendix, *supra* note 15, Part III, at 15-16 (reporting distribution of more than \$17 million in resale royalties to more than 1,700 artists in 1990), and at 45 (figures showing *droit de suite* benefits vastly more artists than reproduction rights).

⁸⁸ One of the main reasons given in the Report for the conclusion not to recommend the adoption of resale royalties is that insufficient empirical evidence was available as to the frequency of resale of works of art. REPORT, *supra* note 5, at 145.

⁸⁹ REPORT, *supra* note 5, at 33-34.

"the royalty favors those who are already established and does not aid the plight of those without a market for their works,"⁹⁰ and poses the rhetorical question, "[D]oes Congress want to help struggling artists or provide an economic right that may simply reward only commercially successful creators whose work is frequently resold?"⁹¹ This rhetoric is an overstatement. Both logic and testimony at the hearings show that even struggling artists are helped occasionally by a royalty right, in amounts that are relatively small but meaningful to them.⁹²

As noted by Eleanor Dickinson, a visual artist from California and Vice President of both Artists Equity Association and California Lawyers for the Arts, art is expensive to produce, requiring an investment in materials, models and studio space.⁹³ Even a royalty of fifty dollars may allow an artist to purchase supplies sufficient to create her next work of art—or to pay the electric bill, allowing her to continue to create rather than devoting all her time and energy to finding another job.

It is nevertheless true that artists with an established market will benefit significantly more. But as several commentators have pointed out, this is an inherent aspect of a copyright system based on capitalism: success is rewarded, with incentives tied to popularity.⁹⁴ Thus, best-selling authors benefit much more from their copyrights than do authors who have not made it

⁹⁰ The citations for this "body of literature" are limited to the Weil article, *supra* note 34, and the Bolch, Damon and Hinshaw article, *supra* note 39, a brief statement submitted by the Art Law Committee of the City Bar Association of New York, and DE PIERREDON-FAWCETT, *supra* note 2. See REPORT, *supra* note 5, at 133, n.38. Contrary to the implication of the Report, de Pierredon-Fawcett concludes that it is difficult to draw definitive conclusions from the limited statistical data, and argues that the fact that *droit de suite* will bring more revenue to well-known artists does not militate against its desirability. *Id.* at 143-44. And the witness for the City Bar Association Committee himself described the Committee's concerns as "conjecture." Appendix, *supra* note 15, Part III, at 200.

⁹¹ REPORT, *supra* note 5, at 133.

⁹² See testimony of Richard Mayer, Appendix, *supra* note 15, Part II, at 41-46; testimony of Eleanor Dickinson, *id.*, Part II, at 48-52. Jean-Marc Gutton, General Manager of ADAGP, testified that in 1990 alone ADAGP collected resale royalties in the \$20-\$2,000 range for 1,100 artists. *Id.*, Part III, at 15-16.

⁹³ *Id.*, Part II, at 48.

⁹⁴ See, e.g., DE PIERREDON-FAWCETT, *supra* note 2, at 144; comment letter of National Artists Equity Association, Appendix, *supra* note 15, Part I, at 29; Goetzl, *supra* note 89, at 185:

The resale royalty was never intended as welfare legislation. No one has ever dared intimate that other rights granted by the copyright law are ineffective because they fail to provide royalties, for example, to poor street musicians or to poor, unpublished authors. Nor is patent law attacked for failing to assure royalties to inventors whose inventions never find a market. Visual artists should be treated like other creative people.

into the pages of *The New York Review of Books*. The argument seems unanswerable that benefits need not be distributed more equitably among artists than they are among authors or composers.

Artists themselves are not disturbed by the unequal distribution inherent in a *droit de suite* system. Rather, they point out that all artists are young and unknown at some point in their careers. A resale royalty right is a promise, equally available to all, of reward for future success. Awareness of this potential reward will be a spur to the artist's efforts in professional development. Opponents, they argue, focus unduly on the final outcome of each artist's career, rather than the prospective view along the way.⁹⁵ In the words of Eleanor Dickinson, "It's kind of like a farmer planting seed. Eventually, you expect to have a harvest. In that harvest, you will have seed for further growth."⁹⁶

4. *Miscellaneous Arguments Against Droit de Suite*

A number of additional arguments are raised in the Report. One is based on principles of equity. Given that most works of art depreciate rather than appreciate in value over time, and that there are costs associated with maintaining and selling a work of art, the Report finds it "inherently unjust" for artists to share in resale profits while avoiding any contribution to losses.⁹⁷ There is abstract merit to this argument, and it militates in favor of a royalty system based on net profit rather than total resale price. Unfortunately, the experience of other jurisdictions suggests that such a system may

⁹⁵ Two artists, James Rosenquist and Sanford Hirsch (Executive Director of the Adolph & Esther Gottlieb Foundation), also pointed out that artists' career trajectories do not always move in a consistent direction. See Appendix, *supra* note 15, Part III, at 154, 160-61, 182-84. An artist's works from a particular point in his development may have a thriving market, while his later works may not sell as well. Or personal circumstances may result in a lack of productivity after a degree of success has already been achieved. An artist in this situation is "successful" in one sense of the word—he has a resale market—but may be unable to profit from his success by selling currently valuable works. For such an artist, a resale royalty may be a life saver. See also comment letter of National Artists Equity Association, *id.*, Part I, at 29.

⁹⁶ *Id.*, Part II, at 49.

⁹⁷ REPORT, *supra* note 5, at 135. The citation here to de Pierredon-Fawcett, *id.*, at 135, n.47, is misleading. De Pierredon-Fawcett actually states that "one might object" to such selective sharing by the artist as unfair, but then discusses reasons why the system can nevertheless be justified. See DE PIERREDON-FAWCETT, *supra* note 2, at 11 (emphasis added).

The Report also notes the burden placed on the collector by the tax system, which taxes profits from the sale of art, but does not allow deductions to be taken for losses. REPORT, *supra* note 5, at 139. This rule applies to sales of all types of property, not just art. While it may be overly burdensome to sellers, the remedy should be to change the tax law, rather than to continue to penalize the artist.

be unworkable as a practical matter.⁹⁸

In any event, it should be remembered that most authors are treated no differently. Because they do not typically exploit their own work, but assign rights to a publishing, recording or production company which invests in bringing the work to the public, they benefit from a combination of up-front payments and royalties, without being expected to share in the risk of loss. Again, opponents rely on criticisms that could fairly be made of the entire copyright scheme, and suggest that artists should be held to a higher standard of fairness than other authors.

Other arguments present essentially administrative problems, many of which can be dealt with through the manner of implementation of the *droit de suite*. Thus, for example, concerns about the privacy of the purchaser could be minimized by a system that determines royalties through reports from auction houses and dealers, based on resale price alone, made directly to artists' collection organizations.⁹⁹ Similarly, while it is true that relatively few works are sold at auction sales, and it is difficult to enforce the *droit de suite* for other types of sales,¹⁰⁰ these problems do not mean that no effort should be made at all. Other countries have found it feasible to apply the royalty right to dealer sales, if not purely private transactions.¹⁰¹

If only auction sales are covered, at least it is a start. In the modern world, difficulties in detecting copyright infringement are common, and legislative solutions can rarely provide complete relief. In the case of the recent Audio Home Recording Act,¹⁰² for example, royalties are paid based on machines sold or imported, with no connection to the number of copies of copyrighted works that will be made on a particular machine. Imperfect solutions are better than none. Many more artists will see some benefit from the increase in value of their works than would without a *droit de suite*.

Two additional arguments against *droit de suite* are raised by the Office. The Report lists as one "cost" of a resale royalty system the necessity for Congress "to make inherent value judgments about why people should buy art—whether for consumption or investment—and reward the true connoisseur who does not contemplate selling his work."¹⁰³ This concern does not seem pressing. Congress would be "rewarding" the connoisseur only in the narrow sense that the current copyright law rewards the library patron, by allowing books to be borrowed for free by those who do not wish to buy them for money.

⁹⁸ See REPORT, *supra* note 5, at 13, 48.

⁹⁹ In any event, such privacy concerns seem overblown. Collectors are already required to report the income from their sales of art to the tax authorities.

¹⁰⁰ See REPORT, *supra* note 5, at 133.

¹⁰¹ The most notable example is Germany. See *id.* at 42.

¹⁰² Act of October 28, 1992, P.L. 102-563, 106 Stat. 4237 (1992).

¹⁰³ REPORT, *supra* note 5, at 134.

Finally, the Report asserts that a resale royalty system "encourages the creation of particular types of art"—apparently "works that are resold frequently: easel paintings and traditional sculpture, for example, where conception is embodied in a single object."¹⁰⁴ No indication is given as to what types of work will not be encouraged,¹⁰⁵ and why this would be bad. Again, this is like saying that current copyright law encourages the creation of works sold in multiple copies. If true, does it follow that the law should not exist? Moreover, the Report's assertion—made without supporting evidence—is inconsistent with the argument that the *droit de suite* will not give artists an incentive to create.

C. Suggested Alternatives

In the event that Congress should disagree with the Copyright Office's conclusion that visual artists have not been shown to be disadvantaged by copyright law, the Report offers for consideration several alternatives to a resale royalty: (1) a broader public display right, returning to the artist greater control over the right to display the work publicly; (2) a commercial rental right, giving the artist control over commercial rentals of the work, even after its sale; (3) compulsory licensing, requiring payment of a fee to the artist, but not her permission, for public displays of the work; and (4) increased governmental funding for the arts, through either federal grants or the purchase of artworks for federal buildings.¹⁰⁶ While each of these proposals may be beneficial in itself, none is a substitute for a resale royalty.

The proposal for increased federal funding for the arts is a fine one. Increased funding is certainly a direct and effective way to help artists. It is not, however, a substitute for generally applicable copyright-type rights. The guiding principle of our copyright system is that private rights exercisable on the market are preferable to government subsidies as a means to encourage the creation of works of authorship.¹⁰⁷ For this reason, we continue to grant copyrights to authors despite the availability of funding from the National Endowment for the Arts. While government grants may be efficient economically, allowing direct channeling of funds to those who need them, they are dependent on prevailing political winds as well as the aesthetic judgment of government officials. The recent controversy over the funding decisions of the NEA provides ample evidence of these problems. One advantage of a resale royalty is that it provides funds for artists from those who exploit the

¹⁰⁴ *Id.*

¹⁰⁵ Perhaps the alternative is "art that is easily reproducible, ephemeral or of monumental scale," a category later referred to as not likely to be resold during the term of life plus fifty years. See *id.* at 139.

¹⁰⁶ *Id.* at 149-51.

¹⁰⁷ See, e.g., Zechariah Chafee, Jr., *Reflections on the Law of Copyright*, 45 COLUM. L. REV. 503, 507 (1945).

works of art, rather than requiring the expenditure of tax dollars from those with no connection to the works.

Amendment of the Copyright Act to give the artist control over commercial rentals is in theory a reasonable compromise, leaving the owner of a work of art free to sell it without any restriction. The problem with this approach is that the market does not work this way. Works of art are rented even less often than they are reproduced and sold in copies. Until the public's appetite for works of art begins to approach its appetite for videotapes, a rental right will not provide meaningful help to the artist.

The most promising alternative put forth by the Office is a form of public display right. The Report does not clearly delineate the proposed scope of this right, stating only that it would be "broader" than under current law. If, as the Report suggests, the proposal is to amend the first sale doctrine to restore to the copyright owner the exclusive right to display the work publicly, this is an appealing idea. Its advantages are simplicity and a close relationship to one standard form of exploitation for works of art. Its drawbacks are practical ones.

First, as the law is currently written, the right of public display, like the other § 106 rights, is freely transferable. It therefore seems likely that a purchaser with superior bargaining power will ask for an assignment of this right along with the physical object as a matter of course, and that artists may not be able to bargain for additional sums.¹⁰⁸

Second, the public display right will be at least as hard to enforce as a resale royalty. Apart from museum exhibitions and gallery shows, the artist may be unaware of occasions when a work is displayed to more than the normal circle of a family and its social acquaintances.¹⁰⁹

Moreover, a public display right may be less valuable overall to artists as a group than a resale royalty. It will not apply to works that are displayed only in private homes—presumably the vast majority. To the extent that we are concerned about benefiting only successful artists, the display right is even more problematic than a resale royalty. Although statistics may be unavailable, surely more artists have their works resold than reach the level of recognition likely to earn them a public display. And even fewer galleries will display unknown artists if they have to pay a certain fee for the display than if they have to pay a percentage only if the work is sold.¹¹⁰

¹⁰⁸ A number of artists and artists' organizations testified that if a resale royalty were waivable, artists would be pressured into waiving it. See, e.g., comment letter of Yanick Lapuh, Appendix, *supra* note 15, Part I, at 2.

¹⁰⁹ See definition of "to perform or display a work 'publicly'" in 17 U.S.C. § 101 (1988).

¹¹⁰ Some of these objections are met by the private display right proposed in Thomas M. Goetzl & Stuart A. Sutton, *Copyright and the Visual Artist's Display Right: A New Doctrinal Analysis*, 9 ART & L. 15 (1984). See also William A. Carle-

Apart from the intrinsic merits of either system, the resale royalty has the advantage over the display right of being familiar internationally. A number of jurisdictions have adopted some form of *droit de suite*, and the concept appears in international conventions and harmonization efforts. Certainly if the European Community were to issue a directive requiring its members to adopt *droit de suite*, this country would find itself out of line with a display right instead. Moreover, a structure exists for private enforcement of *droit de suite* by experienced European artists' rights societies, who are already working with American societies to administer reproduction rights. For this reason, it would be an easier system to administer in an international marketplace.

Finally, the Office suggests the alternative of a compulsory license, allowing public displays without the artist's permission upon payment of a fee. Such a system has the advantage of permitting a user to pay the total price up front, avoiding the inconvenience and uncertainty of an additional payment upon resale. The sole advantage of the compulsory license over a pure public display right is that purchasers of art need not worry that the artist will exercise a veto over displays. A resale royalty operates in much the same way—the artist cannot bar the resale, but is entitled to a fee. The compulsory license, however, shares the other problems of the public display right discussed above.

D. *How Should the Droit de Suite Be Implemented? The Proposed Model*

If none of the suggested alternatives prove acceptable to Congress, the Copyright Office proposed a model *droit de suite* system.¹¹¹ The model contains the following features:

- collection would be handled by a private collecting society
- the royalty would apply only to sales at public auction
- the royalty would be calculated at three to five percent of the gross sales price, with no minimum threshold
- the duration would be the standard copyright term of life plus fifty years
- the royalty right would be granted to foreign artists as well as U.S. artists on the basis of reciprocity
- the right would be inalienable by the artist, except for purposes of collection, and non-waivable
- the works covered would be the same as the works covered by

ton, *Copyright Royalties for Visual Artists: A Display-Based Alternative to the Droit de Suite*, 76 CORNELL L. REV. 510 (1991). The private display right may be a viable option. As compared to the *droit de suite*, however, it suffers from at least as serious enforcement problems, as well as being less compatible with international models currently existing or under review.

¹¹¹ REPORT, *supra* note 5, at 151-55.

the Visual Artists Rights Act, except that the right would not attach to works created in more than ten copies

- the right would apply only prospectively, i.e., only to the resale of works created after the effective date of the legislation.

Most of these features incorporate well the comments presented by the majority of the interested parties, with some reflecting views of fairness and others difficulties of administration.¹¹² The virtually unanimous view of the experience in Europe and California was that the use of a private collecting agency to enforce the *droit de suite* is essential. Authors rarely have the means to obtain the necessary information and adequately enforce their rights, and are afraid of blackballing if they do.¹¹³

As to types of sales that would be covered, auction sales are clearly the easiest to monitor and enforce. The Office suggested that Congress might want to revisit this issue after five years of experience with the royalty system, or if the European Community adopts a position requiring *droit de suite* to be applied to dealers.¹¹⁴ Because auction houses as well as dealers typically sell works with a minimum price, the Office did not believe it necessary to set a threshold number before the royalty would apply.¹¹⁵

This decision is certainly defensible. While other countries apply their laws to dealer sales, enforcement is often spotty or inconsistent.¹¹⁶ Nevertheless, because so few works of art are sold at auction, the game seems worth the candle. The Office suggested that artists' societies might eventually develop a system to collect from galleries. Given the incentive, the societies should be able to develop a workable system now, and should be given the opportunity. Purely private sales, on the other hand, do pose overwhelming obstacles to enforcement. But application of the law to both auction and dealer sales is a meaningful compromise, and one that other countries have accomplished with at least partial success.

As to the amount of the royalty, the Office proposed a flat rate of three to five percent of the total sales price.¹¹⁷ As the Report points out, calculating the royalty based on total sales price is conceptually inconsistent with the rationale of giving artists a share in the profit made from the sale of their work. But the evidence from other countries and California suggests strongly that this is the only practical solution.¹¹⁸ It is simply too difficult to deter-

¹¹² See discussion *id.* at 109-24.

¹¹³ See *id.* at 117-18, and testimony and comments cited *id.* at 117-18, nn.98-103.

¹¹⁴ *Id.* at 152-53.

¹¹⁵ *Id.* at 153.

¹¹⁶ See *id.* at 152.

¹¹⁷ *Id.* at 153.

¹¹⁸ The Report notes that "[t]he difficulty in administering a royalty based on the difference between purchase price and resale price may explain the law's disuse in countries such as Italy and Czechoslovakia." *Id.*

mine what part of the sales price is profit, requiring information about costs and fees, record-keeping from the prior purchase, and even data as to inflation.

The potential unfairness is ameliorated in the Office's model in two respects. First, the percentage of the royalty is lower than was initially proposed: three to five percent, rather than seven percent. Second, the legislation could allow the purchaser/reseller to prove that the work has not in fact appreciated in value, and thereby avoid paying the royalty. This is a sensible compromise. There is no obvious reason why the artist, who does not have easy access to information about prior transactions, should be required to prove that a profit was made. By assigning the burden of proof to the reseller, Congress would make possible a workable system not dependent for its operation on a quagmire of documentation, while leaving the door open to meritorious claims of loss.

The proposal of a duration coextensive with the term of copyright is entirely appropriate. Not only was this the recommendation of the commentators and witnesses, it is the choice made in the *droit de suite* laws of other countries.¹¹⁹ The application to foreign artists on the basis of reciprocity, and the lack of alienability or waivability, are both consistent with the Berne Convention and general international practice, and in accord with the positions of most of the witnesses.¹²⁰

The issue of what types of works should be protected is a thorny one. The Office's recommended use of a modified version of the Visual Artists Rights Act definition has the advantage of convenience, looking to an already-existing concept in the Copyright Act. Whatever definition is used, it is suggested that it be limited to copyrightable works (ruling out, for example, protection for works of industrial design), and exclude from coverage the manuscripts of literary or musical works. Since the justification for adopting a *droit de suite* in this country is based primarily on the relative disadvantage of artists under copyright law, it should not apply to those authors who typically do profit from the sale of copies of their works.

The one problematic aspect of the model is the suggestion that the law be entirely prospective, applying only to works created on or after its effective date. The Office understandably rejects the option of applying the law to all resales after that date—an option that would clearly disrupt many investors' expectations. These are not the only two options, however. A better approach would be to make the law prospective as to each initial sale, rather than the date of creation of the work. In other words, an artist would be entitled to a royalty for the resale of a work created after the effective date of

¹¹⁹ *Id.* at 116-17.

¹²⁰ *Id.* at 154.

the law if the seller had himself purchased the work after that date.¹²¹ This maximizes the law's benefits to artists, while avoiding any problem of unfairness. Anyone paying the royalty will have purchased the artwork at a time when it was already subject to this contingent future obligation. And artists whose already-created works may command premiums in multiple sales during the coming decades will be able to share in some of the profits.

CONCLUSION

Droit de suite is a controversial topic. The effects of a resale royalty right on individual artists and the American art market cannot be predicted with certainty. Yet given the information available, the Copyright Office's conclusions, despite their qualified nature, are unduly negative. The Office appears to have accepted theoretical economic arguments to the exclusion of the voice of experience and countervailing claims of equity.

The situation can be summarized as follows: Copyright law is and always has been considerably more disadvantageous to visual artists than other authors. Artists therefore have a good claim to some form of remedy. The question is whether resale royalties would be an effective and appropriate remedy.

Positions on this question break down largely along lines of self-interest. Those answering "no" are primarily dealers and auction houses. These parties are willing to risk harm to the art market when it comes to adding five percent to their own commissions, but foresee ruin when the extra percentage must be paid to the creators of the works from which they make their commissions.¹²² Most artists, on the other hand, favor the concept. Lawyers and academics are split, although principally along the lines of their clients' interests. Since the purpose of the legislation would be to assist artists and foster their creation, it is appropriate to give weight to their view that resale royalties will help them.

The proponents' position is based on concepts of equity, supplemented with plausible predictions as to the royalties' probable effect. In addition, they have produced evidence that in jurisdictions that have succeeded in effectively implementing resale royalties, artists have benefited and markets have not been harmed.

The strongest arguments against the royalty can be summarized as follows: (1) its benefits will be small, given the fact that relatively few works of

¹²¹ A similar approach was taken in the Visual Artists Rights Act of 1990, allowing artists to invoke the rights of attribution and integrity as to works created before the Act's effective date if title to the works had not yet been transferred to anyone else. 17 U.S.C. § 106A(d)(2) (Supp. 1992).

¹²² The dealers' reaction was predicted as far back as 1966 by Diane B. Schulder in her article, *Art Proceeds Act: A Study of the Droit de Suite and A Proposed Enactment for the United States*, 61 Nw. U.L. REV. 19, 43 (1966).

art are ever resold; (2) a resale royalty right would harm the primary market for contemporary art, so that artists would overall lose more than they would gain; (3) the system would be difficult to administer effectively; and (4) it is unfair to impose a royalty based on full resale price, rather than profit realized.

As to the first argument, artists feel that even small amounts paid occasionally are worthwhile both psychologically and financially. As to the second, although an impact on the primary market is theoretically possible, the evidence suggests that a far-off royalty obligation as small as three to five percent will affect initial prices and investment decisions little if at all. As to the third, the system works elsewhere, and is manageable if structured well. The Office's proposed model avoids most of the potential pitfalls, and should work effectively, if modified to apply retroactively to works created before its effective date but purchased and resold afterwards. Finally, a combination of practicality and giving the reseller the opportunity to prove lack of profit goes a long way toward resolving the fairness question.

At this point, a convincing case has been made for enactment of a federal resale royalty right. It is hoped that Congress will take up the Copyright Office's invitation and examine the evidence closely, basing its conclusions on facts rather than speculation.

**REPORT OF THE REGISTER OF COPYRIGHTS CONCERNING
DROIT DE SUITE, THE ARTIST'S RESALE ROYALTY: A RESPONSE**

by CAROL SKY*

National Artists Equity Association is the only trade association of visual artists in the United States. During the last fifteen years it has played a major role in advocacy for artists' rights. In 1976, the California members of Artists Equity successfully promoted the first and only resale royalty legislation in this country, and NAEA was the most active promoter of the Visual Artists Rights Act of 1990, the first two versions of which contained resale royalty provisions and which gave rise to the investigation of the subject of the Register of Copyrights. As responsible citizens and owners and operators of art businesses, we have accepted the obligation and privilege of speaking for ourselves about what is best for us and our business. In that light, we respond to the Register of Copyrights' recent resale royalty report.

We commend the Copyright Office on its thorough research. The study contains a wealth of useful information, much of it confirming our experience as artists in the business world. We agree with many of the conclusions and recommendations in the Report. However, the Copyright Office, while acknowledging that there is not enough evidence to make a judgment, has, nevertheless, drawn the conclusion that artists are not economically disadvantaged by the present copyright law and that the market could be seriously hurt by resale royalty. We cannot agree that the information supports those conclusions.

Perhaps we draw different conclusions because we have a different understanding of two basic areas: the function of creative works in the world and the role of artists in the socio-economic system.

The first area is pertinent because most of the thinking and comment concerning resale royalty compares the sale of dissimilar objects: copies of books, or copies of musical scores are compared to a painting or a sculpture. As the Copyright Office correctly notes, this analogy is not useful clearly to delineate a new exploitation of the creative work. The Office suggests that the resale of a first edition book is a more apt comparison to the resale of a sculpture. However, that remains an inappropriate comparison, because the first edition is simply the first group of copies of the original manuscript. The most appropriate analogy is to compare the painting to the original manuscript and the original score. None of these creative works, these objects, are fully functional in the marketplace until they serve their intended USE, that

*Secretary-Treasurer, National Artists Equity Association

of communication. The book must be read, the play must be seen and heard, the music must be heard, and the painting must be seen, in order to be exploitable in the economic system. It is clear to any creator that what is really being transacted in the marketplace, whether book, music, play or painting, is the communicative use of the creations. If they were simply self expression, their purpose would be complete without putting them into the marketplace. Therefore, when the writer or musician receives a royalty it is really for the use of their creations not the actual objects they created. When a song is played on the radio, the royalty is obviously for use, not for an object.

Since it is possible to make copies of manuscripts and scores in order to use them, it is possible and usual to have both parallel and serial use of the creator's original. However, by definition, unique works of art cannot be duplicated, so the intended communicative use can only be accomplished serially. When the painting is sold, the artist's portion of the price is for the intended use: the seeing of the painting, the artist communicating to the audience. And when it is sold again, it is being used again by a different audience, just as the play or the music is used by a different group of people, at a different time, with the author receiving a royalty for each new production. The communicative use of the originals, whether by parallel or by serial mode, is called for by the very foundation of the Copyright law, Article I, Section 8, clause 8, of the Constitution, which gives Congress power to promote the "progress of science" by giving creators "exclusive rights" to their "respective writings." The Register's Report speaks to this very issue: "this constitutional framework serves as a logical matrix for balancing creator and user rights."¹ Therefore, contrary to the final conclusion in the Report, the resale is "actually a new exploitation of the work" and therefore a "legitimate economic interest of visual artists."

The role of the artist in the socio-economic world of the art marketplace is widely misunderstood or unknown, but is vital to the discussion of resale royalty. Art dealers have vigorously fought resale royalties in Europe and the United States. Artists are solidly for them. Why this disagreement when a healthy art market is what they both want and need? If we look at the role of the artist in the marketplace, the economic facts, and underlying attitudes, a picture emerges that clearly shows who is profiting, who is taking the risks and where the balance lies between the artist and the user.

Auction houses charge the seller of an art work a 10% to 20% commission on the sales price, \$100 to \$900 for a catalog photograph, shipping to New York (and return shipping if the work does not sell) and 1.5% of the sales price for insurance. Several years ago, the auctions added a "buyer's premium" of 10%, which is simply another commission on each sale. Sotheby's buyers premium is now 20% of the sale price, and Christie's is

¹ Register's Report at 128.

raising theirs from 10% to 15% as of March 1, 1993. The added commissions, all considerably higher than any proposed resale royalty, did not depress the art market. It is difficult to believe that a single digit royalty percentage for the artist would be a major determinant of this high stakes game. Christie's obviously does not believe that its raise of 5% in March will hurt sales, in what all agree is a sluggish market.

It is instructive to consider a letter to the Copyright Office from the Art Dealers Association of America which repeatedly calls the resale royalty a "tax," which it certainly is not, and defines the "buyers premium" as "an allocation of the price which the buyer is willing to pay."

If a painting or sculpture is resold by a gallery, the commission can range anywhere from 35% to 50% or more for simply negotiating the deal. If shipping is involved, the seller and/or buyer pays. In the primary or first sale market, more often than not, the artist pays for framing, shipping, and the deductible part of insurance. If there is a show, the artist pays a percentage or all of the advertising, reception and invitation costs. Then the gallery takes 50% to 60% of the sale price as commission. Twenty years ago, the usual commission was 35%. The rise to 50% was achieved by reducing the artist's portion by 15%. For that 50%, the gallery is expected to promote the artist's work. The Report states that galleries promote equally every artist they represent. That is not correct. Most galleries have artists whose work they will sell if someone walks in off the street and finds it, but the gallery never intends to give the artist a show and makes no effort to promote the work in any other way. The artist has no way of knowing what if anything is being done to promote the art work. Yet the gallery still takes 50% from everyone.

The Report also states that the artist knows the identity of the buyer and can control distribution. That is almost never the case. The evidence in the report shows that many galleries refuse to tell the artist the name of the buyer or to provide any paperwork that shows the actual sales price or date of sale. Thirty-two percent of California artists responding to a 1986 California (Bay Area) Lawyers for the Arts survey said dealers had refused to give them the buyer's name, address, or even the resale price, in spite of the law mandating payment of resale royalty. Peter Karlen, a California arts attorney, submitted a comment to the Copyright Office to the effect that artists cannot collect because dealers "feel they can get away with it," and he confirmed what artists had said, that many galleries will not deal with an artist who wants a written contract. Even with a contract, an artist has no sure way of knowing if and when a work has been sold except by trusting the dealer to inform him or her and pay in a timely fashion. Every city is known to have certain dealers who have sold work and not paid the artist for months, even years.

There are certainly dealers who understand that their livelihood depends on and grows in a reciprocal relationship of continual production, promotion,

trust and enthusiasm. John Weber, of Weber Gallery in New York and partner in an international gallery in Spain, is one of those dealers. His testimony at the New York hearing corroborates what any artist knows, but what seems very difficult for people outside the art world to believe:

I am concerned about the attitude of my fellow dealers. I now that we are by nature, as are most businessmen, conservative on the whole. I know that we react very protectively to any governmental control which might be put upon our profession because we, fortunately, or in most cases, unfortunately, are not under any close scrutiny or under any supervision from any legal standpoint. It's a profession where people feel that, well, art really isn't a serious endeavor, and, so, there is no regulation of it. I think we've gotten used to this attitude, and we are afraid that this will be the breaking of the dike, so to speak.

We daily engage in illegal activities, that were we regulated would have to come to an end. There is international price fixing, all kinds of procedures which are going on, having gone on, are totally accepted, considered normal.

When Mr. Weber said that art is not considered a serious endeavor by people in our country, he pointed to the debilitating romantic myth about artists that permeates American society, the myth that the artist "must" and "will" create, no matter what hardships or poverty, like a mindless creature or a machine. This myth was voiced several times by the opposition to resale royalty to prove that resale royalty would not encourage creativity as the copyright law intends. It is clearly behind the attitude that everyone else should be making money from art and taking no risks, but artists should be happy just to make art: behind the complaints of opponents to resale royalty is the belief that the wealthy artists should get more wealthy. As dealers and collectors clearly find nothing wrong with greater return on their investment, it is difficult to see why it should bother them for artists to do the same. This is the myth that has allowed the art market to function with absolutely no oversight.

Art is a serious endeavor. Artists run serious businesses, with all the concomitant expenses and problems of any business. In addition to making the art, artists must also do the promotion, distribution, bookkeeping, office work, transportation, and if they must hire help, s/he must also deal with the employee issues. They do not simply stand in front of an easel or a block of stone.

It is apparent, in the real-life action of the art market, that the collector is paying the gallery or auction very well for services, and is receiving exactly what was bought, the use of an aesthetic object. In addition, perhaps the collector will make a profit in the future. The dealer will make another profit

on any further action. The expenses of the dealer or auction house are being partially underwritten by both the collector and the artist. This market could not exist without the artist producing art. The artist produces it on about 30% of the sales price, which may go up to 50% or 60% at most, if s/he can keep going long enough and is lucky enough to become very successful. And, as can be seen, the artist has no bargaining power, almost no laws or regulations protecting his or her interests in the art market and is clearly at risk throughout the market process. In opinion of National Artists Equity Association (NAEA) the information in the Register's Report confirms the fact that artists are economically disadvantaged because they do not have the leverage or the legal framework to allow them to profit from their work in the same way that authors of reproducible objects may profit.

The Report cites several areas of concern that justify its conclusion rejecting resale royalties: fear of damage to the art market, investor participation and privacy, encumbrance of personal property, enforcement, beneficiaries, and creativity enhancement. NAEA feels that the information in the study does not support the conclusions of the Report. I will address these issues in order.

DAMAGE TO THE ART MARKET

France, Germany and Belgium, who have the longest term and most complete resale royalty systems, reported a steady increase in resale royalty collections, and no decrease in sales because of resale royalty. The French maintain that their market share stays comparable to those of the non-resale royalty countries, the U.K. and the U.S.

The Copyright Office stands on the side of fear that the resale royalty will further depress an "already damaged contemporary art market." The reality is that the art market dropped worldwide from 1990 to 1991. The American market looks more damaged because it had been in an unhealthy and wildly speculative period and is simply adjusting to a more stable and realistic level. This is corroborated by a New York Times report of U.S. art sales, showing a gradual increase of 5% to 10% over 30 years, and a 20% increase from 1980 to 1990. The French auction market dropped 31% in 1990-91 while the two major American auctions dropped 49% and 55%, a difference which confirms the effect of the inflationary market.

In the 1986 California Lawyers for the Arts survey, 100% of dealers responding said there was no significant effect on their sales because of resale royalty. John Weber of New York's Weber Gallery, a dealer for 32 years testified before the Copyright Office that his artists were receiving resale royalties in the 1970's, as were the artists in some other galleries, and that two of his artists still have contracts which require 15% resale royalties. He further testified that the original sales price is never reduced in anticipation of resale

royalty and that in 20 years of representing these artists he has never lost a sale because of the resale royalty requirements of their contracts.

The Copyright Office seemed to give more credence to the doom theories presented by economists and the dire predictions of the not entirely disinterested dealers than to the facts stated by the people who have decades of experience with resale royalty.

INVESTOR PARTICIPATION AND PRIVACY

Throughout the Report, there are two assumptions that are interesting when looked at together. The first is that all or most contemporary art declines in value. The record seems to confirm that assumption. John Weber testified about older artists, who lose their reputation, repeat themselves, become ill, or just go out of fashion. Similarly, *300 Years of American Art*, a study of the percent of rise and fall from fair market value for individual artists, found that no one, no matter how famous, maintains a gradual increase in price or sales over a whole career. Several artists quoted in the book referred to artists who had been selling well, but for various reasons, were no longer doing so. A simple perusal of old art magazines shows that the vast majority of artists have 5 to 10 years of interest which mean good sales. Then fashion looks another direction.

The Report also assumes that the major reason collectors buy contemporary art is for investment purposes. The Report also expresses concern that collectors might lose money, and that they will easily buy something else instead of art if resale royalty is required, as some economists and dealers predict. The reality of the art market is that almost all collectors buy art because they like a specific work. They want to look at it, live with it at home, and show it to others. People buy art for its unique aesthetic and communicative qualities that speak personally to them. Stocks or bonds would undoubtedly be a better investment, but cannot possibly serve the collector's real purpose.

Echoing most of the dealers' statements, the Report shows great concern for the collector's privacy. This does not appear to be a real issue. After all, France and Germany automatically inform the artist and/or the registry of name, address and selling price of all sales. Many galleries in the U.S. do this as well. In fact, openness is reasonable behavior because most collectors want to know the artists, as the testimony indicates.

ENCUMBRANCE

The Report emphatically states that the "encumbrance" of resale royalty is "antithetical to our tradition of free alienability of property." However, there is a long tradition of real estate encumbrance, such as deed restrictions and zoning laws. Video tapes and computer programs have encumbrances which if violated, are punishable by law. And is not the recent Visual Artists Rights Act an encumbrance?

ENFORCEMENT

Enforcement mechanisms were specifically part of the Report and information based on experience was gathered, which made it clear that penalties for non-compliance were absolutely necessary. However, there is no mention of penalties and the only mention of enforcement in the conclusions and recommendations of the Report is to reason that if the galleries, as well as the auctions, are included in resale royalty collection, collection will be too great a "challenge," and there is a "risk of non-compliance." Surely, a royalty on the direct sale of an object is less of a challenge to collect than a royalty for music played on the radio, which has been done for many years. If there were no risk of non-compliance, we would not need most of our laws.

BENEFICIARIES

The NAEA agrees with the Report that the lack of empirical evidence in several areas makes it impossible to *prove* who will be the primary beneficiaries of resale royalty. As long as galleries can resist sharing information on sales, no one will ever be able to document the information the Office would like: how many resales there are, the frequency of resale, and who would be the primary beneficiaries. However, we see clear and positive information in the French experience. ADAGP in France collected \$10.5 million in resale royalties in 1990 on behalf of 1650 artists. Estimating from their figures, 1600 of those artists shared approximately \$8 million, while only 50 artists received over \$40,000 each, a total something over \$2 million. This is at least an indication that the majority of artists to benefit will not be the most wealthy. In fact, the detailed breakdown in the report looks not unlike the distribution of wealth in any market-driven economy. These figures are from only one of the two French collection agencies, and come from auction sales only. French agencies estimate gallery sales are a much larger percentage of total art sales, perhaps as much as four times as great. Which means that the figures from ADAGP are the tip of the iceberg.

CREATIVITY ENCOURAGEMENT

As stated by the Report, copyright law is intended to motivate and encourage creativity. From the testimony before the Copyright Office in San Francisco, we have evidence of the potential of resale royalty to do exactly that. Robert Rauschenberg, at a time when buyers and dealers were making huge profits on his earlier work, wanted desperately to explore his interest in art and science. We will never know what he might have done. He had to abandon that fertile field of new ideas, because he could not afford to experiment with something that was not immediately saleable. He has said, that if he had been able to share in the profits that were being made at that time from his earlier work, he could have followed his most creative ideas. How many other artists are forced to abandon creative ideas? Or art entirely? The

Report cites a study that found that 75% of artists make only \$7000 a year from art. Almost all artists must work at other jobs to support the making of art, often foregoing things like health insurance, security, and families. There can be no logical doubt that even a small royalty would encourage creativity.

National Artists Equity applauds the Report recommendations that: if Congress enacts resale royalty, it should be at the federal level, it should be a percentage of the resale price (although we do not agree with the justification for that recommendation), and it should be collected through an author's society.

We also wholeheartedly agree with the Report's conclusions that "There is international concern about the economic well-being of artists world wide . . . many of these countries already do more to encourage economic and social well-being of artists than the United States is doing." The worldwide evidence is clear that the "balance" between the visual artist creator and the user is unbalanced by the present copyright laws. In addition to California, ten states have introduced resale royalty legislation. Thirty-six countries have enacted similar legislation because they recognize the economic inequity for the visual artist. In 1948, the Berne Convention make it very clear that visual artists "have an inalienable right to an interest in the resale of an original work of art." Since the early 1970's the European Community has supported resale royalty. At the 1992 Helsinki Conference, attended by 30 countries and 12 international organizations, including the Council of Europe, the European Community, UNESCO and the International Secretariat of the Arts, there was almost universal agreement that resale royalty would be a welcome amendment to their laws. Given this worldwide affirmation of resale royalty and the Copyright Office's own admission of the artist's plight in the U.S., it is difficult to understand the Office's conclusion that artists are not economically disadvantaged by the copyright law. It is equally difficult to understand why the Office would recommend that the United States, the economic model of the world and the greatest supporter of workers' rights in history, should continue to deny legitimate profit to its artist workers until and if the EC requires resale royalties.

National Artists Equity Association supports resale royalty legislation because it is the most appropriate way to correct an injustice in the copyright law, by allowing visual artists, like other authors, to participate in the exploitation and use of their work. The Report does not provide any factual foundation for the fear that the market will be damaged. On the contrary, there is factual evidence from those who have lived with resale royalty that the market does not suffer and that the artist is encouraged and supported by his or her own labors and abilities.

United States District Judge Robert Takasugi, in his judgment upholding the constitutionality of the California Resale Royalties Act declared, "the California law . . . is the very type of innovative lawmaking that our federalist

system is designed to encourage. . . . An important index of the moral and cultural strength of a people is their official attitude toward and nurturing of a free and vital community of artists. The California Resale Royalties Act may be small positive step in such a direction.”

Contemporary art is the country's legacy to the future. When the diversity of artistic ideas is encouraged, the country gains. We cannot afford to allow the injustice of the system to continue.

PART II

**LEGISLATIVE AND ADMINISTRATIVE
DEVELOPMENTS***United States of America***U.S. COPYRIGHT ROYALTY TRIBUNAL.**

Comments regarding distribution of 1990 cable royalty fund. Notice. *Federal Register*, vol. 57, no. 148 (July 31, 1992), p. 33944.

This notice seeks comment on a proposal to distribute 90% of the 1990 cable royalty fund. Parties to the proceeding have indicated that controversy exists with regard to the distribution but have asked the Tribunal to defer declaring the controversy until after partial disbursement of the cable royalties is made.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE.

Initiation of Section 302 investigation and request for public comment: intellectual property acts, policies, and practices on Taiwan. Notice of initiation of investigation. *Federal Register*, vol. 57, no. 108 (June 4, 1992), pp. 23605-06.

The Trade Representative is investigating certain acts, policies, and practices of the authorities on Taiwan to determine whether they deny adequate and effective protection of intellectual property rights. Interested parties are invited to submit written comments regarding such acts, policies, and practices; the amount of burden or restriction on U.S. commerce caused by the matters under investigation; and the determinations required under section 304 of the Trade Act.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE.

Notice of trading partners identified as priority foreign countries . . . *Federal Register*, vol. 57, no. 87 (May 5, 1992), p. 19329.

The Trade Representative has identified Taiwan, India, and Thailand as priority foreign countries under provisions of the Trade Act. The Office is now deciding whether to initiate an investigation of the acts, policies, or practices that led to Taiwan being identified as a priority foreign country. New investigations of India and Thailand will not be initiated because their practices were investigated when they were added to the "priority" list in 1991. The Office will continue to pursue those issues which were the basis of their identification as priority foreign countries.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE.

Termination of Section 302 investigation: intellectual property acts, pol-

icies, and practices on Taiwan . . . Notice . . . *Federal Register*, vol. 57, no. 114 (June 12, 1992), pp. 25091-92.

The authorities on Taiwan and the U.S. reached an agreement to improve the level of protection of patents, copyrights, trade secrets, layout designs of integrated circuits and industrial designs. The agreement came as a result of an investigation and determination by the Trade Representative that the acts, policies, and practices of Taiwan were unreasonable and that they burdened or restricted U.S. commerce. The Trade Representative now has determined that the appropriate actions at this time are to terminate the investigation, monitor implementation of the agreed measures for improving the protection and enforcement of intellectual property rights in Taiwan, and revoke the identification of Taiwan as a "priority foreign country" under the Trade Act.

PART V

BIBLIOGRAPHY

ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

1. United States

COVARRUBIAS, MARITA. The Supreme Court sculpts a definition . . . is it a work for hire? *Loyola Entertainment Law Journal*, vol. 10, no. 1 (1990), pp. 353-81.

In this study, Ms. Covarrubias states that circuit courts are divided on the interpretation of how the "work for hire" provision should be defined. She concludes that the Supreme Court's decision in the case *Community for Creative Non-violence v. Reid* should help remedy this situation by using agency law standards to define the term "employee."

MCCARTNEY, SHEILA. Moral rights under the United Kingdom's Copyright, Designs and Patents Act of 1988. *Columbia-VLA Journal of Law & the Arts*, vol. 15, no. 2 (Winter 1991), pp. 205-45.

In this article, the author states that the two moral rights most commonly afforded by European countries are the right of integrity, which allows the author of a work to object to interference with his own work, and the right of attribution, also known in the European Community as the right of paternity. Ms. McCartney investigates moral rights under the Berne Convention and moral rights prior to the U.K.'s Copyright, Designs and Patents Act of 1988 and compares previous British law with the new protection afforded by the moral rights provisions in the 1988 Act.

POMPUTIUS, MARY-ALICE. "Fair and foul are near of kin:" a suggested approach to the fair use of unpublished works. *Columbia-VLA Journal of Law & the Arts*, vol. 15, no. 2 (Winter 1991), pp. 161-205.

Ms. Pomputius discusses the controversy surrounding the paperback book "The Dead Girl," which incorporated the letters of a murdered Berkeley, California student whose family repeatedly refused to allow Pocket Books to use the material. The author of the book, Melanie Thernstrom, stated in her epilogue that the letters were "imaginary." Ms. Pomputius questions how much use of unpublished works the doctrine of fair use allows and discusses the cases of *Harper & Row v. Nation Enterprises*, *Salinger v. Random House* and *New Era Publications International v. Henry Holt & Co.* The author then proposes a new approach to the use of unpublished works based on the creator of the work's "intention for publication."

SINGER, BARBARA. The right of publicity: star vehicle or shooting star? *Cardozo Arts & Entertainment Law Journal*, vol. 10, no. 1 (1991), pp. 1-51.

Ms. Singer discusses the concept of the right of privacy and the right of publicity, along with New York's Civil Rights Law. In this article, she comments on the problems that have developed concerning the inter vivos and post mortem transferability of the right of publicity and its susceptibility to federal preemption. She concludes by stating that the best way for preserving the right of publicity would be through uniform legislation. Some of the cases analyzed are *Miller v. Ford Motor Co.*, *Nash v. CBS, Inc.*, and *Motown Record Corp. v. George A. Hormel & Co.*

2. Foreign

ALAI Aegean Sea Congress II: annual meeting, 19-26 March 1991. *Copyright World*, issue 17 (July/Aug. 1991), pp. 28-30.

This article summarizes speeches delivered at the International Literary and Artistic Association (ALAI) Congress. The topics addressed at the meeting were "determination of the author of a work," "originality of a work," and "copyright and the new landscape of industrial property." These subjects were chosen because of rapid technological innovation and the need for copyright law to address the new technology.

Bodger, Amanda. Software protection in Australia: The Autodesk case. *EIPR*, vol. 14, no. 6 (June 1992), pp. 211-14.

This is a discussion of the case of *Autodesk Inc. v. Martin Patric Dyason*. In Australia, the High Court for the first time unanimously held that copyright protects object code computer programs and that copyright does not protect the functionality of a computer program. Ms. Bodger comments on the decisions of the *Autodesk* case, especially the High Court decision.

BOOK REVIEW: Intellectual property—a manager's guide. 1st ed. McGraw-Hill Book Company (UK) Limited, 1991. *Copyright World*, issue 17 (July/Aug. 1991), p. 50.

This review says the book will be a useful handbook and reference source on U.K. intellectual property matters and the related law. The topics covered in the work include technical copyright and information technology, semiconductor products protection, and industrial designs.

BURSHEIN, SHELDON. Cable decision sheds light on new Canadian copyright provisions. *Copyright World*, issue 17 (July/Aug. 1991), pp. 34-39.

Mr. Burshtein examines the court's decision in *Canadian Cable Television Association v. The Copyright Board*, a suit in which the plaintiff sought to prevent the defendants from taking any further proceedings in respect of a proposed tariff for royalties for the transmission of non-broadcast services. Based on its interpretation of "communication of a musical work to the public" and "performance of a musical work in public" as used in the Copyright Act, the court found that (1) the performance of musical works was transmitted by CCTA's cable systems; (2) such transmissions amount to "communication;" (3) the use of a radio or television set in a public place can constitute a performance in public; and (4) CCTA members with subscribers which operate such places "could be seen as engaged in performing or authorizing the performance of musical works in public in respect of the transmission of non-broadcast services to" those subscribers.

CULLABINE, JOHN. Copyright in short phrases and single words. *EIPR*, vol. 14, no. 6 (June 1992), pp. 205-11.

The author discusses South African copyright law and, in particular, the enforcement of copyright in short phrases and single words. He questions whether short phrases, particularly invented words, are copyrightable as literary works. The definition of a literary work in English law is reviewed along with a House of Lords case, *Ladbroke (Football) Ltd. v. William Hill (Football) Ltd.*, in which a betting coupon was considered a single work and it was ruled by the High Court that literary taste and quality are not the decisive criteria to be applied. South African statutory provisions as well as case law are discussed, with the author commenting that most South African courts have followed English decisions.

DAVIES, ISABEL. Copying styles and fashions: how far does the law go? *Copyright World*, issue 22 (May/June 1992), pp. 21-26.

Ms. Davies examines the issue of copyright and design rights for garments and for surface decoration on garments. She discusses several cases pertaining to copyright infringement of sketches, cutting patterns, and garments. The cases include *Joanna Christina Gleeson & Gleeson Shirt Company Ltd. v. H.R. Denne Ltd.*, *Burke & Margot Burke Limited v. Spicers Dress Designs*, and *Merlet & Another v. Mothercare Plc.*

DYKJAER-HANSEN, KAREN. Parallel imports and the battle against piracy. *EIPR*, vol. 2, no. 2 (Feb. 1992), pp. 35-37.

In this comment, the author discusses parallel imports and the rules that govern them, including complex regulations that govern a third-country licensee. She states that it is difficult to begin an effective battle against piracy while at the same time encouraging parallel imports.

EDITORIAL: "1991; an ALAI odyssey." *Copyright World*, issue 17 (July/Aug. 1991), pp. 2-3.

This editorial talks about the International Literary and Artistic Association (ALAI), a Paris-based organization whose membership is comprised of any person or legal entity interested in authors' rights. When it was formed in 1878, ALAI's goal was to establish an international convention for the protection of literary and artistic property. It continues to work in this area, but now its main purpose is the defense and promotion of legal principles assuring the international protection of authors' rights, and also the study of all issues potentially affecting the expansion and exercise of copyright.

Egg on the face of AirFrance? *Copyright World*, issue 23 (July/Aug. 1992), p. 14.

The Design Artists Copyright Society claims that an AirFrance advertising poster inspired by surrealist painter Magritte's painting "The Great War"

violates the artist's copyright and moral rights in the work. The painting depicts a bowler-hatted man whose face is obscured by an apple defying the law of gravity and the poster replaces the apple with a fried egg accompanied by the sentence "I didn't know AirFrance had more flights to Paris than any other airline."

HOPE, THOMAS. International computer and technology law developments in China. *Copyright World*, issue 21 (Mar./Apr. 1992), pp. 35-41.

Mr. Hope examines the People's Republic of China's (PRC) new Copyright Law and Computer Software Protection Regulations, which came into force Oct. 1, 1991. He outlines the type of technology covered, the sort of protection provided, the requirements for a work qualifying for protection, term of protection, and ownership/licensing rights. Mr. Hope also briefly talks about the Memorandum of Understanding between the US and the PRC as it pertains to copyright and intellectual property protection.

MACDONALD, MORAG. Intellectual property in China—protection or exploitation? *Copyright World*, issue 21 (Mar./Apr. 1992), pp. 32-34.

This article talks about China, its prospect as a trading partner, and its desire to reassure western companies of the value of trading with Chinese organizations. The focus of the article is on China's new-found interest in technology-based commerce, its implementation of legislation to protect intellectual property rights in the area of technology, and its search for a means to construe and apply these laws in the absence of precedent, basic legal rules, and overall jurisprudence.

MCLEOD, MALCOLM E. Canadian practice: copyright three years after 8 June 1988. *Copyright World*, issue 22 (May/June 1992), pp. 27-33.

The Canadian Copyright Act of 1924 was revised in 1988 under what is referred to as Phase I reforms, which addressed such areas as the interface between copyright and industrial design law, copyright protection for computer programs, increase of criminal penalties, and expansion of the concept of moral rights. Phase II copyright reforms are expected to be introduced into Parliament in 1992, but it is not known whether they will be confined to sensitive selected topics, with further reform later or whether they will be comprehensive in nature.

NEELS, LEO. Copyright protection for press releases? *EIPR*, vol. 14, no. 4 (Apr. 1992), pp. 130-36.

In discussing copyright protection for press releases, Dr. Neels defines the boundaries of copyright protection and also the principle of freedom of information. He states that copyright protection is denied to facts if they are simply a factual account, but a literal form of expression of a factual account is protected as well as fictional and other original elements contained in fac-

tual works. Copyright is available for the original expression of fact, news and/or research results, but not just mere items of information or news of the day. The author also investigates property rights in the news, including protection under unfair competition law.

NETTE, ALEXANDER. Green paper of the Commission of the European Community on the legal protection of industrial designs. *Copyright World*, issue 22 (May/June 1992), pp. 16-20.

The European Commission held hearings on a draft proposal for a decree relating to the protection of industrial designs within the EEC. The hearings also included discussion of a draft directive to harmonize the legal regulations of the member states concerning protection for designs. This article sets out the results of that meeting—the future European design law and a summary of the proposal for the corresponding guidelines for the national design laws of the various member states.

New policy regarding the Canadian book publishing industry. *Copyright World*, issue 22 (May/June 1992), pp. 34-37.

The Canadian government has adopted a new policy with respect to the Canadian book publishing industry. The policy calls for new funding to provide short-term relief to the industry, stronger foreign investment policies to promote structural change, and copyright law amendment to provide new protection for exclusive distribution agreements.

PATTISON, MICHAEL. The European Commission's proposal on the protection of computer databases. *EIPR*, vol. 14, no. 4 (Apr. 1992), pp. 113-21.

In this article, Mr. Pattison reviews the European Commission's proposed Directive on the protection of computer databases. He states that under this Directive, databases will receive much less protection than they presently do in the United Kingdom. The author gives us the background to the Directive, takes a look at protection of databases by copyright under the Directive, and analyzes Britain's unfair extraction right.

PETTER, TRACEY. Fair value for copyright in television listings in the UK? *Copyright World*, issue 22 (May/June 1992), pp. 13-15.

This is a discussion of the U.K.'s Broadcasting Act of 1990 under which the Copyright Tribunal recently established a license fee of “.003 pence per copy circulated in respect of each day in relation to which the listings information is published” for the weekly listings of BBC and independent television and radio programs. Until enactment of the Act, the broadcasters published their own weekly program listings and refused to grant any external publisher the right to carry the advance details of all national TV and radio programs for the week ahead. This exclusionary publishing practice led to court challenges by companies that wanted to publish a comprehensive

weekly listings guide and the eventual enactment of the Broadcasting Act. The law requires broadcasters to make advance information relating to their programs available to any person wishing to publish such details in the UK. The measure also provides a procedure whereby the Copyright Tribunal is to settle disputes over licensing fees, and it was in this connection that the Tribunal made its determination.

Satellite television provider's rights affirms. *Copyright World*, issue 17 (July/Aug. 1991), p. 13.

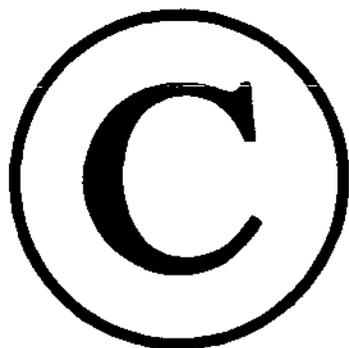
This is a discussion of the decision handed down by the U.K.'s House of Lords in *BBC Enterprises v. Hi-Tech Xtravision Ltd.* The suit raised the issue of whether the defendant was liable to plaintiff for payment of commission on decoders sold in Western Europe that were capable of decoding plaintiff's encrypted satellite television broadcasts. The high court dismissed the defendant's appeal and confirmed the plaintiff's statutory right under section 298 of the 1988 Copyright Act to regulate the conduct of U.K.-based decoder manufacturers and distributors.

Journal

of the

Copyright Society

of the USA



VOL. 40, No. 3

SPRING 1993

JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A.
(formerly BULLETIN OF THE COPYRIGHT SOCIETY OF THE U.S.A.)

EDITORIAL BOARD

WILLIAM F. PATRY, *Editor-In-Chief*

JUNE BESEK
JANE GINSBURG
MARGARET GOLDSTEIN
MARCI HAMILTON
CRAIG JOYCE
ADRIA KAPLAN
I. FRED KOENIGSBERG
HON. JON O. NEWMAN

THOMAS P. OLSON
SHIRA PERLMUTTER
SHERI ROSENFELD
ANDREA RUSH
HARVEY SHAPIRO
BARRY SLOTNICK
DIANE L. ZIMMERMAN

Writers-Editors: N. ALICIA BYERS, GUY ECHOLS, SANDY JONES
(Employees of The Copyright Office)

THE COPYRIGHT SOCIETY OF THE U.S.A.
OFFICERS

<i>President</i>	<i>Assistant Secretary</i>
ROGER L. ZISSU	JUDITH M. SAFFER
<i>Vice President</i>	<i>Treasurer</i>
EUGENE L. GIRDEN	MICHAEL J. POLLACK
<i>Secretary</i>	<i>Assistant Treasurer</i>
HELENE BLUE	PHILIP M. COWAN

Executive Director (1975-1984)

ALAN LATMAN

Assistant Executive Director (1978-1986)

KATE MCKAY

BOARD OF TRUSTEES

HOWARD B. ABRAMS, Detroit, MI	M. WILLIAM KRASILOVSKY, New York, N.Y.
BARRY S. AGDERN, New York, N.Y.	SLADE R. METCALF, New York, N.Y.
JON A. BAUMGARTEN, Washington, D.C.	GLORIA MESSINGER, New York, N.Y.
SEYMOUR BRICKER, Los Angeles, CA	SHIRA PERLMUTTER, Washington, D.C.
MARIA DANZILLO, New York, N.Y.	MARYBETH PETERS, Washington, D.C.
PAUL E. GELLER, Malibu, CA	ERIC RAYMAN, New York, N.Y.
ANDREW J. GERBER, New York, N.Y.	JEROME REICHMAN, Nashville, TN
MARCI HAMILTON, New York, N.Y.	E. LEONARD RUBIN, Chicago, Ill.
HUGH C. HANSEN, New York, N.Y.	ANDREA F. RUSH, Toronto, Canada
PAULA JAMESON, Washington, D.C.	ANDRA SHAPIRO, New York, N.Y.
PETER JASZI, Washington, D.C.	ERIC H. SMITH, Washington, D.C.
HARRY M. JOHNSTON III, New York, N.Y.	KATHERINE C. SPELMAN, San Francisco, CA
ADRIA G. KAPLAN, New York, N.Y.	WILLIAM S. STRONG, Boston, MA
KENNETH M. KAUFMAN, Washington, D.C.	JONATHAN ZAVIN, NEW YORK, NY
I. FRED KOENIGSBERG, New York, N.Y.	

HONORARY TRUSTEES

RICHARD DANNAY	ALAN J. HARTNICK	BERNARD KORMAN
PAUL GITLIN	HARRY G. HENN	E. GABRIEL PERLE
DAVID GOLDBERG	WALTER J. JOSIAH, JR.	STANLEY ROTHENBERG
MORTON DAVID GOLDBERG		THEODORA ZAVIN

Published at the offices of the Copyright Society of the U.S.A. at the Center for Law and the Arts, Columbia University School of Law, 435 W. 116th St., New York, N.Y. 10027. Printed and distributed by Fred B. Rothman & Co., 10368 West Centennial Road, Littleton, Colorado 80127. Copyright 1993 by the Copyright Society of the U.S.A. All Rights Reserved.
ISSN 0010-8642

CONTENTS

	PAGE
PART I. ARTICLES	
Motion Picture Soundtrack Music: A Gap or Gaff in Copyright Protection E. Fulton Brylawski	333
Fair Use, Biographers, and Unpublished Works: Life After H.R. 4412 Lynn Miller	349
New Landscape in the Copyright Protection for Maps: <i>Mason v. Montgomery Data, Inc.</i> David B. Wolf	401
PART II. LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS	
United States of America	407
PART V. BIBLIOGRAPHY	
Articles from Law Reviews and Copyright Periodicals . .	410
United States	410
Foreign	411

THE JOURNAL of The Copyright Society of the U.S.A. is published quarterly by The Society at the Center for Law and the Arts, Columbia University School of Law, 435 W. 116th St., New York, N.Y. 10027; Roger Zissu, *President*; Eugene L. Girden, *Vice President*; Michael J. Pollack, *Treasurer*; Helene Blue, *Secretary*; Philip M. Cowan, *Assistant Treasurer*; Judith M. Saffer, *Assistant Secretary*.

COPYRIGHT SOCIETY OF THE U.S.A. MEMBERSHIP DUES (Membership includes subscription to the Journal): *Law Firms, Companies and Associations*: Sustaining Member \$1,000. Patron Member \$500. *Individuals only*: Contributing Member \$250. Member \$125. Junior Member (up to three years out of law school) \$50. Senior Member (over the age of 65 and a member of the Society for not less than 10 years) \$50. Full-time students \$25.

SUBSCRIPTIONS: *Institutional Libraries* (Academic, Public and Governmental) \$50.

Additional copies of the JOURNAL for all members at same address \$50.

Business correspondence regarding subscriptions, bills, etc. should be addressed to the distributor, Fred B. Rothman & Co., 10368 West Centennial Road, Littleton, CO 80127.

CITE: 40 J. COPR. SOC'Y, page no., . . . (1993).

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. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is: 0010-8642/93 \$2.00/0.

TRIBUTE TO JOHN HERSEY

The Editor
Letters to the Editor
New York Times
229 West 43rd Street
New York NY 10036

John Hersey's obituary (March 25) recounts his literary and journalistic achievements. He also was a steadfast champion of authors' rights.

As President of the Authors League, he was a principal spokesman for American authors and dramatists during the Congressional proceedings on copyright revision. And he served on the National Commission that studied new technological uses of copyrighted works. His work is reflected in several provisions of the landmark Copyright Revision Act.

Mr. Hersey also worked tirelessly to improve authors' contracts, and was instrumental in preparing the Authors Guild's recommended publishing contract and several negotiating guides. He led the Guild's crusade against book-publishing mergers and acquisitions, most notable now for its accurate, albeit dire, prediction that unchecked conglomeration would place control of publishing markets in the hands of a few multi-media giants.

As a member of our Committee for Literary Property Studies, Mr. Hersey helped us formulate and promote passage of the 1992 Automatic Copyright Renewal Act which protects authors and their families against the premature loss of copyrights secured from 1964 to 1977, a fate suffered by thousands of authors in the past.

We enjoyed the privilege of working with John Hersey and, along with the other members of our Committee, we respected and admired him for his invaluable service to American authors, and for his grace, dignity, and decency, as well as for his literary and journalistic talents.

Sincerely,

The Committee for Literary Property Studies;
Barbara Ringer, former Register of Copyrights
Irwin Karp, former Counsel of the
Authors League and Authors Guild

ARTICLES

MOTION PICTURE SOUNDTRACK MUSIC: A GAP OR GAFF IN COPYRIGHT PROTECTION?

by E. FULTON BRYLAWSKI*

In the beginning, there was creation. Under principles of natural law, rights of ownership attached to what a person created. Thus, ownership of a painting, manuscript or other work of authorship belonged to its creator.¹

Apart from ownership rights in the physical thing created, a new property right evolved at common law to allow an author/creator to control the initial exploitation of his work through the act of publication.² This was an intangible or incorporeal right, separate and distinct from the physical manifestation of the work³ and was called a common-law right, sometimes loosely described as a common law copyright.

By 1774, an author's common law rights were held to be extinguished upon publication of his work and any rights thereafter were limited by statute.⁴ At that time, publication by a distribution of copies of a work was assumed to be the sole and exclusive means of exploitation. However, as new forms and media for the exploitation and dissemination of works of authorship evolved beyond the printing press, the distribution of copies was not the only means of "going public,"⁵ which allowed some forms of commercial

*E. Fulton Brylawski practices law in Washington, D.C.

¹ The concept of property rights in an intellectual production seems to have been first articulated in *Finnian v. Columbia* in the year 567, where a copy of the Psalter was recovered under the rationale "to every cow her calf". BOWKER, COPYRIGHT AND ITS HISTORY AND ITS LAW 9 (1912).

² Bowker, *supra*, at 23.

³ Copyright as an intangible right separate from rights in the physical object copyrighted has been restated in recent copyright laws. Act of March 4, 1909, Section 41, 60th Cong. 2d Sess. 35 Stat. 1076; Act of October 19, 1976, Section 202, Pub. L. 94-553 90 Stat. 2541.

⁴ In the landmark case of *Donaldson v. Becket*, 4 Burr. 2408 (1774), the English House of Lords held that common law rights in an intellectual property were replaced by statutory rights. Eventually, this case was cited for the proposition that common law rights ceased with publication and rights thereafter, if any, were governed by the copyright statute. In reliance on that case, the U.S. Supreme Court in *Wheaton v. Peters*, 33 U.S. 591 (1834) held that the rights of the complainant were limited to the U.S. statutory copyright. Both of these cases, despite somewhat different findings, have come to stand and be accepted for the principle that publication extinguishes common law protection.

⁵ Under earlier British law, performance of a work was a publication. *Boucicault v.*

exploitation to be made without a loss of common law rights. Included in those forms of exploitation which did not technically constitute publication were performances of plays⁶, exhibitions of paintings,⁷ sound recordings of music,⁸ deliveries of lectures,⁹ radio broadcasts¹⁰ and exhibitions of motion pictures.¹¹

The question this article seeks to answer is whether music in the soundtrack of a motion picture released prior to 1978 similarly retained its common law rights or, conversely, whether the distribution of the motion picture caused a loss of the common law status of its soundtrack music. What is puzzling is that the courts have tended to ignore rather than to answer this question or the companion question whether soundtrack music was copyrighted as part of the film copyright. This oversight seems almost deliberate in at least two illustrative cases involving pre-1978 picture music.

The earlier case of *Picture Music, Inc. v. Bourne*¹² involved a song entitled WHO'S AFRAID OF THE BIG BAD WOLF written by Frank E. Churchill as an employee of Walt Disney Productions, Inc. This song was reproduced in the soundtrack of the Disney motion picture cartoon entitled THREE LITTLE PIGS, which was released and copyrighted by Disney in May of 1933. Thereafter, Disney assigned its rights in the song to Irving Berlin, Inc., who arranged with a songwriter named Ann Ronell to add certain musical changes and additional lyrics. The Ronell version of the song was copyrighted in sheet music form after the release of the motion picture in September of 1933 and a renewal of copyright was filed by Ronell as co-author of the sheet music version.

Chatterton, (1876) 5 CH. D., 267. See, MACGILLIVRAY, A TREATISE UPON THE LAW OF COPYRIGHT (1902) at 41.

⁶ *Ferris v. Frohman*, 223 U.S. 424 (1912); *Parton v. Prang*, 18 F. Cas. 1273 (D. Mass. 1872).

⁷ *American Tobacco Co. v. Werckmeister*, 207 U.S. 284 (1907). However, a number of cases have held that mere public exhibition of a work of art constitutes publication, if no restrictions are imposed against the public's copying. *Pierce & Bushnell Mfg. Co. v. Werckmeister*, 72 F. 54 (1st Cir. 1896); *William A. Meier Glass Co. v. Anchor Hocking Glass Corp.*, 95 F. Supp. 264 (W. D. PA 1951); *Morton v. Raphael*, 334 Ill. App. 399, 79 N.E. 2d 522 (1948); *Letter Edged in Black Press, Inc. v. Public Building Commission*, 320 F. Supp. 1303 (N.D. Ill. 1970).

⁸ *Rosette v. Rainbo*, 354 F. Supp. 1183 (S.D.N.Y. 1973), *aff'd*, 546 F. 2d 461 (2d Cir. 1976).

⁹ *Nutt v. National Institute*, 31 F. 2d 236 (2d Cir. 1929).

¹⁰ *Stanley v. CBS*, 192 P. 2d, 495 (Cal. App. 1948), *aff'd* 221 P. 2d 801 (1950); *CBS v. Documentaries, Unltd.*, 248 NYS 2d 809, *on rehearing*, 141 U.S.P.Q. 310 (NY Sup. Ct. NY Cty. 1964).

¹¹ *DeMille v. Casey*, 12 Misc. 78, 201 N.Y.S. 20 (1923); *Patterson v. Century Productions, Inc.*, 93 F. 2d 489 (2d Cir. 1937).

¹² 314 F. Supp. 640 (S.D.N.Y. 1970).

The district court in the *Picture Music* case declared that the sole issue was who owned the renewal copyright on the song which, it reasoned, depended upon whether Ronell's contribution made her a co-author of the song with Frank E. Churchill. On this issue, the district court concluded that she was not a co-author with Churchill or his employer, Disney, "even if her additions were copyrightable" and hence she had no renewal interest in the original song. The appellate court¹³ affirmed the judgment of the district court, but on grounds that Ronell was an employee for hire and hence had no right of renewal.

Nowhere in either the district or appellate decision is there any reference to whether the song was copyrighted as part of the motion picture cartoon. Indeed, the implication in both is that the song was first copyrighted in sheet music form after the release and copyright of the picture. Moreover, the district court's review of the *Melancholy Baby*¹⁴ and *12th Street Rag*¹⁵ cases, not to mention its handling of Plaintiff's joint authorship claim, rested on the assumption that the song had not been copyrighted as part of the motion picture prior to the Ronell version in September of 1933.

If the *Picture Music* court had recognized, contrary to the implications of the decision, that the song was first copyrighted as part of the Disney motion picture cartoon, then it would have followed that Ronell had no renewal interest in the original version of the song. Accordingly, the district and appellate courts need not have determined that she was not a co-author, that her contribution was not copyrightable or that she was an employee for hire when she wrote her contribution.

The second case where recognition of prior inclusion of a song in a motion picture soundtrack should have made a difference is *Gaste v. Kaiserman*.¹⁶ In that case, the music of a song entitled POUR TOI was included in the soundtrack of a French motion picture entitled LE FEU AUX POUDES which was released and distributed in France in 1956. The composer of the music, Louis Gaste, subsequently published and registered his music for copyright in sheet music form and renewed the copyright on that version in 1984. The Defendant argued that publication abroad of the French

¹³ 457 F. 2d. 1213 (2d Cir. 1972).

¹⁴ *Shapiro, Bernstein & Co., Inc. v. Jerry Vogel Music Co., Inc.*, 161 F. 2d 406 (2d Cir. 1946). In this case, the court held that a song was a joint work between the composer of the music and the lyricist because of a merger of contributions, even in the absence of collaboration between the two authors.

¹⁵ *Shapiro, Bernstein & Co., Inc. v. Jerry Vogel Music Co., Inc.*, 221 F. 2d 569, *revised* 223 F. 2d 752 (2d Cir. 1955). Here, the composer of the music sold and assigned his rights to a publisher who hired another person to write lyrics for the music. The court held that the intent of the publisher as owner of all rights in the music to merge the two parts into a single work was sufficient to make the resulting song a joint work.

¹⁶ 863 F. 2d 1061 (2d Cir. 1988).

movie without a copyright notice or without registration and renewal caused the motion picture and all of its component parts, including Plaintiff's music, to pass into the public domain in the United States.¹⁷ As to this issue, the court stated:

"But even accepting their [the defendant's] contention that first publication [of the music] was in the movie, we conclude that their proof still fails. Defendant failed to prove that the film was distributed without a proper copyright notice."

The court's conclusion that "proof still fails" masks several relevant issues and assumes, quite erroneously, that the absence of a proper copyright notice was the only essential to proving a loss of copyright protection in the movie and derivatively the music.

Inasmuch as the *Gaste* court was willing to assume for purposes of argument that the music was first published in the motion picture, it follows that Plaintiff's copyright infringement claim based on the later copyright on the sheet music version and its renewal should have failed. If publication of the motion picture was without a copyright notice, the court impliedly admitted that the music would not be copyrighted. If publication of the picture was with a proper copyright notice, such would have triggered U.S. copyright protection¹⁸ on *Gaste's* music, but the subsequent failure to have registered and renewed the picture copyright would have caused the picture and the soundtrack version of the music to pass into the public domain in the United States.¹⁹

The *Picture Music* and *Gaste* cases, in the fashion in which they overlooked or mishandled the copyright status of soundtrack music, are only symptomatic of a broader disregard by the entertainment industry, the U.S. Copyright Office and the Copyright Bar²⁰ towards the copyrightability of

¹⁷ Defendant-Appellant Morris Kaiserman's Brief on Appeal, U.S. Court of Appeals, 2d Cir. Docket Nos. 88-7367 and 88-7369 (1988).

¹⁸ Under the then existing copyright law, statutory copyright automatically arose when a work was published with the requisite statutory form of copyright notice. Old 17 U.S.C. § 10. Even under the discarded view of *Heim v. Universal*, 154 F. 2d 480 (2d Cir. 1946), which by way of *dictum* excused a foreign publication from the requirement of a U.S. copyright notice, statutory copyright commenced upon such foreign publication.

¹⁹ Any copyright secured upon publication expired at the end of twenty-eight years if not renewed. Old 17 U.S.C. § 24. Renewal of copyright, however, was not permissible unless the original copyright claim had been registered. COMPENDIUM OF COPYRIGHT OFFICE PRACTICES (1973) Chapt. 8, Part 11.3.1. This is changed by the Copyright Amendments Act of 1992, P.L. 102-307, which provides for automatic renewal, even in the absence of an original copyright registration.

²⁰ Nimmer accorded some respect for the argument "that no copyright may be claimed in motion picture soundtracks, even if the visual aspect of a motion

pre-1978 soundtrack music. Indeed, it has been industry practice with some condoning by the Copyright Office to rely on a separate and subsequent chain of title for film music, commencing with copyright on its sheet music or non-soundtrack form after release of the picture. Such ignores the possibility that the music was copyrighted originally as part of a motion picture or that copyright was lost because the picture was published with no copyright notice.

The Copyright Office's attitude towards soundtrack music has been quite ambivalent, commencing with a policy of non-copyrightability to a position that soundtrack elements were copyrighted as part of a pre-1978 motion picture. Prior to 1975, copyright registration for a new motion picture version was not allowed if the only new matter was the soundtrack. This pre-1975 view was expressed by the Copyright Office in the following language²¹:

"Registration is not made for a soundtrack alone, or for a soundtrack as the only new matter in a previously published or registered motion picture.

Examples:

- (1) An old silent picture with a new soundtrack.
- (2) A previously published foreign film with a dubbed soundtrack in English.

This earlier attitude towards non-copyrightability of soundtrack material was based on the assumption that the 1909 Copyright Act embraced the 1908 holding in the Supreme Court case of *White-Smith v. Apollo*²² which declared that a "copy" of a work for purposes of copyright eligibility required the work to be visually perceptible to the human eye without the aid of a machine. The 1912 amendment²³ to the 1909 Act by which motion pictures were explicitly designated as a class of copyrightable works did not include sound motion pictures and at that earlier date probably did not contemplate "talkies." This reinforced the application of the *White-Smith* doctrine and the conclusion that soundtracks were not copyrightable under the 1909 Act or the 1912 amendment. Collaterally and consistent with this conclusion was the fact that phonograph recordings of musical compositions were held not to be copyrightable because they were similarly not in visually perceptible form²⁴.

Commencing in the 1960's, the Copyright Office backed off its reliance on the *Apollo* case and accepted for copyright registration under its "rule of

picture film is susceptible of copyright", but he nevertheless argued for copyright protection for soundtracks in the absence of any judicial determination. NIMMER ON COPYRIGHT (1976), § 25.2.

²¹ COMPENDIUM, *supra* n.19, Chapt. 2, Part 2.14.1, III(b) on "Soundtracks".

²² 209 U.S.1 (1908).

²³ Act of August 24, 1912, 37 Stat. 724.

²⁴ NIMMER, *supra* n.20, § 17.1.

doubt"²⁵ various forms of works not in visually perceptible form, including video tapes²⁶ and computer programs.²⁷ In 1971, at the time of the adoption of the 1972 Sound Recording Statute, Congress expressed the view that motion picture soundtracks were already copyrightable as part of motion pictures under the act of 1909, in the following language:

"In excluding 'the sounds accompanying a motion picture' from the scope of this legislation the Committee does not intend to limit or otherwise alter the rights that exist currently in such works. The exclusion reflects the Committee's opinion that soundtracks or audio tracks are an integral part of the 'motion pictures' already accorded protection under subsections (1) and (m) of Section 5 of Title 17, and that the reproduction of the sound accompanying a copyrighted motion picture is an infringement of copyright in the motion picture."²⁸

In 1975, the Copyright Office completed the reversal of its former practice by adopting, at least prospectively, a new regulation whose effect made all soundtrack elements copyrightable as part of the motion picture copyright.²⁹

The stage was thereby set for judicial recognition of the copyrightability of motion picture soundtrack elements. In *Classic Film Museum v. Warner Bros., Inc.*,³⁰ the court held that those elements of a screenplay depicted in a motion picture, not just the visual elements but also the dialog of the screenplay in the soundtrack, were copyrighted as part of the motion picture and lost their copyright protection when copyright on the motion picture lapsed. Under this holding and by analogy, copyright on any original music in a

²⁵ The Copyright Office's "rule of doubt" has not been formalized in any Copyright Office Regulation. It has been used sparingly, where the Copyright Office has been inclined to make registration, but wishes to express its reservations or doubts in an informal letter to the remitter of the copyright application.

²⁶ Colby, "A Historic 'First'—Copyright Office accepts magnetic videotape for registration," 8 Bull. Cr. Soc. 205 (1960); see also Annual Report of Register of Copyrights (1961) at page 3. Technically, these are motion pictures reproduced in the form of videotapes. Extensive treatment of the copyrightability of videotapes appears in FRITCH, "Some Copyright Implications of Videotapes", ASCAP Copyright Law Symposium, Number Thirteen (1964), 87.

²⁷ On May 19, 1964, the Copyright Office released Announcement SML-47 entitled "Copyright Registration For Computer Programs," 11 Bull. Copyr. Soc. 361 (1964) in which the Copyright Office agreed to accept a program in a form "perceptible or capable of being perceptible to the human eye". The text on which emphasis is added meant readable on a machine or capable of being produced as a visual print-out. However, the Copyright Office also required a deposit of one print-out for each tape as a visually perceivable component and such print-out may really have been that which was copyrightable.

²⁸ H. Rep. No. 92-487 (1971) 5-6, 92nd Cong., 1st Sess.

²⁹ § 202.15 of Chapter II, Title 17 CFR, as amended May 12, 1975; 40 Fed. Reg. 54.

³⁰ 597 F. 2d 13 (1st Cir. 1979).

motion picture soundtrack would similarly lapse with copyright on the motion picture as a whole. Yet, there is a dearth of case law on this issue.³¹

The question remaining but not decided nor required to be decided in the *Classic Film* case was whether the distribution of a motion picture was a "general publication" of the motion picture and particularly its soundtrack as would cause a loss of common law protection for all previously uncopyrighted elements of the motion picture³².

The 1909 Copyright Act contains no definition of "publication", reportedly because the framers of the Act could not agree on a definition³³. However, in recognition that statutory copyright commenced upon publication with a requisite form of copyright notice, the framers of the 1909 Act felt obliged to include a definition of the "date of publication"³⁴ from which the courts have tended to extract a definition of publication to include a distribution of "copies" of the work to the general public.

Until the development in recent years of the home video market, copies of motion pictures were not sold or distributed to the general public. Rather, they were leased or licensed to selected exhibitors and thereafter merely shown to the general public in theatres or over television. The result is that what constitutes publication of a motion picture and its soundtrack under

³¹ In *Famous Music Corp. v. Melz*, 28 F. Supp. 767 (W.D. La. 1939), the court suggested only in *dictum* that the musical composition involved was copyrighted as part of the motion picture. In a throw-away line in a footnote of another case, the U.S. Supreme Court more recently assumed that soundtracks were copyrighted as part of the picture copyrights when it said, "While motion picture copyrights protect the soundtrack of Presley movies . . ." *Dowling v. U.S.*, 473 U.S. 207 (1984) n. 4.

³² Mere insertion of a statutory copyright notice on a work which is otherwise unpublished does not constitute an election of statutory copyright or an intent to publish the work. *Vitagraph, Inc. v. Levy*, 659 F.2d 1023 (9th Cir. 1981).

³³ The Librarian of Congress, Herbert Putnam, stated during the Congressional hearings on the copyright bills: "there is a definition of the date of publication where copies are reproduced for sale or distribution. That is in section 63. It is limited to that, because after discussion, the conference did not seem to be able, or none of our advisors seemed to be able, to suggest a definition for publication in the case of works of art, for instance, of which copies are not reproduced. It seemed to those who were advising us, a dangerous thing to attempt." Hearings before the (Joint) Committees on Patents, June 6-9, 1906 and December 7-11, 1906, BRYLAWSKI AND GOLDMAN, "LEGISLATIVE HISTORY OF THE 1909 ACT, Part H 71, other comments in Part H at 66, 67, 70-72; Part J at 165. See, also, *Id.*, Vol. 2, pages 151-2, 301-2.

³⁴ § 62 of the Act of 1909, codified as old 17 U.S.C. § 26, provided: "That in the interpretation and construction of this Act 'the date of publication' shall in the case of a work of which copies are reproduced for sale or distribution be held to be the earliest date when copies of the first authorized edition were placed on sale, sold, or publicly distributed by the proprietor of the copyright or under his authority . . ."

pre-1978 law remains unsettled.³⁵ Several cases have described the necessary circumstances and conditions by which a motion picture is published. The assumption seems to have been that a standard distribution of a motion picture under a leasing or licensing arrangement could be a publication of the motion picture, but virtually no pre-1978 cases have made any such direct holding.³⁶ Moreover, none have expressed the view that a soundtrack of a motion picture is published when the picture has been publicly distributed.³⁷

Instead, the cases have held that some of the most standard forms of exploitation of motion pictures do not give rise to publication. In *American Vitagraph v. Levy*,³⁸ the court found an absence of publication even after noting but not supporting the view that motion picture publication occurs where prints of a film are made available under a lease or similar arrangement to theatre operators for public exhibition. In *Paramount v. Rubinowitz*,³⁹ the court found that certain STAR TREK films had not been generally published, even though distributed on a syndicated basis to television stations. In that case, the court stated "notwithstanding Nimmer's position, it is not clear that pre-1978 law maintained the view that leasing or distributing film prints for exhibition was tantamount to publication."⁴⁰ In *NBC v. Sonneborn*,⁴¹ the

³⁵ Defining publication, particularly for cinematographic works, has also proved difficult and uncertain under the Berne Convention. RICKETSON, *THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS: 1886-1986* §§ 5.24-5.49.

³⁶ The absence of case law on important issues of copyright gave rise to Judge Irving Kaufman's remarks: "This action for copyright infringement presents us with a picture all too familiar in copyright litigation: a legal problem vexing in its difficulty, a dearth of squarely applicable precedents, a business setting so common that the dearth of precedents seems inexplicable, and an almost complete absence of guidance from the terms of the Copyright Act." *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F. 2d 304, 305 (2d Cir. 1963).

³⁷ Typical of early judicial difficulty in finding a general publication of a motion picture are *Patterson v. Century Productions, Inc.*, 93 F. 2d 289 (2d Cir. 1937) (distribution of motion picture prints for non-commercial exhibition was not a publication); *Cardinal Film Corp. v. Beck*, 248 Fed. 368 (S.D.N.Y. 1918) (a deposit in the Copyright Office is only a publication for purposes of determining the commencement date of copyright); *Universal Film Mfg. Co. v. Copperman*, 218 F. 577 (2d Cir. 1914) (sale of a positive prints of a motion picture did not divest the common law copyright in the motion picture); and *Brandon Films v. Arjay Enterprises*, 33 Misc. 2d 794, 230 N.Y.S. 2d 50 (1962), (distribution of a motion picture in Germany was not a publication).

³⁸ 659 F. 2d 1023 (9th Cir. 1981).

³⁹ 217 U.S.P.Q. 48 (E.D.N.Y. 1981).

⁴⁰ Nimmer has also expressed an apparently inconsistent view that publication requires a transfer of a possessory interest in a work to members of the public, which would not occur in the normal distribution of a motion picture under a leasing or licensing arrangement to a select group of film exchanges and/or exhibitors. See NIMMER, *supra* n. 20, § 52.

⁴¹ 630 F. Supp. 525 (D. Conn. 1985).

court held that a broad distribution and leasing of prints of a filmed version of "Peter Pan" prior to 1978 did not constitute a general publication of the picture as to lose common law rights, since no transferee had the right to make copies and all licensees were required to return their copies.

Thus, existing case law provides little, if any, support for the proposition that a pre-1978 distribution of motion picture prints, videotapes or videocassettes to a television station or a film exchange for purposes of public exhibition is a general publication of the picture as would divest common law rights in the film. Since a soundtrack is not a "copy" of the material recorded in the soundtrack in a visually perceptible sense, the distribution of a soundtrack as part of the picture would be even less capable of rising to the level of publication under the old Act.⁴²

If a soundtrack is not published when the motion picture is distributed, the authors of the soundtrack material prior to 1978 could have enjoyed many fruits of exploitation in perpetuity.⁴³ At first glance, this result may seem in conflict with the copyright clause of the U.S. Constitution empowering Congress to provide protection to authors for their works for "limited times"⁴⁴ only or in conflict with the federal copyright statute by providing a term of protection under common law for longer than the statutory period. However, the Supreme Court in *Goldstein v. California*⁴⁵ held that state or common law protection which was not in conflict with the federal statutory scheme was available to authors. Since pre-1978 statutory copyright did not cover unpublished and unregistered works of authorship, common law protection for such works including motion picture soundtracks did not conflict with the federal copyright scheme. That common law protection subsisted and was not pre-empted by federal law was confirmed by an express preservation of an author's common law rights in his unpublished works under § 2 of

⁴² Nimmer agrees that the distribution of a phonorecord of a musical composition is not a publication of such music. *supra* note 20, §§ 50-1. By analogy, if the 1909 Copyright Act did not allow "publication" of music in the form of a phonorecord, then by what justification would a mechanical reproduction of the music in a motion picture soundtrack be a publication?

⁴³ See Nolan "Copyright Protection for Motion Pictures Limited or Perpetual," 12 *Idea* 1135-1160, No. 45 (Winter 1968-1969) wherein the author states, "The vast majority of motion pictures produced in this country can be granted virtually perpetual copyright protection under state common law." Perpetual common law protection, however, was terminated by the Act of 1976, effective January 1, 1978, with the exception of common law rights in sound recordings for limited times. See, 17 U.S.C., § 301(c).

⁴⁴ U.S. Constitution, Article I, § 8 Cl. 8.

⁴⁵ 412 U.S. 546 (1973). The *Goldstein* decision greatly modified if not reversed the *Sears* and *Compro* decisions which suggested that Congress so occupied the field of copyright protection as to pre-empt all comparable state action, including common law protection. *Sears, Roebuck & Co. v. Stiffel*, 376 U.S. 225 (1964) and *Compro Corp. v. Day-Brite Lighting*, 376 U.S. 234 (1964).

the 1909 Act.⁴⁶

In the late 1960's and early 1970's, a few copyright registrations were made for music and screenplay material from soundtracks of old motion pictures where the picture copyrights had apparently expired. Initially, this was permitted because of the uncertainty shared by the Copyright Office whether common law protection, including the right to secure statutory copyright, for soundtrack materials survive publication or the copyright registration of the motion picture involved. The Copyright Office perceived correctly that the copyright registrations of this old soundtrack material might be used as a basis for reviving and extending copyright protection to vital portions of motion pictures for the purposes of suing any unauthorized exploitation of such pictures for infringement of the newly acquired copyrights on such soundtrack material.

In 1975, the Copyright Office adopted a new regulation⁴⁷ to block copyright registrations seeking to revive or extend copyright protection of soundtrack material beyond the normal term of copyright on the motion picture itself. However, this regulation went further to deny or limit rights of authors of soundtrack material if their works were first included in a motion picture soundtrack and not in some other form. For instance, the regulation would not allow an author to renew his contribution to a soundtrack, unless it was originally registered.⁴⁸ Then, in a *Catch 22* fashion, separate registration was not permitted, unless the motion picture carried a separate copyright notice for the soundtrack component at the time of its original publication and registration.⁴⁹

It is true that much, if not most, soundtrack music is written under employment contracts where the separate renewal privilege on soundtrack material is not significant, but some music including some very popular musical hits were independently created outside of the scope of any employment con-

⁴⁶ "That nothing in this Act shall be construed to annul or limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication, or use of such unpublished work without his consent, and to obtain damages therefore." Old 17 U.S.C., § 2.

⁴⁷ *Op. Cit.*, *supra*, n. 29.

⁴⁸ The Regulation provided: "However, application to register a claim to copyright in a component part of a motion picture soundtrack for the renewal term shall be accepted only if separate registration has been made for the original term." *Id.*, § 202.5(e)(4).

⁴⁹ The requirement of a copyright notice for any element of a motion picture soundtrack is contrary to the basic structure of the 1909 Act which required a copyright notice on published "copies" of a work because a soundtrack was clearly not a "copy" in the sense of being "visually perceivable." Old 17 U.S.C. § 10. Article VI of the Universal Copyright Convention similarly provides that a distribution of "copies" qualifies for "publication" only if they can be read or otherwise visually perceived. COPYRIGHT LAWS AND TREATIES OF THE WORLD, (1971) Vol. III, Item A-1.

tract and were first reproduced in soundtrack form. If an independent author loses his copyright protection when the copyright on the motion picture lapses under the *Classic Film Museum* decision, then it follows that he should correspondingly retain without diminution all of his rights under copyright in such material, including his statutory renewal rights, as long as copyright protection for the motion picture subsists.

The renewal section 304 of the present Copyright Act, fashioned after the renewal provision of prior law⁵⁰, gives to an author or his statutory successors a right of renewal in an author's copyrighted work "including (but not limited to) a contribution by an individual author to a . . . 'composite work' ". There is no statutory definition of what constitutes a "composite work" under either the old or new copyright law, but there is support for the view that a "composite work" is a work "to which a number of authors (two or more) have contributed distinguishable parts which have not, however, been 'separately registered.'"⁵¹ Where soundtrack music is contributed by an independent author, the motion picture meets the threshold definition of a "composite work" in the sense that it is a composite of contributions by at least the music composer and the producer of the motion picture. Even if the motion picture be deemed not a "composite work," the language of § 304 is broad enough to allow rights of renewal, regardless of the form in which the work was originally published or copyrighted.

Nothing in the copyright decisions, the Copyright Office Regulations or the Compendium of Copyright Office Practices precludes the notion that a motion picture is not a "composite work." Furthermore, nothing in the statute or case law suggests that an author of an independent contribution to a film soundtrack, such as the dialogue of the screenplay or picture music, should lose or have a restricted right of renewal on his or her contribution to the motion picture. If a motion picture as a work created by two or more authors is not a composite work, then the author of an independently created musical score of a motion picture might reasonably claim to be a "joint author" with the authors of the other elements of the motion picture, providing the composer not only with a renewal right in his contribution but also in the entire motion picture.⁵²

⁵⁰ Old 17 U.S.C. § 24. The recent Copyright Amendments Act of 1992, P.L. 102-307, essentially provides for both express and automatic renewals without changing the substantive renewal rights under the Acts of 1909 and 1976.

⁵¹ *Shapiro, Bernstein & Co. v. Bryan*, 123 F. 2d. 697 (2d Cir. 1941).

⁵² A joint work, by statutory definition, is "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." 17 U.S.C. § 101. Thus, an independent composer who worked with the producer of a motion picture to create music that is integrated into the motion picture and supports its theme, plot and mood may be a co-author or joint author with the producer of the resulting motion picture. If so, and in the absence of a clear agreement to the contrary,

If a motion picture is a "composite work" where the musical score has been independently contributed, then the copyright in the musical score would be copyrighted under the blanket copyright on the motion picture and, under the theory of *United Artists v. Goodis*, such copyright on the music would be held in trust for the independent author. Thereafter, the right of renewal of copyright in such music would belong to the author or his statutory successors under § 304 as "any other copyrighted work" or a contribution to a composite work⁵³ and there would also be a right of termination under § 304(c) commencing fifty-six years after the original copyright was secured.

It is not known whether contributions to or components of a motion picture have been separately renewed by their authors or statutory successors. However, Nimmer expresses the view that the renewal of copyright in a composite work by its proprietor would derivatively renew the copyright in any individual contribution for the benefit of the author or his statutory renewal successors,⁵⁴ so that the absence of separate renewals for soundtrack components does not preclude a contemporary or future claim by independent authors of such soundtrack components or their statutory successors that they own renewal rights, as well as termination rights, in their soundtrack contributions.

Clearly, if picture music were separately copyrighted and then included in a later motion picture, the author's rights of renewal and termination would remain intact. Similarly, if music were copyrighted as part of a periodical or similar composite work, the author's statutory rights of renewal or termination would remain undiminished. Therefore, it is only consistent that an author's rights of renewal and termination should survive when the music is copyrighted as part of a motion picture. This point, however, remains untested in the courts.

POST-1978 SOUNDTRACK COPYRIGHT STATUS

The copyright status of soundtrack music changed with the Copyright Act of 1976, effective for most purposes January 1, 1978. Now, copyright in music automatically comes into being when it is "fixed" in a tangible medium of expression,⁵⁵ which occurs independently of and prior to the copyrighting

the music composer may be entitled to an undivided fifty percent interest in the ownership of the motion picture, including the non-exclusive right to exploit the motion picture, limited only by the obligation to account to the producer as co-owner of the copyright.

⁵³ The renewal section provides: "That in the case of any other copyrighted work, including a contribution to a periodical or to a cyclopedic or other composite work", the author or certain statutory successors shall have the right of renewal. 17 U.S.C. § 304(a).

⁵⁴ NIMMER, *supra* n. 20, 467-468.

⁵⁵ 17 U.S.C. § 102.

or publication of the motion picture. Section 101 of the new Copyright Act defines a "derivative work" as "a work based upon one or more pre-existing works." Thus, incorporating pre-existing music in the soundtrack of a motion picture technically makes the motion picture a derivative work, regardless of whether it is the picture or the music which is first published or registered for copyright.

The case law has been supportive of the view that "pre-existing" in § 101 merely means previously created in tangible form and not previously registered for copyright or published. In *Bull Publishing Co. v. Sandoz Nutrition Corp.*,⁵⁶ a court held that published versions of student manuals based upon previously existing, unpublished and unregistered versions of these manuals were derivative works entitled to copyright protection limited to the new matter in the published versions. In *Morita v. Omni Publications Int.*,⁵⁷ the court held that a photograph registered for copyright and based upon a previously created but unpublished and unregistered sculpture was a derivative work of such sculpture, again with a scope of copyright protection limited to matter not included in the original sculpture. In *CCNV v. Reid*⁵⁸, the district court on remand found the later published and registered version of a work was merely a derivative work of the previously created but unpublished and unregistered original.

The Copyright Office, however, has sought to ignore the statutory order of copyright, based on the sequence of creation, as affirmed by this case law. Instead, it makes the motion picture the original work and the film score the derivative work if the picture is published or registered for copyright first. Consistent with this practice, the Copyright Office instructions attending the filling out of a copyright application form have stated that pre-existing works are those "that have already been published or registered for copyright or that have fallen into the public domain."⁵⁹ The statutory order of copyright

⁵⁶ 719 F. Supp. 1228, 13 U.S.P.Q. 2d 1678 (N.D. Cal. 1989).

⁵⁷ 741 F. Supp. 1107, 17 U.S.P.Q. 2d 1287 (S.D.N.Y. 1990).

⁵⁸ 652 F. Supp. 1453 (D.D.C. 1991).

⁵⁹ The printed instructions of the Copyright Office concerning the filling out of application forms TX (for non-dramatic literary works) and PA (for works of the performing arts), as examples, state: "Complete space 6 if this work is a 'changed version,' 'compilation' or 'derivative work,' and if it incorporates one or more earlier works that have already been published or registered for copyright or that have fallen into the public domain." (emphasis added) In completing Space 6, the copyright applicant is advised to "describe all the materials in this particular version of the work that: (1) represents an original work of authorship; and (2) has not fallen into the public domain; and (3) has not been previously registered for copyright in unpublished form." Printed Copyright Office application forms, November, 1981. See, also, Motion Picture Circular R45 of the Copyright Office. Note how the language of the instructions varies from the legislative comments in H. REP. 94-1476, 94th Cong., 2d Sess., pages 155-156.

under § 102 based on which is first created in tangible form is thereby ignored.

The conflict between § 102 of the 1976 Copyright Act and the Copyright Office practice may occur when picture music is submitted for copyright registration, if the copyright application discloses that the music was included in a previously released (published) or registered motion picture. Under these circumstances, the Copyright Office will refuse to register the music, unless the claim of copyright is limited to new matter in the version submitted, but not included in the motion picture.⁶⁰

The vice of such a limitation is that the resulting limited claim of copyright ownership will not support a copyright infringement suit based on the original version. Under § 102, statutory copyright on the music would arise at the time of being written down or recorded ("fixed") and thereby would pre-exist the motion picture and its copyright. In this statutory sense, the motion picture would be a derivative work because the music was "pre-existing," and the scope of the picture copyright would not cover the original music.⁶¹ Accordingly, the picture copyright would not sustain a copyright infringement action on the original music.

Another potential problem in relying on the picture copyright as a basis for a copyright infringement suit of the music is the jurisdictional requirement of § 411⁶² to maintain the suit. That section requires registration or

⁶⁰ In 1982, an application was filed to register a claim of copyright on the original English language version of a motion picture, but the Copyright Office refused copyright registration on the entire picture because a German language version, prepared later, happened to have been published first. The letter from the Chief of the Examining Division stated: "Although the German version may have been 'created' later and in a technical sense is derivative of the English version, the earlier publication of the German version published all the copyrightable material in the film and on the soundtrack For purposes of Space 6 of the application, the Office has defined pre-existing material as material that has been previously registered, previously published, or that is in the public domain . . . (Hence), the application for the English version should be limited to the new material to 'English soundtrack'." Letter to author dated September 9, 1982 from Mary Beth Peters, then Chief, Examining Division, Copyright Office.

⁶¹ 17 U.S.C. § 103 limits the claim of copyright on a later version or a derivative work to a new material "as distinguished from the pre-existing material employed in the work." "Pre-existing," which is not defined in the statute, presumably means previously created in "fixed" form, not previously published or registered for copyright.

⁶² 17 U.S.C., § 411. This jurisdictional requirement expressly does not apply to Berne Convention works whose country of origin is not the United States, although substantial procedural benefits flow from registering such foreign works. No such express exception is made for works obtaining copyright protection under the Universal Copyright Convention. The language of paragraph III of the Universal Copyright Convention relates only to the formality of re-

rejection by the Copyright Office of an application for registration of the work of a U.S. author as a jurisdictional requirement to maintain an infringement action. Registering the motion picture itself where its scope of copyright does not include pre-existing music would not seem to satisfy the jurisdictional requirement of § 411 for an infringement action on the music. Furthermore, the absence of a timely copyright registration of the music would deny an award of statutory damages or attorneys fees under § 412.⁶³

A third problem arising from a reliance on the motion picture copyright in an infringement suit on the soundtrack music involves the issue of ownership of the rights infringed. The proprietor of the motion picture may only own limited film rights in the soundtrack music. Thus, he cannot maintain an action for copyright infringement of that which he does not own, such as publication or stage production rights in the music. Conversely, the owner of these non-film rights cannot maintain a copyright infringement action or claim of statutory damages and attorney's fees on the basis of a motion picture copyright, not covering the music and owned by someone else.

To avoid these potential problems derivative of the possibility that the Copyright Office may seek to limit a claim of copyright on picture music where registration is sought after release or registration of a motion picture, it is suggested that picture music be registered for copyright prior to the publication or registration of the motion picture.⁶⁴ Since exploitation of a hit song from a motion picture soundtrack by its proprietor represents a very lucrative market, he cannot afford to jeopardize his rights by registering what may be a limited claim of copyright on the music after release of the picture or by depending upon an assignment of very limited rights in the music under the picture copyright in the event that someone infringes his music. If early registration is overlooked, registration after the release or registration of the motion picture may be possible without limiting one's claim of rights if the Copyright Office does not recognize from the copyright application that the

gistration not being a "condition" of copyright protection whereas under Berne (Article 5 of the Paris Act of 1971, for instance) the "enjoyment and exercise of rights" under copyright are not to be restricted by the formality of registration.

⁶³ 17 U.S.C., § 412.

⁶⁴ Another reason to register film music or dialogue separately from a motion picture is to avoid a potential loss of copyright protection should the picture not have a copyright notice. If under post-1977 Copyright Office practices, copyright on picture music would be derivative of the copyright secured on the completed motion picture when it is first published or registered for copyright, then it follows that copyright on such picture music will be lost if the motion picture is published without a copyright notice and the curative provisions of 17 U.S.C. § 405(a) are not satisfied. Perhaps, a motion picture soundtrack may be excused from the notice requirements and escape the companion loss of copyright protection on the visual parts of the picture because the soundtrack is not capable of being "visually perceived" under 17 U.S.C. § 401(a).

music either comes from an earlier film or that the mere identification of the film does not imply that the film was previously released. Obviously, any such late registration in reliance on the Copyright Office's oversight is undesirable and not recommended.

Under the new copyright law, there are no copyright renewal problems for independently created soundtrack music copyrighted after 1977 because the earlier copyright renewal scheme has been eliminated by the present law for post-1978 copyrights. However, rights in soundtrack music are still subject to termination under § 203. Termination of a grant of rights may be measured from the date of publication of the work.⁶⁵ Since the definition of "publication" under the new Copyright Act is quite broad and includes a distribution of copies for purposes of public performance,⁶⁶ a post-1977 distribution of a motion picture is clearly a publication of any soundtrack music. Furthermore, the new definition of "copies" is broad enough to include non-visual material from the soundtrack of a motion picture, so that the period in which termination of rights under the New Act needs to be made for picture music is readily determinable.

CONCLUSION

The copyright status, ownership and renewal rights in pre-1978 independently-created soundtrack music are issues which have largely escaped judicial scrutiny and clarification. Many hit or classic songs were first made known to the public in the medium of motion pictures before they were registered for copyright or exploited in sheet music or other forms. Much of this music will enjoy potential copyright protection for many years, possibly until the year 2052,⁶⁷ but such protection may be impacted by the problems mentioned in this article. It is hoped that long before the end of potential copyright protection the courts will clarify these issues. Correspondingly, it is hoped that the Copyright Office will accept the statutory mandate under § 102 as what constitutes the original work and the derivative work for copyright purposes, based on which is "fixed" first, not on which is published or registered for copyright first.

⁶⁵ 17 U.S.C. § 203(a)(3).

⁶⁶ 17 U.S.C. § 101.

⁶⁷ A work copyrighted in 1977 under the old 1909 Act potentially will enjoy copyright protection for seventy-five years, expiring December 31, 2052. 17 U.S.C. § 304.

FAIR USE, BIOGRAPHERS, AND UNPUBLISHED WORKS: LIFE AFTER H.R. 4412

by LYNN I. MILLER*

That one person should wish to arouse in another memories relating only to a third person is an obvious paradox. To pursue this paradox freely is the harmless intention of biography.

Jorge Luis Borges¹

The freedom to pursue Borges' biographical paradox: what are the appropriate limits to this freedom when it involves using expression from unpublished material—letters, diaries, tapes, and other works—without permission?² Should the fair use defense preclude infringement liability in

*© 1993 by Lynn I. Miller. Partner, Klimaski, Miller & Smith, P.C., Washington, D.C. B.A., 1971, Smith College; J.D., 1977, LL.M., 1992, Washington College of Law, The American University.

¹ EVARISTO CARRIEGO: *A BOOK ABOUT OLD TIME BUENOS AIRES* 51 (Norman Thomas DiGiovanni trans., 1955).

² Many commentators have written on fair use and its application to unpublished expression. Those that this writer has read and considered are: Mary Sarah Bilder, *The Shrinking Back: The Law Of Biography*, 43 STAN. L. REV. 299 (1991) (a theory of "normative biography," "a perpetual, self critical and reinterpretive investigation of our history," to permit use of unpublished expression) [hereinafter "Bilder"]; Diane Conley, *Author, User, Scholar, Thief: Fair Use and Unpublished Works*, 9 CARDOZO ARTS & ENTERTAINMENT 15 (1990) (thesis that courts take a hierarchical view of authorship when considering fair use in relation to unpublished materials) [hereinafter "Conley"]; Frank P. Darr, *Testing An Economic Theory Of Copyright: Historical Materials and Fair Use*, 32 B.C. L. REV. 1027 (1991) (critical analysis of Landes and Posner economic model of copyright in relation to unpublished expression); Pierre N. Leval, *Toward A Fair Use Standard*, 103 HARV. L. REV. 1105 (1990) ("transformative" use as justification for biographer's use of unpublished expression) [hereinafter "Leval, HARV. L. REV."]; Pierre N. Leval, *Fair Use or Foul? The Nineteenth Donald C. Brace Memorial Lecture*, 36 J. COPR. SOC'Y 167 (1989) (earlier remarks on the problem of fair use and unpublished expression) [hereinafter "Leval, Brace Memorial Lecture"]; Roger J. Miner, *I. Exploiting Stolen Text: Fair Use or Foul Play?*, 37 J. COPR. SOC'Y 1 (1990) (thesis that courts should return to prior law by totally prohibiting fair use of unpublished or undissemated material with the exception of letters where receipt by addressee constitutes dissemination) [hereinafter "Miner"]; Jon O. Newman, *Not The End of History: The Second Circuit Struggles With Fair Use*, 37 J. COPR. SOC'Y 12 (1990) (use of unpublished expression to "fairly and accurately" communicate facts is permissible) [hereinafter "Newman"]; Mary-Alice Pomputius, *Fair And Foul Are Near Of Kin: A Suggested Approach To The Fair Use Of Unpublished Works*, 15 COLUM.-VLA J.L. & ARTS 161 (1991) (proposal of

this situation? If so, when and to what extent?

Biographers have long labored under strictures where unpublished expression is concerned. The present case law does not significantly relax these restrictions. Unauthorized use of expression from unpublished works still presents a real threat to biographers of being held liable for copyright infringement.

In *Harper & Row Publishers v. Nation Enterprises*,³ the Supreme Court denied fair use to *The Nation* magazine, which had quoted from the as-yet unpublished memoirs of President Gerald Ford. The Supreme Court rejected the defendants' contention that fair use applies equally to both published and unpublished works. Nevertheless, *Harper* did not completely preclude applying fair use to unpublished expression.⁴

In *Salinger v. Random House, Inc.*⁵ and *New Era Publications Intern. v. Henry Holt & Co. (New Era I)*,⁶ the Second Circuit, narrowly interpreting *Harper*, appeared to establish a per se rule precluding the fair use defense for unauthorized use of unpublished expression from letters, diaries and other personal writings. Both decisions caused consternation among biographers and publishers.⁷

The Second Circuit's most recent opinion on this issue, *Warner Books, Inc. v. Wright*,⁸ does not alleviate the situation. While explicitly retreating from a per se rule prohibiting use of expression from unpublished works without permission, the court retains a restrictive view of the amount of material that may be used. The Second Circuit casts the issue in terms of "sparing use of creative expression." The decision adopts a minimalist approach, stressing again and again the small amount of expressive material taken by the biographer. Only this "sparing use" enables the *Wright* court to rule in the biographer's favor.

Wright's repudiation of a per se rule against use of unpublished expres-

test denying fair use to unpublished "manuscripts" and personal writings of private individuals while permitting fair use of unpublished private "writings" of public figures); Lloyd L. Weinreb, *Fair's Fair: A Comment On The Fair Use Doctrine*, 103 HARV. L. REV. 1137 (1990) (standard of "fairness" necessary to a fair use determination) [hereinafter "Weinreb"].

This paper will not address the issues of the First Amendment and privacy in relation to fair use. For discussions of these issues, see, e.g., Bilder; Conley; James Hall, Comment, "Bare-Faced Mess: Fair Use and the First Amendment," 70 OR. L. REV. 211 (1991).

³ 471 U.S. 555 (1985).

⁴ *Id.* at 552.

⁵ 811 F.2d 90 (2d Cir.), *cert. denied*, 484 U.S. 890 (1987).

⁶ 873 F.2d 576 (2d Cir.), *reh'g denied*, 884 F.2d 659 (2d Cir. 1989), *cert. denied*, 493 U.S. 1094 (1990).

⁷ See, e.g., Patrick J. Leahy and Paul Simon, "The Salinger Papers," N.Y. TIMES, July 19, 1991, at A11 [hereinafter "The Salinger Papers"].

⁸ 953 F.2d 731 (2d Cir. 1991).

sion has become statutory law. For more than two years Congress has debated the problem of the fair use defense and unpublished expression. Congress has finally amended the fair use provision of the Copyright Act of 1976⁹ to specifically reject a per se rule. This law, H.R. 4412, was passed in the House on August 11, 1992,¹⁰ and in the Senate on October 7, 1992.¹¹ The amendment states:

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all of the above factors.¹²

Unfortunately, the new law does not specify the permissible amount of expression falling within fair use. The House committee report, however, stresses that *Wright* does not approach the "outer limits" of fair use.¹³ As will be discussed, this language may influence courts to grant biographers more freedom concerning the amount of unpublished expression they can use.

Despite the passage of H.R. 4412, the law remains unsettled as to the acceptable boundaries for unauthorized use of unpublished expression. This uncertainty creates great difficulty for biographers.

The current legal status of fair use and unpublished expression conflicts with the purpose of biography. In his book on the history and development of English biography, Harold Nicolson describes the elements of "pure" biography: "The primary essential is that of historical truth, by which is meant not merely avoidance of misstatements; but the wider veracity of complete

⁹ 17 U.S.C. § 107 states:

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

- (1) the purposes 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.

¹⁰ 138 CONG. REC. H7991 (daily ed. August 11, 1992).

¹¹ 138 CONG. REC. S17358 (daily ed. October 7, 1992).

¹² H.R. REP. NO. 836, 102d Cong., 2d Sess., at 1 (1992). The "above factors" are those listed in § 107: 1. purpose and character of the use; 2. nature of the copyrighted work; 3. amount and substantiality of portion used; and 4. market effect.

¹³ *Id.* at 8.

and accurate portraiture."¹⁴

"Historical truth" includes unpublished expression. Fair use precedent limiting expression from unpublished materials thwarts this "primary essential." The restrictions stifle biographers' communicating this truth to the public. But should the pursuit of truth override the author's right of first publication—or the right not to publish the material at all?

Fair use and its relation to expression from unpublished works reflect the basic tension in American copyright law between authors' incentives and public access. At this point the law heavily favors primary authors over biographers and the public. As a result, society suffers because biographers cannot present complete and accurate portraits of their subjects.

PRE-1976 PRECEDENT

The presumption against applying the fair use doctrine to unpublished works is longstanding. Eighteenth century English jurists agreed that the Statute of Anne¹⁵ did not abrogate an author's common law right of first publication. As Lord Mansfield explained in *Millar v. Taylor*,¹⁶ this right arose from the author's proprietary interest in his work.

. . . because it is just, that an author should reap the pecuniary profits of his ingenuity and labour. It is just, that another should not use his name, without his consent. It is fit that he should judge when to publish, or whether he ever will publish. It is fit he should not only choose the time, but the manner of publication; how many; what volume; what print. It is fit, he should choose to whose care he will trust the accuracy and correctness of the impression: in whose honesty he will confide, not to foist in additions: with other reasonings of the same effect.¹⁷

The author's interest in and control of his work prior to publication were sacrosanct. This proposition precluded applying the fair use defense to unpublished materials. In *Prince Albert v. Strange*,¹⁸ the court expressly distinguished between published and unpublished works in the fair use context.

A work lawfully published, in the popular sense of the term, stands

¹⁴ THE DEVELOPMENT OF ENGLISH BIOGRAPHY 10-11 (1968). Nicolson categorizes biography as either "pure" or "impure." The former he further defines as ". . . the truthful and deliberate record of an individual's life written as a work of intelligence . . ." He describes the latter as a biography which is ". . . either untruthful or unintelligent, or concerned with considerations extraneous to its own purposes." *Id.* at 14 [hereinafter "Nicolson"].

¹⁵ 8 Anne C. 19 (1710).

¹⁶ 4 Burr. 2303 (K.B. 1769).

¹⁷ 4 Burr. at 2398.

¹⁸ 2 Deg. & Sm. 652 (1849). Cited in William F. Patry, THE FAIR USE PRIVILEGE IN COPYRIGHT LAW 438 (1985) [Hereinafter "Patry"].

in this respect, I conceive, differently from a work which has never been in that situation. The former may be liable to be translated, abridged, analyzed, exhibited in morsels, complimented and otherwise treated, in a manner that the latter is not.¹⁹

Further, such protection did not hinge on keeping the unpublished work in a "state of entire privacy and secrecy." In *Prince Albert* the defendant had obtained copies of etchings by Prince Albert and Queen Victoria without their permission. The Queen and the Prince Consort had distributed a few copies among friends but otherwise kept the etchings locked up. In this regard, the court stated, "The right is not lost by partial and limited communications not made with a view to general publication. . . ."²⁰

This precedent concerning fair use and unpublished materials passed into American jurisprudence. *Folsom v. Marsh*, decided in 1841 by Justice Story, endowed the author of unpublished letters with the copyright in these works.²¹ *Folsom* concerned the unpublished letters of George Washington. Justice Story held:

. . . that the author of any letter or letters, (and his representatives,) whether they are literary compositions, or familiar letters, or letters of business, possess the sole and exclusive copyright therein; and that no persons, neither those to whom they are addressed, nor other persons, have any right or authority to publish the same upon their own account, or for their own benefit.²²

The recipient could publish the letters only in limited circumstances—to establish the right to maintain or defend a lawsuit or to vindicate himself where the letter writer had publicly maligned his reputation. Otherwise, publication violated the author's exclusive copyright and was subject to injunctive relief.²³

Before the Copyright Act of 1976, a bifurcated system of copyright existed in the United States. State common law governed unpublished works, while the Federal copyright statute applied to published ones. As Patry explains, "American cases dealing with the unauthorized publication of unpublished works followed the British rule." He cites *Stanley v. Columbia Broadcasting System*, which states:

[t]he common law prohibits any kind of unauthorized interference with, or use of, an unpublished work on the ground of an exclusive property right *** while a statutory copyright permits a "fair

¹⁹ *Id.* at 693.

²⁰ *Id.* at 691. For a fuller discussion of the right of first publication and fair use in English law, see Patry at 436-39.

²¹ Patry at 437-38.

²² 9 Fed. Cas. 342, 346 (C.C. Mass. 1841) (No. 4,901).

²³ *Id.*

use" of the copyrighted publication, without deeming it an infringement.²⁴

The 1976 Act substituted "fixation" for publication as the triggering mechanism for federal statutory protection.²⁵ Fixation eliminated the distinction between published and unpublished works, sweeping both into the Federal scheme. The 1976 Act also codified the common law right of first publication in 17 U.S.C. § 106 as well as the Fair Use doctrine in 17 U.S.C. § 107. The exclusive rights in § 106 were made subject to the fair use defense. Congress left it to the courts to determine the implications for the right of first publication and the applicability of fair use to unauthorized use of unpublished expression.

HARPER, SALINGER AND NEW ERA

Harper

Harper & Row Publishers v. Nation Enterprises was the first case after passage of the 1976 Act to address statutory fair use and unpublished expression.²⁶ *Harper* presented the Supreme Court with the opportunity to change the common law tradition as to unpublished works. The *Harper* defendants contended that:

. . . Congress, in including first publication among the rights enumerated in § 106, which are expressly subject to fair use under § 107, intended that fair use would apply *in pari materia* to published and unpublished works.

The Supreme Court rejected this position and upheld the distinction between published and unpublished works where fair use is concerned.²⁷

The Court based its conclusion upon two factors—Congress' own de-

²⁴ Patry at 440, fn 421. 221 P.2d 73, 78 (Cal. 1950) (en banc). Footnote 421 also cites other cases agreeing with *Stanley*. Further, *Harper & Row Publishers v. Nation Enterprises* notes that under common-law copyright "the property of the author . . . in his intellectual creation [was] absolute until he voluntarily part[ed] with the same." 471 U.S. 547, 551 (1985), citing *American Tobacco Co. v. Werckmeister*, 207 U.S. 284, 299 (1907).

²⁵ 17 U.S.C. § 102(a). For the statutory definition of fixation, see, 17 U.S.C. § 101.

²⁶ 471 U.S. at 539. As Justice O'Connor stated, "This case requires us to consider to what extent the 'fair use' provision of the Copyright Revision Act of 1976, (hereinafter the Copyright Act) 17 U.S.C. § 107, sanctions the unauthorized use of quotations from a public figure's unpublished manuscript." The work in question was the unpublished manuscript of Gerald Ford's "A Time To Heal: The Autobiography of Gerald R. Ford." In March 1979, *The Nation* magazine printed an article based on the manuscript, obtained from an unidentified source. *The Nation* article concerned the Nixon pardon and quoted directly from the manuscript. In printing this article, *The Nation* scooped *Time* magazine, which had purchased exclusive prepublication rights from Harper. *Time* canceled its contract with *Harper*, resulting in a \$12,500 loss to *Harper*.

²⁷ *Id.* at 552.

scription of the fair use codification and the legislative history surrounding enactment of the provision. As to the first ground, the Court stated:

Even if the legislative history were entirely silent, we would be bound to conclude from Congress' characterization of § 107 as a "restatement" that its effect was to preserve existing law concerning fair use of unpublished works as of other types of protected works and not to "change, narrow, or enlarge it."²⁸

The legislative history, however, provided sufficient support for maintaining this distinction between published and unpublished works.

In its discussion, the Court analyzed the right of first publication in § 106 and its relation to fair use in § 107. The Court accorded the first publication right a status different from that of other § 106 rights. In justifying this position, the Court explained, "From the beginning, those entrusted with the task of revision recognized the 'overbalancing reasons to preserve the common law protection of undissemminated works until the author or his successor chooses to disclose them.'" The Court stressed the right's unique nature, noting that only one person can be the "first publisher" and ". . . that 'the commercial value of the right lies primarily in exclusivity.'"²⁹

The Court characterized as "substantial" the potential damage to authors if forced to share first publication with unauthorized users. The fair use equities thus shifted in the author's favor.

In addition, the Court cited the Senate Report, which stated that fair use in relation to unpublished works was "narrowly limited." The Report pointed out that the unavailability of the work was a "deliberate choice" by the author and that under "ordinary circumstances" the right of first publication would prevail over fair use. The Court rejected the defendants' claim that the absence of the Senate language from the subsequent House Report demonstrated a change in approach. Rather, explained the Court, the House Report incorporated by reference the Senate's distinction between published and unpublished materials for fair use purposes.³⁰

The significance of *Harper* is evident. Presented with the opportunity to eliminate the published/unpublished distinction concerning fair use under the newly enacted Copyright statute, the Court instead reaffirmed the common law dichotomy. This reaffirmation is firmly grounded in both commercial and authors' rights considerations. The Court reaches this conclusion with full acknowledgement of the dual purpose of the Copyright Clause—"The monopoly created by copyright thus rewards the individual author in order to

²⁸ *Id.* at 554.

²⁹ *Id.* at 553.

³⁰ *Id.* at 553-54. *Harper's* analysis of the legislative history accords with that of Patry at 441-47.

benefit the public.”³¹

Yet *Harper* does not impose an absolute prohibition against the fair use defense of unauthorized use of unpublished expression. The Court qualified the role this factor plays in the fair use determination. Quoting from the Senate report, the Court stated:

We conclude that the unpublished nature of a work is “[a] key, though not necessarily determinative factor” tending to negate a defense of fair use.³²

And later:

The fact that a work is unpublished is a critical element of its “nature.”³³

The Court also explained:

Under ordinary circumstances, the author’s right to control the first public appearance of his undissemated expression will outweigh a claim of fair use.³⁴

The question is—just how much flexibility do these qualifications provide? Judging from *Salinger*³⁵ and *New Era*,³⁶ the Second Circuit considered the scope very narrow if not, arguably, almost nonexistent.

Salinger and New Era

Salinger and *New Era* involved unpublished letters and journals rather than a soon-to-be-published manuscript, as in *Harper*. This fact explains the strict rule that the Second Circuit adopted. *Salinger* interpreted *Harper* to mean that the first publication right usually overcame fair use, particularly when applied to unpublished letters. The Second Circuit stated:

Pertinent to our case is the fact that the [Harper] Court underscored the idea that unpublished letters normally enjoy insulation from fair use copying.³⁷

Given this interpretation of *Harper*, the Second Circuit created essentially an author’s inviolate right of first publication concerning unpublished letters and journals. If not a prohibition, the standard is practically insurmountable.

Salinger further circumscribed fair use of unpublished expression when it interpreted *Harper*’s proposition that “the scope of fair use is narrower with

³¹ 471 U.S. at 546.

³² *Id.* at 554.

³³ *Id.* at 564.

³⁴ *Id.* at 555.

³⁵ 811 F.2d at 90.

³⁶ 873 F.2d at 576.

³⁷ 811 F.2d at 95.

respect to unpublished works."³⁸ The Second Circuit found this statement ambiguous. Did it mean there were fewer circumstances justifying fair use of unpublished works or that the permissible amount of expression taken from such materials was of "lesser quantity" than that from published works? The court chose the former meaning, relying on what it described as *Harper's* "tenor" that unpublished works "normally enjoy complete protection against copying any protected expression." Concluded the Second Circuit:

Narrower "scope" seems to refer to the diminished *likelihood* that copying will be fair use when the copyrighted material is unpublished.³⁹

Does the Second Circuit analysis accord with that in *Harper*, or did the circuit court take a more restrictive approach than that envisioned by the Supreme Court? Certainly, the qualifying passages quoted above from *Harper* indicate some effort to maintain flexibility even while the high Court reaffirmed the common law doctrine concerning fair use and unpublished expression. The unpublished nature of the work was a "critical element" but not a "determinative factor" precluding fair use. *Salinger*, however, appears to make the unpublished nature of the work determinative, a position that adheres more closely to the common law tradition.

Given this premise, *Salinger* rejected the fair use defense to the biographer's quoting and paraphrasing J.D. Salinger's unpublished letters. The Second Circuit emphasized, of course, that, "The facts may be reported." As to the "expressive content," however, the author enjoyed protection throughout his copyright term, a protection that outweighed fair use under "ordinary circumstances."⁴⁰

Salinger did not define what constituted extraordinary circumstances permitting fair use to prevail over the author's right. In *New Era* the district court attempted to carve out such an exception.⁴¹ On appeal, the Second Circuit rejected the lower court's analysis.⁴²

The district court's effort to distinguish *New Era* from *Salinger* is understandable. *Salinger* involved quotations and paraphrases whose purpose, as described by the Second Circuit in *New Era*, was simply to "enliven" the

³⁸ 811 F.2d 97 (Emphasis in original).

³⁹ *Id.* (Emphasis in original).

⁴⁰ *Id.* at 100. The consequence of the case was a biography that focuses on biographer Ian Hamilton's efforts at rooting out information on Salinger and that uses quotations and paraphrases from already published work by or about Salinger. The biography lacks deep analysis of the subject, his motives, his works. It is not a satisfying biography. Hamilton cannot penetrate the core of his subject. Salinger remains elusive. Ian Hamilton, *IN SEARCH OF J.D. SALINGER* (1988).

⁴¹ 695 F. Supp. 1493 (S.D.N.Y. 1988).

⁴² 873 F.2d at 583.

biography's text.⁴³ By this characterization the Second Circuit dismissed the biographer's dilemma explained by the district court in *Salinger*:

To the extent [that the biographer] quotes (or closely paraphrases), he risks a finding of infringement and an injunction effectively destroying his biographical work. To the extent he departs from the words of the letter, he distorts, sacrificing both accuracy and vividness of description.⁴⁴

This dilemma, the district court in *Salinger* found, entitled the biographer to a liberal application of fair use. The Second Circuit in *Salinger* countered this analysis with, "This dilemma is not faced by the biographer who elects to copy only the factual content of letters."⁴⁵ The Second Circuit saw no threat of distortion if the biographer expressed the "facts" in his words. Thus the appeals court fell back upon the fact/expression dichotomy to negate this troublesome theory espoused by the lower court.

The Second Circuit, however, created its own Catch-22 for the biographer who "properly" copied "the letter writer's expression of facts . . ." Taking more than a minimal amount would subject the biographer to an injunction, while "distorting" the expressive material would open him to criticism for destroying "accuracy and vividness." Nonetheless, the Second Circuit expressly declared that:

. . . the biographer has no inherent right to copy the "accuracy" or the "vividness" of the letter writer's expression. Indeed, "vividness of description" is precisely an attribute of the author's expression that he is entitled to protect.⁴⁶

In contrast, *New Era* involved more than simply "enhancing" the biographical text. There, the biographer of the late L. Ron Hubbard, founder of the Scientology movement, quoted expression from unpublished letters and journals specifically to expose the real Hubbard and to dispel the false public persona that the man and his disciples had created.

The biographer contended, and the district court agreed, that only Hubbard's actual expression from these materials could demonstrate character traits such as hypocrisy, dishonesty, pomposity, paranoia, cynicism, cruelty

⁴³ 873 F.2d at 583.

⁴⁴ 650 F. Supp. at 424.

⁴⁵ 811 F.2d at 96.

⁴⁶ *Id.* This discussion led the Second Circuit to castigate Hamilton, *Salinger's* would-be biographer, for defending his use of a stylistic device from a letter to convey the writer's irony. When asked why he simply did not state that *Salinger's* tone was ironic, Hamilton uttered the now infamous answer, "That would make a pedestrian sentence I didn't wish to put my name to."

The "pedestrian sentence" defense was unsuccessful. The Second Circuit countered with the admonition that a biographer could not "appropriate" the subject's expression to avoid lackluster writing. *Id.* at 96-97.

and racism that had been otherwise hidden from the public. Merely to claim these traits existed without the supporting verbatim quotation from Hubbard's writings would, said the district court, ". . . be incompatible with the ends of fair research and criticism . . ."⁴⁷ The district court thus differentiated between copying to enliven the text and copying to convey "significant points" about the subject.⁴⁸

This distinction addressed the first fair use factor—purpose and character. The Second Circuit, however, also viewed the distinction as an effort to circumvent the second factor—nature of the copyrighted work. The court refused to recognize such a differentiation, reaffirming the *Salinger* rule that unpublished works "normally enjoy complete protection." Noting that the second fair use factor had yet to be decided for an alleged infringer, the court declined to do so in this instance. Again, the materials' unpublished nature controlled.⁴⁹

The aftermath of *New Era* was a petition for rehearing and suggestion for rehearing *en banc* filed by the prevailing party, the defendant publisher Holt.⁵⁰ This surprising move took place because the court actually denied injunctive relief to the plaintiff *New Era* under laches.⁵¹ Yet the restrictive approach in the extensive fair use analysis posed adverse repercussions for biographers and their publishers, which motivated Holt's petition for rehearing.⁵²

The court denied the petition for rehearing. The concurring and dissenting opinions to the denial are significant, for they foreshadow the ruling in *Wright*.

The rehearing concurrence emphasized that the *New Era* decision adhered to established copyright law. In support, Judge Miner cited *Harper* for the proposition that unpublished copyrighted works are "rarely" subjected to fair use and invoked the right of first publication. He then stated:

⁴⁷ 873 F.2d at 581, quoting from the district court's opinion at 695 F. Supp. at 1510.

The quotation specifically refers to proving Hubbard's dishonesty, but the same analysis holds true for the other character traits.

⁴⁸ 873 F.2d at 583.

⁴⁹ *Id.* The *New Era* court also found that there was a substantial amount of material taken and a likelihood of market impairment to the biography of Hubbard that *New Era* intended to publish. *Id.*

⁵⁰ *New Era Publications, APS v. Henry Holt Co.*, 884 F.2d 659 (2d Cir. 1989).

⁵¹ The Second Circuit found that what it described as *New Era*'s "unreasonable and inexcusable delay" in bringing suit had prejudiced the defendant. By the time of the motion for a temporary restraining order, Holt had already printed and shipped 12,000 copies. Review copies were already mailed, and a second run was scheduled for shortly thereafter. 873 F.2d at 584.

⁵² Judge Miner described the fair use discussion as "nondispositive language" in his concurrence to the denial of the rehearing. 884 F.2d at 660. Dispositive or not, this lengthy and detailed analysis cannot be disregarded. It is precedent disguised as dicta.

The case at bar did not present one of those rare situations where fair use might be found.⁵³

Judge Miner did not, however, explain what constitutes "one of those rare situations." Rather, the concurrence narrowed those situations, in particular by repudiating the distinction between copying expression to enliven prose and to accurately report facts. Judge Miner's analysis led finally to his pronouncement:

It can now be said that fair use is never to be liberally applied to unpublished copyrighted material, even if the work is a matter of such high public concern as the memoirs of President Ford.⁵⁴

Yet the concurrence did not entirely foreclose the unauthorized use of expression from unpublished works. Judge Miner permitted one small opening—through the "amount and substantiality" fair use factor. In this the concurrence and dissent to the rehearing *en banc* agreed.

Judge Miner stated:

It is heartening to note that the dissenters "are confident that [the panel majority] has not committed the Circuit to the proposition that the copying of some small amounts of unpublished expression to report facts accurately and fairly can never be fair use."⁵⁵

He then conceded that the panel majority did not even preclude using "small amounts of unpublished expression to enliven the text."⁵⁶ Indeed, Judge Miner found "insubstantiality of the use" to be a key factor mitigating the stricture on fair use in copying expression from unpublished works.⁵⁷

The dissent, despite holding fast to the dichotomy between copying to enliven text and copying to report fact accurately, did indeed couch its position in terms of the amount of material copied. *Harper*, the dissent explained, acknowledged the need to use "some brief quotes" to report facts accurately. The dissent qualified *Harper's* denial of fair use on the basis that *The Nation* had simply copied too much material.⁵⁸

The Second Circuit's refusal to clarify the enliven/report distinction is regrettable. The dissent, however, hastened to assure biographers and publishers that the *New Era* decision did not abrogate the biographer's right "to report facts contained in unpublished writings, even if some *brief quotation* of expressive content is necessary to report those facts accurately."⁵⁹

Surprisingly, the concurrence thus actually took a broader approach

⁵³ 884 F.2d at 660.

⁵⁴ *Id.* at 661.

⁵⁵ *Id.* at 661.

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Id.*

than did the dissent. The dissent spoke of using brief quotations to report facts accurately. The concurrence expanded the purpose of these brief quotations of expression to include enhancing the text. The latter approach is played out in *Wright*.⁶⁰

THE WRIGHT DECISIONS

District Court Opinion

Wright concerned a biography of the noted African-American author Richard Wright. His widow, Ellen Wright, claimed the biographer Margaret Walker had infringed Wright's works. After the completion of discovery, Mrs. Wright filed for summary judgment on the copyright claims.⁶¹

The defendants, the biographer Walker and publisher Warner Books, Inc., filed for summary judgment on all issues. Concerning copyright, they contended that the passages involved fell within fair use. The plaintiff had alleged infringement of both published and unpublished works.⁶²

The unpublished works in question were letters from Wright to his translator, journal entries, an essay "I Choose Exile,"⁶³ letters from Wright to the biographer Walker and one letter to the editor of *Ebony* magazine. As to the letters from Wright to his translator, the plaintiff conceded that the passages had been published in two previous biographies of Wright. The court, of course, held that fair use applied. As to the passage from the only unpublished letter, the court found no infringement because Walker had paraphrased only fundamental facts.⁶⁴

The essay, journals and second collection of letters were more problematic. The court analyzed the essay and journals together. Concerning the essay, the initial question was whether a writing submitted for publication but rejected could be considered unpublished. The court answered in the affirmative, also pointing out that the presence of the manuscript in an academic library did not constitute publication. To support the latter finding, the court cited *Salinger*, where the letters were held in university libraries.

⁶⁰ Both the concurrence and dissent in the *New Era* rehearing opinion addressed the injunction issue and dispelled the impression left by *New Era* that injunctive relief was an "automatic consequence of infringement . . ." Rather, the concurrence acknowledged the discretionary character of the injunction provision in the Copyright law. Judge Miner actually amended the language in *New Era* to reflect this view. *Id.* at 661-62.

⁶¹ 953 F.2d at 734. Mrs. Wright also alleged breach of contract and libel. The district court granted defendants summary judgment as to breach of contract and dismissed the libel claim. 748 F. Supp. at 107.

⁶² The court addressed both categories. This article's discussion, however, will focus upon the analysis of the unpublished materials. As to the published material, the court found that the fair use defense applied. 748 F. Supp. at 109.

⁶³ Wright had offered the essay to *Ebony* magazine, which had rejected it. *Id.* at 110.

⁶⁴ *Id.* at 109.

Thus, Walker used passages from the essay and journals that were unpublished. The court, in order to find fair use, focused on distinguishing this case from *Salinger*. In doing so, it adopted a two-pronged approach.

First, the court deemed the Wright materials to be more accessible because they had been *sold* to Yale University for what the court described as "a considerable sum."⁶⁵ The contract contained specific language stating that Yale had purchased the right to use the works and limiting access to only one manuscript not involved in the case. The court stated:

It seems reasonable to conclude that for the purchase price, and pursuant to the sales contract, the University became free to share Wright's work with interested scholars.

In contrast, *Salinger*, the writer and copyright owner, did not sell or deposit his letters with the universities. The recipients had done so on their own.⁶⁶

When considered in light of the copyright owner's interest, this distinction is valid. One who has sold his copyright in unpublished materials with no restrictions on their subsequent use cannot complain if the buyer permits subsequent publication by others.

Second, the district court attempted to loosen the strictures on fair use of unpublished works by diminishing the importance of the unpublished nature of the work and by recognizing other circumstances justifying the use as fair. The court held that the unpublished nature of the work, although "critical," was but one point to consider in the § 107 factor two analysis. It then identified three "additional circumstances"—(1) paraphrasing rather than directly quoting Wright; (2) reporting facts rather than expropriating "creative expression that was distinctly personal;" and (3) the absence of privacy concerns because the author was deceased. The court specifically distinguished *Wright* from *Salinger* as to these last two conditions.

Even given these considerations, the call was close. The court concluded that, concerning the essay and journal entries, ". . . factor two favors neither side overwhelmingly, but, on balance, I conclude that it favors defendants."⁶⁷ As will be discussed, the Second Circuit rejected this analysis.⁶⁸

Concerning the letters from Wright to Walker and the letter to Ben Burns, the *Ebony* editor, the court construed the *Salinger* rule that unpublished works "normally enjoy complete protection against copying any protected *expression*" so as to find in defendants' favor.⁶⁹ In the court's interpretation, the adverb "normally" indicated that the Second Circuit had

⁶⁵ *Id.* at 110. The court does not state that Ellen Wright was the seller, but this seems to be the implication.

⁶⁶ *Id.*

⁶⁷ *Id.* at 110-11.

⁶⁸ *Infra*, at 217-18.

⁶⁹ 748 F. Supp. at 111 (Emphasis added by court).

not created a per se rule but would continue its case-by-case approach to the question.

The district court also pointed out that the appeals court in *Salinger* sought to protect expression, not the facts, contained in the unpublished work. The court examined the passages from the letters, finding that Walker's use was:

. . . not to recreate Wright's creative expression, but simply to establish facts necessary to her biography, which often relies on her personal association with the late novelist.⁷⁰

The court then compared examples of the original writing and corresponding paraphrasing to prove this conclusion and again found for the defendants.⁷¹

The district court had no trouble determining that the other three factors—purpose and character of the use, extent of quotation and paraphrase, and market effect—weighed in the defendants' favor.

The court even added more factors. These were: (1) bad faith by the person using the copyrighted material that "suggests unfairness" and (2) prejudice to the alleged infringer caused by "unreasonable and inexcusable delay" by the copyright owner in filing suit. The district court found that Mrs. Wright had given a previous biographer Walker's letters to Wright without seeking Walker's permission. Walker, noted the court, did not object but instead said the use was fair. The court reminded the plaintiff that ". . . one who seeks equity must do equity . . ."⁷²

As the above discussion demonstrates, the district court went to great effort to distinguish *Wright* from *Salinger* and *New Era* concerning the unauthorized use of unpublished expression. It added several mitigating conditions to factor two and also expressly repudiated any interpretation of *Salinger* as imposing a per se prohibition against unauthorized use of unpublished works. As will be discussed, this analysis of factor two was partially successful in the Second Circuit.

One significant theme runs through the district court decision and is subsequently relied upon heavily by the appeals court in also finding fair use. This theme is the focus on the minimal amount of copyrighted material taken by Walker. The district court repeatedly made this point, applying it to three factors—nature of the work, volume of quotation and market effect.

The court acknowledged in its factor three inquiry that the assessment of the amount taken involved both a quantitative and a qualitative determination. Thus infringement can occur either when "a substantial percentage" of

⁷⁰ *Id.*

⁷¹ *Id.* The court provided an example:

In a third letter from Wright to Walker: "I'm no longer with the DW." The allegedly offending passage in Walker's book . . . "In a letter dated January 19, 1938, Wright told me he was no longer working with the *Daily Worker*."

⁷² *Id.* at 113.

the material is used or when the excerpts in question comprise "essentially the heart of" the original.⁷³ Neither criterion applied to the Walker biography, said the court.

The court identified the amounts taken. From the essay "I Choose Exile," Walker paraphrased only 56 words.⁷⁴ The court further pointed out:

In each case, the amount used by Walker represents no more than 1%—in the case of *Pagan Spain*—of the work in question, and in most cases, substantially less than that. Moreover, the passages quoted or paraphrased cannot reasonably be seen to represent anything like the central portion of former President Ford's memoir—discussing his decision to pardon his predecessor, Richard Nixon—at issue in the *Harper & Row* decision.⁷⁵

Again, when examining market effect, the district court stressed the limited extent of the excerpts from both published and unpublished works. The court concluded:

In no way can Walker's minimal quotations from Wright's brilliant novels and autobiographical works serve as a substitute for the books themselves. . . . As for the passages from unpublished works which are primarily paraphrased by Walker—portions of Wright's journals, portions of his letters to his translator, 56 words from "I Choose Exile," the letters from Wright to Walker—the conclusion is the same.⁷⁶

The court rejected any claim that the "relatively slight paraphrasing and even slighter direct quotation" impaired the value of the potential market for the copyrighted work itself.⁷⁷

In sum, the district court relied upon its finding that Walker used only a small amount of material and reported only factual data, not appropriating expressive content, to remove this case from the stringent dictates of *Salinger* and *New Era*. The court also attempted to temper the precedent concerning unpublished works with extenuating circumstances and an explicit rejection of a per se rule. The court endeavored to reclaim flexibility for use of unpublished works. What is the nature and extent of this flexibility after the Second Circuit decision?

Second Circuit Opinion

The Second Circuit affirmed, in spite of finding, contrary to the district court, that factor two favored the plaintiff. The decision, however, is a

⁷³ *Id.* at 112.

⁷⁴ *Id.* at 110.

⁷⁵ *Id.* at 112.

⁷⁶ *Id.* at 112-13.

⁷⁷ *Id.*

double-edged sword. The court retreated from viewing a work's unpublished nature as an insurmountable obstacle to fair use. Indeed, the court expressly repudiated any interpretation of *Harper*, *Salinger* or other cases as creating a per se rule for unpublished works.⁷⁸ This disavowal, however, was not unconditional. Walker's *de minimis* use of the material constituted the key factor for the court in distinguishing the case from *Salinger* and *New Era*, surmounting even appropriation of Wright's expression.⁷⁹

By the appeal stage, the plaintiff had abandoned the majority of her original claims, leaving only two issues. These were (1) whether use of the unpublished letters from Wright to Walker and the journal entries constituted infringement; and (2) whether Walker had violated her research agreement with Yale University.⁸⁰

The Second Circuit's principal disagreement with the district court decision concerned the latter's factor two analysis—specifically, the three additional factors of paraphrasing, factual reporting and lack of privacy interests. The appeals court stated unequivocally, "We disagree with this analysis."⁸¹

The Second Circuit then reaffirmed the traditional view, explaining, "Unpublished works are the favorite sons of factor two."⁸² The court delineated the basis for the narrow scope of fair use in relation to unpublished works. It noted that the author's right of first publication outweighs any rights of others to use the work. Unpublished letters merited even further protection. The court cited the *New Era* declaration that there had been no ruling in favor of an infringer where unpublished letters were concerned. Concluded the court:

Our precedents, then, leave little room for discussion of this factor once it has been determined that the copyrighted work is unpublished.⁸³

According to the Second Circuit, the district court's analysis presented three problems—placing inadequate emphasis on the unpublished nature of the works, ignoring the use of expression in some of the excerpts, and attributing relevance to supplementary concerns. The factors of paraphrasing versus copying, borrowing fact versus borrowing expression and implicating privacy interests had no bearing upon factor two, which focused only on the character of the copyrighted work.

The [district] court's explanations apply to other aspects of the

⁷⁸ 953 F.2d at 740.

⁷⁹ The court found, however, that, "Most of the passages on which plaintiff bases her allegations of copyright infringement convey facts or ideas." *Id.* at 736.

⁸⁰ *Id.* at 735-36. The Second Circuit found for the defendants on the contract claim. *Id.* at 740-41.

⁸¹ *Id.* at 737.

⁸² *Id.*

⁸³ *Id.*

analysis and cannot be used in piggyback fashion to hold together a weak link in the fair use calculation. Thus, while these aforementioned three concerns may, and do in this case, help to overcome the burden placed on defendants who seek to justify use of unpublished materials, they do not figure into the factor two inquiry.⁸⁴

As would be expected, stripped of these additional concerns, factor two favored the plaintiff.

How then did the Second Circuit ultimately rule for the biographer and her publisher? How did the appeals court distinguish this case from *Harper, Salinger* and *New Era*? How was the *Walker* court able to find fair use?

The linchpin was the court's finding that use was so minimal that copyright protection did not even attach in the first place. The court began by framing the issue in terms of Walker's "sparing use of creative expression" from the unpublished materials and then applied this approach consistently throughout the opinion.

Although it found that most of the disputed excerpts recounted facts or ideas, the Second Circuit identified several instances in which protected expression was taken. These were three paraphrased sections of the journals and four quotations from the Wright/Walker letters. For these materials only fair use would preclude a ruling of infringement.

In determining what material constituted fact or expression, the court stressed the small amount actually used.

Dr. Walker paraphrases fourteen portions of the ten journal entries. These portions are short. All but two of them are one to three sentences long. Most importantly, of the fourteen sections taken from the journal entries, only three, under a generous reading of expression, adopt Wright's creative style.⁸⁵

And, subsequently,

The biography copies ten brief passages from the letters and paraphrases five equally short portions of them.⁸⁶

As to amount and substantiality (factor three), the court determined that Walker had not overstepped either quantitative or qualitative bounds. Concerning the former, the Second Circuit relied upon the district court's finding that Walker had used approximately one percent of the letters or journals. Given this "minimal percentage," the quantitative factor favored the biographer.⁸⁷

The plaintiff contended that a 55-word quotation from a letter and a

⁸⁴ *Id.* at 737-38.

⁸⁵ *Id.* at 736.

⁸⁶ *Id.*

⁸⁷ *Id.* at 738.

paraphrase from a journal entry violated the qualitative component. The Second Circuit rejected this claim. The quotation, while capturing Wright's expression about writing and his development as a writer, was the "only quoted piece of expression that represents anything close to the central point communicated in any of the letters."⁸⁸

The court then stressed that the journal entry had been "carefully" paraphrased and did not encroach upon any other entries. The extracts from the journals did not compare to the passages about the Nixon pardon forming the "heart" of the Ford memoirs. The court even noted that there was no real "core" to the journals to take from.⁸⁹

The small number of expressive excerpts used in the biography also determined the outcome of the evaluation of market effect. The court emphasized that only "marginal amounts" were taken from Wright's unpublished works. Furthermore, that amount comprised a "small, unfeatured portion of the biography." Walker's book did not supersede Wright's own unpublished writings and posed no threat to the market for these works.⁹⁰

In the context of the amount of expressive material, the Second Circuit provided two grounds for finding fair use. First, the court emphasized that the case involved only seven portions of protected expression. These extracts were, described the court, "short and insignificant, with the possible exception of a fifty-five word description of the art of writing. This use is *de minimis* and beyond the protection of the Copyright Act."⁹¹

Second, the court distinguished *Wright* from *Salinger* and *New Era* on

⁸⁸ *Id.*

⁸⁹ *Id.* The court also addressed the confusion about whether factor three also encompassed analyzing the infringing work in terms of the amount and substantiality of the copyrighted material it contained. The Second Circuit found that this factor concerned only the original copyrighted work. Previous cases, however, had examined factor three in light of the infringing work. The court therefore scrutinized Walker's biography, finding that quantitatively the book contained at most two pages of expressive material out of 428 and qualitatively the material, while enhancing the book, did not constitute the sole reason for reading the biography.

⁹⁰ *Id.* The plaintiff argued that Walker's biography would inhibit a proposed collection of Wright's letters, which included those to Walker. The Second Circuit rejected this contention, pointing out that plaintiff and her co-editors had entered into an agreement with a publisher back in 1969 and had produced no evidence to show that the collection would be prepared. The plaintiff had written the publisher in 1979 that the book could not go forward without the letters to two correspondents, Ralph Ellison and the late George Padmore. Ellison refused to give up the letters, and the correspondence with Padmore had been lost.

Again, the court relied upon the "sparing use" Walker had made of her letters from Wright. It also opined that her book could kindle more interest in all of Wright's letters.

⁹¹ *Id.* at 740.

the basis that the expressive content taken was "modest" and its purpose was to depict facts or confirm the Wright/Walker relationship. The expression was not used to "enliven" the biographer's style.⁹²

To find for the defendants, the Second Circuit had to circumvent its factor two finding for the plaintiff. It did so, as did the district court, by rejecting a *per se* rule concerning unpublished works. Rather, the appeals court explained:

Neither *Salinger*, *Harper & Row*, nor any other case, however, erected a *per se* rule regarding unpublished works. The fair use test remains a totality inquiry, tailored to the particular facts of each case. Because this is not a mechanical determination, a party need not "shut-out" her opponent on the four factor tally to prevail.⁹³

This language acknowledged that some flexibility is necessary concerning unauthorized use of expression from unpublished works. The passage is also the Second Circuit's attempt to assure biographers and publishers that the preceding unpublished works/fair use decisions did not automatically preclude taking any expression from such materials.

Yet *Wright* leaves one with misgivings. A close look at the Second Circuit approach casts doubt on the extent of flexibility actually permitted. The problem lies in the minimalist rationale permeating the opinion: fair use applies to unauthorized use of unpublished expression only when the expression used (quantitatively and/or qualitatively) is so slight as to be almost nonexistent.

Even the case-by-case approach reaffirmed in *Wright* creates uncertainty. The Second Circuit nowhere defines any concrete limits beyond which fair use no longer applies. The court merely provides the vague guidelines of "sparing use," "brief passages," "short portions," "marginal amounts," "*de minimis*" and "modest" use.

Numerically, the court narrows the copyrighted material to four quoted excerpts from the letters and three paraphrased sections from the journals. It points out that, quantitatively, Walker used only one percent of the letters and journals. But the fifty-five word passage from a letter and a quoted journal entry trouble the court from the qualitative perspective. The court resolves this issue by finding that these extracts do not constitute the "heart" of the copyrighted material.⁹⁴

As to market effect, the court again focuses on these same seven passages of expression. The court stresses that these selections constitute only "a small, unfeatured portion of the biography."⁹⁵

⁹² *Id.*

⁹³ *Id.*

⁹⁴ *Id.* at 736-38.

⁹⁵ *Id.* at 739.

Wright most definitely circumscribes the biographer's freedom to use unpublished expression without obtaining permission. The decision does not liberalize fair use in this context. Even with the renunciation of the *per se* rule, *Wright* is not a victory for biographers.

Remaining Questions

Critical questions remain after *Wright*: As to unpublished copyrighted expression, who should prevail—authors or biographers? What benefits the public interest more—the primacy of the author's right of first publication or the biographer's unfettered use of unpublished expression? The answer to this second question depends on resolving two others—where does the public interest lie, and what exactly is the public interest?

If one accepts Nicolson's thesis of "pure biography," then the biographer's right to attain Nicolson's "historical truth" and "wider veracity of complete and accurate portraiture" favors fair use even where unauthorized unpublished expression is concerned. Yet *Wright*, despite its renunciation of "winning" all four fair use factors to succeed on the defense, precludes the unauthorized biographer from realizing Nicolson's objectives. At present, a two-tiered hierarchy of biographers exists, authorized and unauthorized. Is restricting the unauthorized biographer from using unpublished expression through quotation or paraphrase fair? Exploring how biographers regard the value of such material provides insight into the problem.

In the prologue to his recent authorized biography of Thomas Edward Lawrence, Jeremy Wilson stresses that the work ". . . must not merely be accurate; it must be seen to be accurate."⁹⁶ To this end Wilson quotes Winston Churchill, who wrote about his biography of his father:

"The style and ideas of the writer must throughout be subordinated to the necessity of embracing in the text those documentary proofs upon which the story depends. Letters, memoranda, and extracts from speeches . . . must be pieced together upon some consistent and harmonious plan."⁹⁷

Explaining that he has used "extensive quotation in the Lawrence biography," Wilson delineates his reasons:

Individual extracts were chosen for a number of different reasons. The first was to give authority to the factual record . . . I thought it necessary to lay out the new information which lay behind my own deductions. Secondly, I used quotation to illustrate Lawrence's values, aims, motivation and critical judgment, and to show how he was assessed by his contemporaries. Lastly, there can be

⁹⁶ Jeremy Wilson, LAWRENCE OF ARABIA: THE AUTHORIZED BIOGRAPHY OF T.E. LAWRENCE 14 (1990).

⁹⁷ *Id.*

more subtle benefits in the use of quotation. Those who have never carried out research in historical archives have little idea of the human interest to be found in letters, telegrams, and notes written down while the events were still unfolding. There is often a fascinating interplay of personalities, and the documents can be alive with ambition and jealousy, generosity and humour. It is virtually impossible to retain these qualities in paraphrase: however brilliant the historian, accounts which summarise the documents almost invariably make duller reading than the documents themselves. In many cases, therefore, I have used quotation simply to preserve the drama that was so vividly present in the source materials; and also on occasion to illustrate attitudes which are very distant from those held today.⁹⁸

Ironically, one of Richard Wright's authorized biographers, Michel Fabre, acknowledges the importance of his subject's unpublished works.

In Wright's case, the number of unpublished manuscripts makes it imperative to take them into consideration, although I am far from assigning a uniform value to all of Wright's production. In addition to the unpublished haiku, letters, diaries and novels [titles omitted], certain essays and early poems are still unpublished or difficult to find. I emphasized many of these because I was anxious to consider everything that Wright was working on at the various stages of his artistic evolution, to show how an essay perhaps foreshadows or contradicts a successful piece of work, or how a recurring theme or metaphor betrays its importance in the subconscious of the writer.⁹⁹

These explanations eloquently counter the Second Circuit's cavalier rejection of the "pedestrian sentence" justification in *Salinger*.¹⁰⁰

Granted, the above analysis occurs within the context of authorized biographies, where the copyright holder has given permission to use this property right. Except for the right of first publication, the same rationale applies to unpublished expression. Should not the unauthorized biographer have the same opportunity to capture the subject's spirit and soul? And what better way than to infuse the biography with quotations and even paraphrases of the subject's original writings?

The effect of the strictures on the unauthorized biographer is apparent

⁹⁸ *Id.* at 14-15. Note that, for Wilson, paraphrasing cannot capture the essence of the biographical subject.

⁹⁹ Michel Fabre, *THE UNFINISHED QUEST OF RICHARD WRIGHT* ix (1973) [hereinafter "Fabre"].

¹⁰⁰ 811 F.2d at 96-97.

when Margaret Walker's book¹⁰¹ is compared with Michel Fabre's.¹⁰² Fabre's biography was authorized, and Wright's widow provided Fabre with full access to her late husband's personal papers.¹⁰³ This access included the right to quote substantial portions of unpublished letters,¹⁰⁴ journals, manuscripts and other materials. Fabre's biography is replete with quotations and paraphrases, approximately 150.¹⁰⁵ Some are quite extensive, amounting to paragraphs of the unpublished works.¹⁰⁶

The abundance of Wright's original material enriches Fabre's biography. This material reveals the subject's innermost thoughts, opinions and feelings. The quotations and paraphrases, especially the former, capture the "expressive content of his unpublished writings," the very end prohibited to Salinger's biographer.¹⁰⁷ The reader experiences Wright firsthand throughout the book. The late writer's presence is immediate, vital. The quotations especially constitute concrete proof of the biographer's contentions and theories.

¹⁰¹ Margaret Walker, *RICHARD WRIGHT: DAEMONIC GENIUS* (1988) [hereinafter "Walker"].

¹⁰² Fabre.

¹⁰³ *Id.* at x.

¹⁰⁴ In the introduction to the "Selected Bibliography" section of his book, Fabre states, "Most of Wright's letters referred to in the notes or quoted in the text will soon be published by Harper & Row in a collection edited by Edward Margolies and myself." *Id.* at 625. As noted, in *Wright*, decided in 1991, the Second Circuit pointed out that this collection had still not been produced. 953 F.2d 731.

¹⁰⁵ This figure results from this writer's survey of the biography for quotations and paraphrases of unpublished expression.

¹⁰⁶ *E.g.*, Fabre at 7 (quotation from unpublished draft of *Black Boy*); 11 (quotation from earlier version of *Black Boy*); 33 (two quotations from unpublished piece "Memories of My Grandmother"); 64 n.3 (quotation from fragments of notes from personal papers); 69 n.7 (quotation from unpublished fragment from personal papers); 134 (quotation from unpublished outline of a play from personal papers); 138 (quotation from letter); 143 (lengthy quotation from unpublished article "Personalism"); 188-89 (quotation from letter) and n.3 (quotation from personal papers); 193 (quotations from unpublished article "There Are Still Men Left"); 207 n.1 (quotations from letters); 227 n.3 (quotation from letter); 230 (quotation from letter); 258-59 (paraphrase of a proposal for a magazine); 261-62 (quotation from unpublished 60-page outline for a screenplay); 266 (quotation from letter); 269 (quotations from personal journal); 270 (quotation from journal); 271-75 and accompanying notes (extensive quotations from journal); 277 n.43 (quotation from journal); 281 (quotation from journal); 313-15 (quotations from journal in text and accompanying footnotes); 322 and n.26 (quotation from journal and letters); 333-34 (quotation from journal); 356-57 and n.21 (quotations from journal). The biography is 531 pages long. Quotations and paraphrases are just as frequent in the remaining pages.

¹⁰⁷ "But Salinger has a right to protect the expressive content of his unpublished writings for the term of his copyright, and that right prevails over a claim of fair use under 'ordinary circumstances' [citation omitted]. *Salinger v. Random House, Inc.*, 811 F.2d at 100.

The reader need not take Fabre's assessments on faith. (Of course, the reader assumes that Fabre has chosen which passages to quote or paraphrase. In this sense, the biographer and his biases retain control.)

The stinting use of quotation and paraphrase in the Walker biography affords a striking contrast to the profusion of these materials in the Fabre book. Indeed, this very feature wins her the fair use defense. Yet the paucity of quotation and paraphrase results from constraints imposed in the archetypal "widow/widower censor" situation.¹⁰⁸

The Second Circuit itself described Walker's predicament. The biographer's first draft, finished in the early to mid-1980s, contained "large portions" of both Wright's published and unpublished works. Walker's first publisher sought Ellen Wright's permission, which was refused. After a second publisher decided not to publish for other reasons, Walker rewrote the biography, using less of the published and unpublished materials. Ellen Wright opposed even this truncated version and sued when Warner Books published the biography in May 1989.¹⁰⁹

Walker provides insight into the adverse effect resulting from Ellen Wright's refusal to grant permission. In her preface to the biography, Walker states, "Six areas unfolded the difficulties before me if I wrote this book." These were:

1. Wright's reasons for leaving the Communist Party.
2. Wright's motivation for marrying two white women and the causes of each marriage's failure.
3. Rumors that Wright was sexually "kinky."
4. Wright's Pan-Africanism and the Arab/Jewish strife.
5. Wright's financial situation and relationships with his agents, editors and publishers.
6. The mystery surrounding his unexpected and sudden death and whether he was murdered.

Walker explains that ". . . all the material was readily available: journals, letters, published sources, pictures, interviews, conversations—these have helped me to reconstruct the psyche of Richard Wright." Such primary material was crucial, enabling Walker to avoid reliance on secondary sources. "Whatever has helped toward a definition of the man and an analysis of his work I have tried to use."¹¹⁰

Walker, however, was unable to quote many of the works that would have "further illuminate[d] discussions in this book." Walker spent a year attempting to obtain Ellen Wright's permission. Wright would consider the

¹⁰⁸ The discussion, *supra*, of the district and appeals courts' decisions in *Wright* has described the amount of material used.

¹⁰⁹ 953 F.2d at 734.

¹¹⁰ Walker at xv.

matter only if she could read the manuscript. Considering this condition "prior restraint tantamount to censorship," Walker refused.¹¹¹ She was therefore precluded from quoting these primary sources.

New Era comes to mind. The parallel between the two cases is close. While the characters of Richard Wright and L. Ron Hubbard cannot be equated, other similarities exist. Each biographer builds the work upon a central thesis—Russell Miller's exposé of Hubbard as a charlatan and Margaret Walker's characterization of Wright as a "daemonic genius." Both biographers wish to use unpublished expression not only to prove and support their theses but also to capture what they believe is the subject's essence. They seek truth and accuracy.¹¹²

In both *New Era* and *Wright* the copyright holders attempt to prevent biographies portraying the subjects in a manner they find objectionable.¹¹³ They do so by withholding copyright permission to use unpublished expression. This is censorship. But under present law, the proprietary interest permits such censorship. And it is this proprietary interest that conflicts with the nature and purpose of modern biography as envisioned by Nicolson and other writers on the subject.

THE BIOGRAPHER'S PERSPECTIVE

A biography is not a work of fiction. At least it isn't supposed to be. The hundreds of endnotes, the massive bibliography of primary and secondary sources, the detailed index all attest to the nonfictional character of this genre.

Yet how faithfully does the biographer adhere to this basic premise? Or rather, how faithfully *can* the biographer do so? Whether intentionally or not, fiction can and does invade the biographical sphere—many times in the guise of myth-making, but more often from omission either by choice or lack of access to crucial material, often unpublished.

This crucial material includes not only the facts themselves but also the expression of these facts by the subject. As stated above, such expression reveals the subject's essence. To suppress this essence subverts the aim of

¹¹¹ *Id.* at xvi.

¹¹² *Salinger* presents the same scenario with the difference that it is the subject himself raising the objections.

¹¹³ For example, Fabre's biography makes no mention of the Wrights' marital difficulties, including Wright's at one point demanding a divorce from Ellen Wright. Walker substantiates this information primarily through interviews, information from other individuals' papers and secondary sources. Walker at 323-27. One of Walker's sources is the disputed letter from Wright to his translator Margrit de Sablonière about an upcoming visit with his wife and children. *Id.* at 326. The district court found that this passage was "paraphrased solely to convey the most basic and banal factual matter." *Wright*, 748 F. Supp. at 109.

biography—revelation of the individual to the reader.¹¹⁴ By restricting the unauthorized use of quotation and paraphrase of unpublished expression, *Saulinger*, *New Era*, and *Wright* foreclose the biographer from creating what he or she considers an accurate portrayal. These decisions shift biography closer to fiction, a fiction created from omission dictated by an outside force—in this case, legal precedent.

What is the value to society of an accurate portrayal, not only of the facts of the subject's life, but also of the expression through which the subject reveals him or herself? Is there any? According to one biographer:

For readers, the appeal of biography is more than curiosity; it is, rather, the discovery and identity of metaphor which is the recognition of universal aspects of human behavior through the particular actions of an individual life.¹¹⁵

This explanation echoes the justification of biography provided by Samuel Johnson in 1750. Dr. Johnson also regarded biography as a genre evidencing the commonality of humankind. This "uniformity," this sharing of conditions and action, in Johnson's view, justified a narrative of almost anyone's life as a useful example for others.

We are all prompted by the same motives, all deceived by the same fallacies, all animated by hope, obstructed by danger, entangled by desire, and seduced by pleasure.¹¹⁶

For Johnson, the biographer's genuine purpose was to go behind the public acts and achievements and delve into the intimacies of the subject's life—"to lead the thoughts into domestick privacies, and display the minute details of daily life, where exterior appendages are cast aside . . ." Johnson's requirement for the biographer was that he or she ". . . must dive into the recesses of the human heart."¹¹⁷

Johnson underscored the importance of private sources to attaining this

¹¹⁴ "The job of the biographer is to uncover and convey the unobvious truth." Milton Lomask, *THE BIOGRAPHER'S CRAFT* 7 (1986) [hereinafter "Lomask"].

¹¹⁵ Ira Bruce Nadel, *BIOGRAPHY: FICTION, FACT & FORM* 166 (1984) [hereinafter "Nadel"].

¹¹⁶ "Johnson on Biography," reproduced in Reed Whittemore, *PURE LIVES: THE EARLY BIOGRAPHERS* 147-48 (1988) [hereinafter "Pure Lives"].

¹¹⁷ *Id.* at 149 and 115. Whittemore illustrates this investigation behind the public figure with a poem by W.H. Auden.

Who's Who

A shilling life will give you all the facts:
How Father beat him, how he ran away,
What were the struggles of his youth, what acts
Made him the greatest figure of his day:
Of how he fought, fished, hunted, worked all night,
Though giddy, climbed new mountains; named a sea:

goal. He viewed them as crucial to biography, as the element preventing the work's deterioration into a superficial chronological narrative of the events of a life. He scorned biographers who relied merely on "public papers" and maintained that more information about an individual could be gained "by a short conversation with one of his servants."¹¹⁸ Extending these private sources to unpublished materials (including the expression they contain) fully accords with Johnson's conception of biography.

Primary sources, then, are the crucial building blocks for biography. To underscore this point, Milton Lomask provides the examples of two well-known modern biographers, Michael Holroyd and Barbara Tuchman. For his biography of Lytton Strachey, Holroyd reviewed more than 30,000 letters by, to and about Strachey, as well as "trunks full of miscellaneous papers, diaries, speeches, autobiographical pieces, poems and so on."¹¹⁹ Lomask agrees that such material is necessary for a major biography. He adds that even such materials as a laundry slip, checkbook and shopping list can provide valuable insights into the biographical subject.¹²⁰

Tuchman is adamant about primary sources. Indeed, these are the only sources she uses. According to Tuchman, the biographer cannot relinquish the freedom to make his or her own choices concerning the material to incorporate into the biography. Secondary sources are "pernicious" because the information has already been "pre-selected."¹²¹ The biographer must retain the independence of choice that primary sources afford.

Those choices should include unpublished expression. As Leon Edel observes, reaching the subject's "mind and inner world" depends upon ". . . sufficient self-communication [as] has been bequeathed in diaries, letters, meditations, dreams."¹²² How can the biographer convey these inner feelings

Some of the last researchers even write
Love made him weep his pints like you and me.

With all his honours on, he sighed for one
Who, say astonished critics, lived at home;
Did little jobs around the house with skill
And nothing else; could whistle; would sit still
Or potter round the garden; answered some
Of his long marvellous letters but kept none.

Whittemore suggests that the "quiet one" is actually the hero's alter ego. Reed Whittemore, *WHOLE LIVES: SHAPERS OF MODERN BIOGRAPHY* 102-03 (1989) [hereinafter "Whole Lives"].

¹¹⁸ *Id.* at 149.

¹¹⁹ Lomask at 12.

¹²⁰ *Id.* Leon Edel makes the same point, noting that biography uses ". . . life residues—laundry lists, unpaid bills, check stubs, notes, gossip, memories, and in modern time the detritus of the computer." *WRITING LIVES: PRINCIPIA BIOGRAPHICA* 16 (1984) [hereinafter "Edel"].

¹²¹ Lomask at 24.

¹²² Edel at 16.

when, unless authorized, he or she cannot quote or paraphrase material from unpublished sources? Or, at the least, must follow the rigid strictures created by *Salinger*, *New Era*, and *Wright* to avoid infringement liability? The courts simply do not provide the unauthorized biographer with sufficient working room.

Such strictures impede the ultimate goal of producing a work that presents the subject as truthfully and accurately as possible. Biographers repeatedly stress this objective. For example, Ira Bruce Nadel points out that ". . . what we seek in biography [is] the knowledge that the resemblance between the subject in the biography is equivalent to his empirical existence."¹²³

Nadel reiterates the importance of "truth" in biography throughout his critical study of the genre. He contends that the biographer's fixed purpose is to reveal the truth about the individual. The biographer serves a corrective function, eradicating false or misleading versions of the subject's life. According to Nadel, 20th century biography adheres to the conviction that unveiling the "self" of the subject is a "moral good."¹²⁴

Leon Edel, best known for his multivolume biography of Henry James, also acknowledges truth as a crucial element in the genre. Edel, like Whittemore, cites Johnson's conviction about biographical truth. Johnson, Edel states, believed that the biographer could write about any subject he or she wished—"so long as the truth is told." Edel illustrates this point with an anecdote about Johnson and Boswell, who was concerned that Johnson agreed to write *Lives of the Poets* at the behest of London booksellers, who would choose the subjects. Boswell asked Johnson if he would agree to write about anyone the publishers chose, including "any dunce's works." Johnson replied, "Yes, sir, and say he was a dunce." (Emphasis in original).¹²⁵

Edel further articulates the theme of truth, stating that the commonality in biography lies in its concern with "truth of life" and "truth of experience." He also believes that the biographer has a moral duty to pursue "comprehensive truth."¹²⁶

Nadel's and Edel's views thus comport with Nicolson's position that

¹²³ Nadel at 2. Peter Davison, who has edited biographies for 40 years states that: ". . . the biographer's genius lies in having the sympathy and imagination to create the story of a life about which the subject's ghost would say, "That's as close to me as anybody else could be expected to get."

"To Edit a Life," *THE ATLANTIC MONTHLY*, October 1992, at 92, 99.

¹²⁴ Nadel at 107, 176, 205. At the same time Nadel acknowledges that "historical, social and stylistic" restraints hamper biographers from replicating a subject's life. He identifies modern writers such as W.H. Auden, George Orwell, and T.S. Eliot who objected to biographies of themselves because of "the impossibility of 'getting it right.'" These individuals saw the potential for "distortion, misunderstanding and confusion." *Id.* at 177-78.

¹²⁵ Edel at 59.

¹²⁶ *Id.* at 34, 109.

"pure" biography consists of as faithful a picture of the subject as possible. A recent example of this dedication to truth is the biography of the late poet Anne Sexton, whose daughter Linda Gray Sexton, her executor and copyright holder, granted the biographer the freedom to dive into the recesses of the human heart as Johnson instructed. Indeed, controversy surrounded the work, since the biographer, with Linda Sexton's permission, included not only excerpts and paraphrases from the poet's private papers but also from more than 300 hours of tapes from her therapy sessions.¹²⁷

Why did Ms. Sexton decide to permit the use of this unpublished expression? Because, she stated, "I began to recognize that—as with everything in my mother's life—her daily life was inextricably bound to her work." She points out that her mother's therapy was "almost uniquely relevant to any searching analysis of her poetry: her work examines her mental illness and psychiatric treatment . . ." ¹²⁸

The resulting biography uses extensive quotations from the tapes. One reviewer found the inclusion of these materials essential to the biography and the understanding of Anne Sexton's poetry. This reviewer expressed gratitude for the publication of the therapy tapes as well as Linda Sexton's revelation, which appears in the biography, of the sexual abuse she suffered from her mother. In the reviewer's opinion this information enriches interpretation of the poet's work.¹²⁹

The review also addresses the biographer's freedom to use all the material, including the unpublished expression.

This is, I think, one of the few biographies I have ever read that was written with the cooperation of the subject's family, but is not, in one way or another, compromised by the suppression of information, a literary practice that almost never attracts attention.¹³⁰

While one might quibble with the assertion that suppression of information (and this writer includes expression in this category) has not attracted attention, it is laudable that the reviewer raised the subject. In doing so, the reviewer joins others, biographers and critics, who require truth in biography. Indeed, Linda Gray Sexton echoes this conviction in a letter to her mother's biographer, writing:

¹²⁷ Linda Gray Sexton, "A Daughter's Story: I Knew Her Best," *N.Y. TIMES BOOK REVIEW*, August 18, 1991, at 20 [hereinafter "Sexton"].

¹²⁸ *Id.*

¹²⁹ Katha Pollit, "The Death Is Not The Life," *N.Y. TIMES BOOK REVIEW*, August 18, 1991, at 1, 21-22.

¹³⁰ *Id.* at 22. Another reviewer did question the wisdom of revealing the therapy tapes but acknowledged that without this material "the biography as it stands could not have been written." Joyce Carol Oates, "Anne Sexton: A Heart Laid Bare," *THE WASHINGTON POST BOOK WORLD*, August 11, 1991, at 1, 10.

You have already written a great deal that is painful No family member will like this book. You must not care about that any longer: it is an impossible task. We are all hurt by it. We were all hurt by having lived through her life beside her, behind her, in her shadow, holding her hand: that is reality. Of the joy we have also spoken. The only way to transcend the hurt is to tell it all, and to tell it honestly.¹³¹

"To tell it honestly:" How can a biographer do so when he or she is unable to obtain the complete cooperation of the author of unpublished expression or that of the author's copyright holders? At this point the case law, with its strictures even on paraphrasing such expression, raises almost insurmountable obstacles to achieving this end.¹³²

Wright v. Walker does not ameliorate the situation. As discussed above, the decision circumscribes the acceptable use of quotation and paraphrase. Margaret Walker prevails only because she has stripped her biography to a bare minimum of quotation and paraphrase. Even then the court falls back on the fact/expression dichotomy to sustain Walker's use of the contested passages. Yet even this approach does not resolve the problem; there is often a fine line between fact and expression, especially with paraphrasing. That line is not precise, but often blurred, requiring a judgment call by the courts

¹³¹ Sexton at 20.

¹³² *Salinger* provides a prime example of the difficulty of meeting the courts' stringent restrictions on paraphrasing. The Second Circuit criticized Hamilton for the "close paraphrasing" of Salinger's letters through which the biographer attempted to avoid infringement from using direct quotations. In footnote two the court illustrates the offending paraphrases, comparing them with the original expression. The court also chides Hamilton for paraphrasing "Even the briefest similes . . ." 811 F.2d at 93.

A reading of the examples cited in footnote two, however, leaves one with the uneasy feeling that the court is engaging in a stylistic judgment call. Essentially, the Second Circuit takes on the role of critic. It is arguable that the paraphrasing in question conveys the essence of the subject's feelings and that anything less would not be sufficient.

This uneasiness increases with the court's analysis of the detrimental effect the paraphrasing could have on the market for Salinger's letters. The examples set forth in footnote five evidence the same subjectivity. The court goes so far as to render its opinion about the quality of the paraphrasing, stating ". . . how inadequately Hamilton's paraphrasing has rendered Salinger's chosen form of expression." 811 F.2d at 99. This observation oversteps the court's role in determining infringement. Moreover, the court then castigates Hamilton for using phrases such as "he wrote," "he says," and "he said" because the paraphrasing will lead readers to believe that they are reading Salinger's actual words. Such a belief, the court asserts, would diminish interest in buying a collection of the original letters. *Id.* Again, the court is engaging in literary criticism beyond the bounds of appropriate legal analysis.

that can, as in *Salinger*, stray into the critic's realm.¹³³

If one accepts truth and accuracy as the first principle for biography and further agrees that this standard includes expression, then the severe limitations on unauthorized use of unpublished expression vitiate the very core of biography. As discussed previously, legal precedent has created a two-tiered system of biographers—those with authorization to use unpublished expression and those without. The latter group faces an untenable choice: Use the unpublished expression at their peril, or do not use it at all. The first choice threatens legal liability; the second sacrifices biographical integrity. The question remains: Should the author's right of first publication trump the fair use defense of biographers who have quoted or paraphrased unpublished expression without permission?

THE AUTHOR'S PERSPECTIVE

As discussed previously, the author's right of first publication existed at Common Law before and after the Statute of Anne, enacted in 1710. Thus even the early biographers labored under substantially the same strictures as do their descendants today. With our modern-day emphasis on reaching the "truth" of the subject, including his or her inner self, these restrictions are more onerous, however.

To the biographer and the reading public, that is. To the author and the author's subsequent copyright holders, the use of unauthorized expression constitutes an intrusion upon a property right with a recognized commercial value. In acknowledging the author's right of first publication, the courts from *Harper* to *Wright* approach this issue from the economic perspective in keeping with American copyright tradition.

In *Harper* the Supreme Court reiterated the established interpretation of the Copyright Act as providing authors with rights "designed to assure contributors to the store of knowledge of a fair return for their labors."¹³⁴ To this end, *Harper* stresses the importance of ensuring that the author of unpublished works retains the right to control any and all aspects of publication. Indeed, *Harper* accords the right of first publication special status, outweigh-

¹³³ The Second Circuit's approach is contrary to Justice Holmes' declaration in *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1903), "It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits."

Granted, *Bleistein* dealt with whether a circus poster had sufficient aesthetic value and originality to warrant copyright protection. Holmes declined to mire the courts in aesthetics, recognizing the highly subjective nature of the task. Likewise, as *Salinger*, *New Era* and *Wright* demonstrate, the decision as to when paraphrasing too closely follows the original requires the same subjectivity and aesthetic judgment, although in the infringement context.

¹³⁴ 471 U.S. at 546.

ing dissemination to the public under fair use.¹³⁵

Salinger, *New Era* and *Wright* follow *Harper's* deference to the author concerning unpublished expression. The author's interest is superior. The biographer and the public must simply await either the author's decision finally to publish or else the expiration of the copyright. *Salinger* did not view such a wait as detrimental. Rather, the Second Circuit cited a *New York Times* article recounting the extreme interest in the donation of the letters of Luigi Pirandello to a university library:

Evidently, public interest in the expressive content of the letters of a well-known writer remains substantial even fifty years after his death.¹³⁶

One could characterize this argument as the "being there at the right time" philosophy of biography. The unauthorized biographer simply has to outlast his subject's life and duration of copyright if she or he wishes to use unpublished expression.

In all the decisions the commercial component is the principle determinant in the author versus biographer equation. The most important factor of the fair use guidelines is the effect on the market or potential market for the work in question.¹³⁷

Harper, *Salinger*, and *New Era* all found an effect detrimental to the market. In *Harper* the adverse market effect was concrete—*Time* canceled the contract with Harper and refused to pay the remainder of the fee for the serialization rights.¹³⁸ The *Salinger* court's market analysis included not only the potential market for Salinger's letters but also Salinger's right to protect his opportunity to sell the letters. The court noted that Salinger's agent had placed a market value of over \$500,000 on this material.¹³⁹ Similarly, the Second Circuit found that the biographer's use of Hubbard's unpublished expression would impair marketability of the proposed authorized biography by the plaintiff *New Era*.¹⁴⁰

Wright, however, reached a contrary conclusion, finding that the market for Wright's letters or journals would not be harmed because Walker had used only "marginal amounts of expressive content . . . from Wright's works." Rather, the court concluded, this "sparing use" of unpublished expression could create more interest in these materials.¹⁴¹ As discussed above, this emphasis on minimal use bodes ill for future unauthorized use of unpub-

¹³⁵ *Id.*

¹³⁶ 811 F.2d at 100.

¹³⁷ "This last factor is undoubtedly the single most important element of fair use." *Harper*, 471 U.S. at 566.

¹³⁸ *Id.* at 543.

¹³⁹ 811 F.2d at 99.

¹⁴⁰ 873 F.2d at 583.

¹⁴¹ 953 F.2d at 739.

lished expression. Nevertheless, *Wright* does permit some leeway, although slight, for the biographer concerning the market effect factor.

What if we approach the issue from an author's rights tradition instead of the economic perspective? How does this perspective affect the author versus biographer equation?

The focus on the author's rights is a Civil law phenomenon, best illustrated by the French concept of *droit d'auteur*. French law protects not only the author's monetary rights (*droits patrimoniaux*) but also his or her moral rights (*droit moral*). The nature of the moral rights is nonpecuniary, consisting of a "collection of prerogatives, all of which proceed from the necessity of preserving the integrity of intellectual works and the personality of the author."¹⁴²

The moral right is further divided into four components: (1) the *droit de divulgation*, the author's right to decide whether and when to publish the work, if at all; (2) *droit de retrait ou de repentir*, the author's right to withdraw or change a work already published; (3) *droit a la paternité*, the author's right to claim authorship of his or her work and to disavow it when a work is falsely attributed to him or her; (4) *droit au respect de l'oeuvre*, the author's right to protect the work from "alteration, mutilation, or even from excessive criticism."¹⁴³ The *droit de divulgation* is relevant to use of unpublished expression.

Under modern French law this right is "personal" and "exclusive" to the author, who has complete discretion over whether and how to publish the work. Upon the author's death, the right of disclosure devolves upon the author's executors during their lifetimes and then to the descendants—spouse, then heirs or, finally, legatees.¹⁴⁴ Although French law has created some limitations on the disclosure right,¹⁴⁵ the breadth of the right far exceeds that of the first publication right in § 106 of the United States Copyright Act.

Does the recent adherence of the United States to the Berne Convention¹⁴⁶ open the way for greater consideration of authors' rights? Congress

¹⁴² Russell J. DaSilva, "Droit Moral and the Amoral Copyright: A Comparison of Artists' Rights in France and the United States," Part I, 28 BULL. COPYRIGHT SOC'Y 1, 3 (1980) citing, A. LeTarnec, *Manuel de la Propriété Littéraire et Artistique* 25 (1966).

DaSilva provides a comprehensive examination of the origin, history, characteristics, effects and difficulties of *droit d'auteur*. He also compares the French law with protection of authors' rights in the United States.

¹⁴³ *Id.* at 3-4.

¹⁴⁴ *Id.* at 20, 15.

¹⁴⁵ *Id.* at 22-23. There are exceptions for collaborative works and films. Also, authors must indemnify another party's contract or property rights in order to assert the right of disclosure.

¹⁴⁶ The Berne Implementation Act of 1988, Pub. L. 100-568, 102 Stat. 2853 (codified in scattered sections of 17 U.S.C.).

adopted a "minimalist" approach to its ratification of Berne, changing American copyright law only to the extent "clearly required under the treaty's provisions."¹⁴⁷ The greatest debate during Congressional deliberations over the Treaty's ratification concerned Article 6 *bis*, which ensures authors two moral rights—those of paternity and integrity.¹⁴⁸ The House Committee Report concluded that existing Federal and State laws provided sufficient protection for these rights and thus United States law met the requirements of 6 *bis*.¹⁴⁹

United States adherence to Berne, despite Congress' minimalist approach, has already changed the nature and scope of American copyright law concerning authors' moral rights. The Visual Artists Rights Act of 1990 bestows the rights of attribution and integrity upon certain visual artists and their works.¹⁵⁰ This federal law is narrow in scope, covering only certain works of fine art—a painting, drawing, print or sculpture in either a single copy or edition of 200 or fewer. Photographs produced only for exhibition and existing in a single signed copy or 200 or fewer signed and consecutively numbered copies also come within the Act. Books, magazines and newspapers are among the works not protected.¹⁵¹

The right of attribution in the Visual Artists Rights Act includes the rights to claim authorship of the work, to prevent use of an individual's name as author of any work she or he did not create, and to prevent use of his or her name as the author of a work "... in the event of a distortion, mutilation, or other modification of the work which would be prejudicial to his or her honor or reputation"¹⁵²

The integrity right gives the artist the power to prevent "... any intentional distortion, mutilation or other modification of that work which would be prejudicial to his or her honor or reputation" and "any destruction of a work of recognized stature"¹⁵³

Although narrowly framed, this Act does constitute an author's rights inroad into the American copyright system. The statute creates federal rights analogous to those in Article 6 *bis* of Berne. Does this law portend future amendments expanding authors' moral rights to include written works? The possibility cannot be ruled out.

Granted, neither Article 6 *bis* nor the Visual Artists' Rights Act contains

¹⁴⁷ HOUSE COMM. ON THE JUDICIARY, BERNE CONVENTION IMPLEMENTATION ACT OF 1988, H.R. REP. NO. 609, 100th Cong. 2d Sess., at 7 (1988).

¹⁴⁸ *Id.* at 32-33.

¹⁴⁹ *Id.* at 38.

¹⁵⁰ 17 U.S.C. § 106A. Pub. L. No. 101-650, 104 Stat. 5089, 5129-30 (1990).

¹⁵¹ 17 U.S.C. § 101. Under this section, "Definitions," see a "work of visual art" and "a work of visual art does not include."

¹⁵² 17 U.S.C. § 106A(a)(1)-(2).

¹⁵³ 17 U.S.C. § 106A(a)(3). Section 113(d) of Title 17 limits this right in the case of visual works of art "incorporated in or made a part of a building . . .," establishing guidelines for removing the art from the building.

any reference to the moral right of disclosure. Still, as discussed previously, *Harper* did acknowledge the supremacy of the § 106 right of publication, albeit in light of the commercial considerations underlying American copyright law. A true authors' rights approach to the publication right, especially in the area of unpublished expression, would create tighter, possibly insurmountable restrictions upon a biographer's ability to quote or paraphrase such expression without authorization.

United States District Judge Pierre N. Leval, who decided both *Salinger* and *New Era* and was subsequently reversed, views an authors' rights approach as detrimental to fair use of unpublished expression. This conclusion follows from Judge Leval's characterization of copyright.

Copyright is not a moral or natural right vested in an artistic creator. It is a pragmatic measure by which society confers monopoly exploitation benefits on the artist or author with the objective of thereby obtaining intellectual enrichment for itself.¹⁵⁴

In other words, he views copyright in terms of social benefit.

Judge Leval provides two justifications for fair use. First, ". . . all intellectual creative activity is in part derivative." Second, this intellectual activity involves a continual reexamination of prior events that ". . . cannot occur unless the law places limits on the artist/author's monopoly, permitting others to make productive use [of the materials]."¹⁵⁵ These materials include unpublished private papers. To forbid their use for 50 to 100 years transforms copyright into a mechanism of "secrecy and concealment instead of public illumination."¹⁵⁶

He views artistic integrity as a "false" factor in fair use analysis, leading to suppression of information.¹⁵⁷ Such information includes quotations and paraphrases of unpublished expression.¹⁵⁸ To Judge Leval, quotation and, presumably, paraphrase are not theft but rather crucial factors in achieving copyright's "public enriching goals."¹⁵⁹

As the above discussion demonstrates, an author's moral rights approach limits the biographer's unauthorized use of unpublished expression more stringently than current precedent. While the rights of authors and their successors in interest cannot be discounted, neither can these rights be made paramount. While the courts have refrained from a moral rights standard, their analysis under traditional American copyright principles nonetheless inhibits biographers and inhibits them greatly.

¹⁵⁴ Leval, Brace Memorial Lecture at 169. See also Leval, *HARV. L. REV.* at 1128-29.

¹⁵⁵ Leval, Brace Memorial Lecture at 169.

¹⁵⁶ *Id.* at 173.

¹⁵⁷ *Id.* at 175 and 178.

¹⁵⁸ *Id.* at 171-72.

¹⁵⁹ *Id.* at 172.

SOCIETY'S INTEREST

An expanded fair use defense for unauthorized use of unpublished expression serves the public interest. As *Harper* explained:

Fair use was traditionally defined as "a privilege in others than the owner of the copyright to use the copyrighted material in a reasonable manner without his consent."¹⁶⁰

The rewards from this "privilege" flow not only to the secondary author but to society as well. Fair use limits the primary author's monopoly and in doing so furthers what Judge Leval reminds us is ". . . the governing purpose of the copyright law—the promotion of the progress of Arts—the advancement of learning . . ." ¹⁶¹ Society is the chief beneficiary of inducing the primary author to create and of permitting others to build fairly upon that creation. Biography is one of the resulting structures.¹⁶²

Society is a force to be reckoned with in considering scope of fair use. Society's changing mores and needs define the demands for progress of the arts and advancement of learning and thus the scope of fair use necessary to satisfy public knowledge and understanding. Society's needs and copyright are inextricably intertwined.

So are society and biography. This close relationship permeates the history of biography. Both Nicolson and Whittemore emphasize society's influence upon biography and its development. Nicolson summarizes the history of biography from the reader's viewpoint. He posits that biography, at least English biography, has always directly responded to societal changes.

No branch of literature has been more sensitive than biography to the "spirit of the age;" over no form of literary composition have the requirements of the reading public exercised so marked and immediate an influence. The development of biography is primarily the development of the taste for biography.¹⁶³

Nicolson describes biography as a "series of advances and regressions" through the centuries. He traces the origin of biography to the impulse to commemorate—the dead through "elegies, laments and runic inscriptions," heroes through sagas and epics and Church founders through "lives" of the Saints. As the Church became the repository of culture, the ecclesiastical biographers, maintains Nicolson, introduced a didactic component into the genre. Biography assumed a moral function.¹⁶⁴

The element of curiosity about the biographical subject evolved slowly

¹⁶⁰ 471 U.S. at 549.

¹⁶¹ Leval, Brace Memorial Lecture at 170.

¹⁶² For purposes of this article, this author considers the interests of publishers the same as those of biographers.

¹⁶³ Nicolson at 135.

¹⁶⁴ *Id.* at 135-36.

from the eighth to the fourteenth centuries. As Nicolson explains, at first this curiosity focused on the supernatural rather than the reality of an individual's life and character. With Chaucer and his *Canterbury Tales*, however, the curiosity finally delved into the human aspect and what Nicolson terms "analytic psychology."¹⁶⁵

This trend receded in the fourteenth and fifteenth centuries as romanticism replaced realism. As Nicolson states:

This early spring of robust native curiosity was quenched in the sands of unreality; it was not till the sixteenth century that it revived.¹⁶⁶

In the 1500s, according to Nicolson, biographies indicated that ". . . psychological curiosity—the desire, that is, to learn a man's character rather than his exploits—still existed."¹⁶⁷ This curiosity again waned in the seventeenth century due to the societal influences of drama as well as "pietism, Puritanism, metaphysics, the passion for Plutarch, Theophrastus, and the rest."¹⁶⁸

Nicolson describes the eighteenth century as "the great age of English biography," naming, of course, Johnson and Boswell as well as other biographers. But with the "moral earnestness" of the Victorian Age, ". . . the art of English biography, until 1881, declined."¹⁶⁹ Nicolson depicts nineteenth century biographers as caught up in commemorative, ethical and historical concerns, producing, as a result, elegies, hagiographies, "life-and-times" and even fictional biographies.¹⁷⁰

Nicolson attributes this biographical fluctuation not to merely superficial changes in literary taste but rather to biography's failure to achieve an independent niche in literature. As a result, biography fell victim to the public's interest in "human personality," which, in turn, was controlled by "the ebb and flow of religious belief."

In periods when the reading public believe in God and in the life after death, their interest centres on what they would call the eternal verities, their interest in mundane verities declines. At such periods biography becomes deductive, ethical, didactic, or merely superficial. In periods, however, of speculation, doubt, or skepticism the reading public become predominantly interested in human behavior, and biography, in order to meet this interest, becomes inductive, critical, detached and realistic.¹⁷¹

¹⁶⁵ *Id.* at 136.

¹⁶⁶ *Id.* at 137.

¹⁶⁷ *Id.*

¹⁶⁸ *Id.* at 137.

¹⁶⁹ *Id.*

¹⁷⁰ *Id.* at 139.

¹⁷¹ *Id.* at 138-39.

Twentieth century biography, claims Nicolson from his vantage point of the late 1920s, finally does attain a separate existence from other forms of literature. Concludes Nicolson,

By applying the tests of individuality on the one hand and on the other hand of truth, we have ourselves succeeded in differentiating biography from both history and fiction. There are few to-day who would not admit that a work which does not deal primarily with an individual, or which is not truthful, is something other than a biography.¹⁷²

Nicolson then focuses on the impact of psychology upon biography. Psychology, he contends, forces biography to be both scientific and literary—scientific in the sense that the reader demands the truth in order to identify with the subject and his or her life. “The less people believe in theology the more do they believe in human experience. And it is to biography that they go for this experience.”¹⁷³

At the same time, the reader demands that the biographer present all this information in literary, narrative form. Yet to do so the biographer must assume a point of view, when modern biography demands detachment. And even detachment can color biography as did the commemorative and didactic. For Nicolson, modern biography presents the problem of fusing the scientific and literary because “The public now demand that the vast and various sea of human experience be put before them in a portable form.”¹⁷⁴

Nicolson cites Sir Edmund Gosse and Lytton Strachey as his two examples of modern biographers. The former defined biography as “the faithful portrait of a soul in its adventures through life” and abjured overtones of morality and prejudice. He combined the scientific with the literary in his biography *Father and Son*, the story of his own father and their relationship, by focusing on his father's thoughts, feelings and beliefs in the domestic sphere over only 20 years rather than on his achievements in zoology and his entire lifetime. The result is a study of psychological conflict between father and son accomplished by a discriminating selection and exclusion of facts and years.¹⁷⁵

Strachey, in his biography *Queen Victoria*, employed a psychological viewpoint to unify the massive amount of material surrounding his subject. Nicolson describes the work as primarily a “criticism of life” but secondarily “. . . a scientific examination of temperament, an attempt to estimate the effect of very exceptional experience upon a character which, although distinctive, was not intrinsically exceptional.” Strachey thus concentrated upon

¹⁷² *Id.*

¹⁷³ *Id.* at 141-42.

¹⁷⁴ *Id.* at 142-43.

¹⁷⁵ *Id.* at 143-48.

internal character development, not external occurrences.¹⁷⁶

For Nicolson, adopting a "personal thesis" destroyed the "pure" biographical form of Boswell, who had no theory but simply presented the facts. But Boswell's public did not demand "scientific detail," as did the readers of Nicolson's era. This demand forced biographers into synthesizing the massive amounts of material and doing so by writing from a particular point of view.¹⁷⁷ Thus, for Nicolson, society—its mores, notions of the individual and awareness of and curiosity about the inner self—shaped biography rather than did the biographers.

Although less inclined than Nicolson to attribute the development of biography entirely to society, Whittemore does acknowledge that the times did help shape the nature of this genre. Whittemore, however, describes the development of biography not in waves but instead as a change from the classical age, with its focus on group, to the modern age, with its concern with the self and its inner recesses.¹⁷⁸ He sees Samuel Johnson's *Lives of the Poets* as the "end point of classical biography" with its stress on the subject's accomplishments.¹⁷⁹ Yet, as discussed previously, Whittemore had pointed out that Johnson stressed the importance of exploring the subject's "inner recesses." Johnson recognized the significance of private moments and thoughts in biography,¹⁸⁰ although in *Lives of the Poets* Johnson did not follow his own biographical standards.¹⁸¹ Nevertheless, Johnson, with his recognition of the self, constitutes a transition between the two ages of biography.¹⁸² Indeed, his own biography by his faithful friend Boswell begins the modern era of biography by shifting the focus from the events in an indi-

¹⁷⁶ *Id.* at 150-52.

¹⁷⁷ *Id.* Nicolson concluded from this analysis that the scientific element would oust the literary component of biography. *Id.* at 154-56. Leon Edel explains, "[Nicolson] believed that biographies would tend increasingly to be case histories rather than lives related in literary form." As Edel points out, the passage of time has proven Nicolson's prediction wrong. Biographies retain a literary quality and the view that individuals are "volatile," precluding a scientific approach. Edel at 38-39.

¹⁷⁸ In a brief synopsis of the history of biography, one commentator identifies a pre-modern stage of edifying stories of heroes by biographers who had known them and the modern age, divided into three periods. The first part of the modern age was Boswell's *Life of Johnson*, which relied upon recollection "of Johnson's voice," used thorough research, did not always flatter its subject and was "brilliantly written." The second began with Lytton Strachey's *Eminent Victorians*, which, departing from the norm of the commemorative 19th century tome, was a short work that was "innovative, critical, and literary." The third appeared with Freudian psychoanalysis and exploration of the subject's mind. Bilder at 300-01. (See article for citations).

¹⁷⁹ *Pure Lives*, at 113.

¹⁸⁰ *Supra* at 226-27.

¹⁸¹ *Pure Lives* at 115.

¹⁸² *Id.* at 122.

vidual's life to the individual himself. There is a change from "plot" to "character,"¹⁸³ from approaching biography "by writing dozens of related biographies and giving them a common ideological and cultural context" to "taking on an individual in isolation."¹⁸⁴ Explains Whittemore:

The early biographers discussed here had in mind nobles, saints, kings, painters, and poets first, individuals second and their emphasis was that of their times. Boswell and his successors reversed the emphasis, and in fact one of the most dogmatic biographer-critics of the nineteenth century, Edmund Gosse, said flatly, that "broad views" were "entirely out of place in biography."¹⁸⁵

For Whittemore, the biographical focus changed from the group to the self, and the change arose from society itself.

The classical period was marked by emphasis on the individual as part of society as a whole, a part of the tribe—the notion of group solidarity. This social assumption precluded the ancient biographers from exploring the implications of the inner self.¹⁸⁶ Rather, society at that time was caught up in what Whittemore describes as "an attentiveness to public lives—that is, lives dedicated to public, social service."¹⁸⁷ This subordination of individuality to public concerns, including morality, continued into the medieval period with hagiographic lives.¹⁸⁸

Whittemore also discusses classical biography's purification impulse—the drive to cleanse the "beast" lying within the individual. This impulse extended from the religious to the secular. One manifestation appeared in biography. Whittemore provides the example of the Greeks, who accomplished this purification by expunging the faults of prominent individuals, reciting only their virtues and achievements on tombstone inscriptions and in speeches and testimonials. The "warts" were carefully removed.¹⁸⁹

The concept of self emerges with societal change—the Renaissance, the rise of the middle class, Copernicus and what Whittemore describes as "dozens of other forces in sophomore surveys . . ."¹⁹⁰ He then attributes continued biographical inquiry into the self throughout the eighteenth and early

¹⁸³ *Id.* at 125.

¹⁸⁴ *Pure Lives* at 2.

¹⁸⁵ *Id.*

¹⁸⁶ *Pure Lives* at 2-3.

¹⁸⁷ *Whole Lives* at 2.

¹⁸⁸ *Whole Lives* at 5.

¹⁸⁹ *Pure Lives* at 4. Whittemore does point out that this purification tendency has not completely disappeared from modern biography. As he comments, ". . . much popular biography treats our culture's heroes as representative, unindividualized standard-bearers for the culture and makes them look like perfect dolls." *Id.* at 3. This writer does not count such works as within the purview of this article.

¹⁹⁰ *Whole Lives* at 5-6.

nineteenth centuries to Lockian thought, with its emphasis on "mental conditioning as a sure way to mankind's progress upward, dismissing subjects like the will and the spirit," and its opposing school, which, guided by German philosophers, embraced "the superior reality of the will and the spirit."¹⁹¹ Then Freud introduced psychology, and the study of the inner self in biography became *de rigueur*.¹⁹² Thus Whittemore acknowledges that societal forces and demands shape biography. He and Nicolson essentially agree on this point.

This history of biography demonstrates that society cannot be disregarded in the fair use determination concerning unpublished expression. Yet *Salinger, New Era* and *Wright*, with their constricted scope for fair use of such material, ignore the societal interest—what today's society seeks from biography: the truth of the subject's inner self and its impact and interaction with the subject's public image and actions.

The Second Circuit trend is especially grievous in *New Era*, where the quoted expression served the societal purpose of unmasking a demigod. Hubbard's exact words from his letters and diaries were crucial to proving that his public persona was a fraud. The quoted expression prevented the reader from dismissing the biographer's contentions about the true personality of his subject. That material was necessary to prevent *New Era* from whitewashing its leader.

Essentially, in *New Era* the Second Circuit sanctions a cover-up. The decision defeats the Copyright Clause's objective of the advancement of learning—in this case, access to the truth concerning an individual who had and, even after his death, continues to have a significant impact upon society.¹⁹³

This analysis holds true for *Salinger* and *Wright*. While neither biography was meant to be an exposé, each attempted to use unpublished expression to reveal the motivations and inner life of its subject. In the case of authors such as *Salinger* and *Wright*, society benefits because, as with the *Sexton* biography, this material sheds light on and provides insight into their works. Indeed, as discussed previously, Michel Fabre, one of *Wright's* authorized biographers, acknowledges the importance of unpublished expression in analyzing the writer's work.¹⁹⁴

Ironically, the Second Circuit decided *Wright* at the same time that new

¹⁹¹ Whole Lives at 8.

¹⁹² *Id.*

¹⁹³ For example, Hubbard's Church of Scientology is the leader in the current legal attack against the anti-depressant drug Prozac. This activity is in line with Hubbard's well-known antipathy toward psychiatry. Thomas M. Burton, "Medical Flap, Anti-Depression Drug of Eli Lilly Loses Sales After Attack by Sect: Scientologists Claim Prozac Induces Murder or Suicide, Though Evidence Is Scant," THE WALL STREET J., April 19, 1991, at 1-2.

¹⁹⁴ *Supra* at 222.

editions of the author's work were published.¹⁹⁵ These editions have carefully restored deleted passages and scenes which, at the time of the works' initial publication, were considered too sexually graphic or politically controversial.¹⁹⁶

The editor of the restored versions, Arnold Rampersad, describes how Wright's texts "had been mangled to meet the extraordinary demands of his original publishers."¹⁹⁷ *Lawd Today!*, Wright's first book, was rejected by eight publishers in 1935 and after, a major factor being the book's

insistence on the extent to which its main characters, four black postal workers in Chicago, are obsessed by sex, including the idea of interracial sex.¹⁹⁸

Even when published in 1963, after Wright's death, *Lawd Today!* did not escape editors' changes, including corrections of "Wright's innovations in punctuation, capitalization and usage" as well as deletion of obscenities and refinement of colloquialisms.¹⁹⁹

Native Son, first published in 1940, suffered more egregious censorship. In order to become a Book-of-the-Month Club selection, the work underwent, with Wright's permission, drastic cuts that played down, if not eliminated, the sexuality of the main character, Bigger Thomas. These scenes included Bigger and his friend publicly masturbating in a movie theater and subsequently becoming sexually aroused while watching a newsreel featuring the White, attractive millionaire's daughter whom Bigger would accidentally smother with a pillow that same night.²⁰⁰ Also cut were "a few lines (apparently too steamy for the Book-of-the-Month Club) from Bigger's later encounter with the flesh-and-blood Mary which made it clear that Bigger is sexually aroused by her."²⁰¹

The *New Yorker* critic points out that these restorations contain important thematic meaning.

Bigger's sexuality has always been a puzzle. He hates Mary, and is afraid of her, but she is attractive and is negligent about sexual de-

¹⁹⁵ Wright, Richard, EARLY WORKS: LAW D TODAY!, UNCLE TOM'S CHILDREN, NATIVE SON and LATER WORKS: BLACK BOY (AMERICAN HUNGER), THE OUTSIDER (Library of America 1991).

¹⁹⁶ Louis Menand, "The Hammer And The Nail," THE NEW YORKER, July 20, 1992, at 79 [hereinafter "Menand"]; Alfred Kazin, "Richard Wright," and Arnold Rampersad, "Too Honest For His Own Time," [hereinafter "Rampersad"], both articles in N.Y. TIMES BOOK REVIEW, December 29, 1991, at 3; John A. Williams, "Richard Wright: The Legacy Of A Native Son," THE WASHINGTON POST BOOK WORLD, Sept. 22, 1991, at 1.

¹⁹⁷ Rampersad at 3.

¹⁹⁸ *Id.* at 17.

¹⁹⁹ *Id.*

²⁰⁰ Rampersad at 17.

²⁰¹ Menand at 80.

corum, and the combination ought to provoke some sort of sexual reaction; yet in the familiar edition it does not. Now we can see that, originally, it was meant to. The restoration of Bigger's sexuality also helps to make sense of his later treatment of his girlfriend, Bessie. He repeats intentionally with Bessie what he has done, for the most part unremediatedly, to Mary But before Bigger kills Bessie he rapes her, and if the scene is to carry its full power we have to have felt that when Bigger was with Mary in her bedroom he had rape in his heart.²⁰²

In addition, the political speeches of Bigger's defense attorney, a Communist Party member, and the district attorney were cut.²⁰³ The former speech recounts the history of oppression of Blacks in the United States.

Lastly, again in deference to the Book-of-the-Month Club, Wright dropped the second section of his autobiography *Black Boy*, published in 1944, dealing with his Chicago years and his membership and eventual break with the Communist Party on grounds of literary freedom. Thus, this autobiography addressed only Wright's childhood and adolescence.²⁰⁴

Rampersad also considers these deletions as having adverse thematic effects.

The changes in "Native Son" almost emasculated Bigger Thomas; the changes in "Black Boy" worked to de-intellectualize Wright. . . . Moreover, "Black Boy," as published, made the white South the only true villain of the text. In this way, Wright's broader criticism of the United States was blunted, as was his criticism of radical socialists, a touchy issue in 1945 as the Allied victory approached.²⁰⁵

The deleted scenes were, of course, unpublished expression. Readers of Wright's work can only be thankful that the copyright holder permitted publication of this writing. Indeed, Rampersad commends the copyright holder Harper for doing so. The result, according to Rampersad, ". . . is the opportunity we now have to hear a great American writer speak with his own voice about matters that still resonate at the center of our lives."²⁰⁶ Rampersad recognizes the benefit to society of regaining this "lost" expression.

And therein lies the troubling aspect of *Wright* and its predecessor decisions. They constrict—in fact, make almost nonexistent—the biographer's ability to present the subject in his or her "own voice." Of course, in *Wright*, as in *Salinger* and *New Era*, the copyright holders do not wish the author's

²⁰² *Id.*

²⁰³ Rampersad at 17.

²⁰⁴ *Id.* at 18.

²⁰⁵ *Id.*

²⁰⁶ *Id.*

"own voice" to be thus appropriated. But these wishes conflict with society's interests in access to the most truthful portrait of the subject possible. *Salinger*, *New Era* and *Wright* simply do not sufficiently take into account society's rights under the Copyright Clause in the fair use determination.

CONGRESSIONAL REACTION

As discussed, Congress has finally enacted legislation expressly precluding a *per se* rule against use of unpublished expression. The law applies to letters, diaries and other unpublished copyrighted works, whether created before or after the date of enactment, as well as to lawsuits instituted before or after the law's passage. The law is both retroactive and prospective as to the conduct in question.²⁰⁷

Several bills dealing with the issue had been proposed over the preceding two years.²⁰⁸ The new law was passed by the House in August and the Senate in October 1992. This law, H.R. 4412, amends § 107 to preclude a *per se* rule prohibiting the fair use defense concerning unpublished works. Rather, according to the House Committee report, the law requires that the courts decide fair use concerning such works ". . . on a case-by-case basis, after consideration of all the factors set forth in Section 107 . . . as well as any other factors a court may find relevant." The courts are to give "proper weight to all factors," although the Report specifically states that the Committee does

²⁰⁷ 138 CONG. REC. S17358 (daily ed. October 7, 1992).

²⁰⁸ Two bills addressing the problem were introduced in the Senate by Paul Simon (D-Ill.) and House by Robert W. Kastenmeier (D-Wis.) in March 1990. H.R. 4263, 101st Cong., 2d Sess., 136 CONG. REC. H805-06, H830 (1990); S. 2370, 101st Cong., 2d Sess., 136 CONG. REC. S3532, S3549-50 (1990). See Bilder at 300, fns. 5 & 6, 308. The original bills would have made clear that fair use applied to both published and unpublished material. During August and September 1990 there was a proposal to limit fair use for unpublished works to "history, biography, fiction, news and general interest reporting, or social, political or moral commentary." *Id.* at 308. Senator Orrin G. Hatch (R-Utah) then stopped the bills from being brought up for a vote in early October. *Id.* at 308-309. Bilder suggests that concern from the computer software industry may have been a contributing factor. *Id.* at 308, fn. 64.

Subsequently, in May 1991 Senators Simon and Patrick J. Leahy (D-Vt.) introduced another fair use bill concerning unpublished material. Representative William J. Hughes (D-N.J.) introduced a companion bill. In their *New York Times* op-ed article, Leahy and Simon discussed the *Salinger* and *New Era* decisions and their adverse effect in the publishing industry. The senators wrote:

Writers feared they were barred from using the unpublished materials that constitute the soul of probing, illuminating history. They faced the specter of the heir who refuses to grant permission for the use of unpublished materials that might cast the departed in an unfavorable light.

Leahy and Simon predicted a "swift passage" in both houses that summer and a "prompt signing" by the President. "The *Salinger Papers*" at A11. The hoped-for "swift passage" did not take place.

not intend to instruct the courts on how much weight to accord each factor in a particular case.²⁰⁹

The legislative history makes clear Congress's rejection of the Second Circuit trend, prior to *Wright*, toward a per se rule concerning unpublished expression. In his floor remarks on the bill on August 11, 1992, Representative Carlos Moorhead (R-CA) explained that evidence at House hearings on the bill established that after *Salinger* and *New Era*:

... reasonable attorneys because of the specter of the second circuit decisions are routinely advising publishers from relying on a fair use defense when they are dealing with unpublished works. As a result, the public is being denied access to the raw materials that are the life blood of these authors.²¹⁰

The touchstone decision for the new law is *Harper*, which the Committee sees as flexible in its treatment of unauthorized use of unpublished expression. The Committee cites *Harper's* finding that the unpublished nature of the work was a "key, though not necessarily a determinative factor" [emphasis added] precluding a fair use defense.²¹¹ The bill's proponents criticize *Salinger* and *New Era* for interpreting *Harper* too restrictively.

As the Report notes, while the Committee was working on the now enacted bill, the Second Circuit decided *Wright* and rejected a per se rule concerning unpublished expression. The Report expresses the Committee's agreement with this approach.²¹²

Nevertheless, the Committee contends that *Wright* did not go far enough in its fair use analysis of unauthorized, unpublished expression.

Certainly uses beyond those permitted in *Wright* may also be fair use, depending upon the facts of a particular case. For example, in some circumstances it would be a fair use to copy an author's unpublished expression where necessary to report fairly and accurately a fact set forth in the author's writings. Additionally, as Judge Leval has written: "Often, it is the words used by [a] public figure (or the particular manner of expression) that are the facts calling for comment."²¹³

The Committee is also troubled by *Wright's* minimalist approach to the use of unauthorized, unpublished expression.²¹⁴

²⁰⁹ H.R. REP. NO. 836, 102d Cong., 2d Sess. at 1 (1992).

²¹⁰ 138 CONG. REC. H7991 (daily ed. August 11, 1992).

²¹¹ *Id.* at 5.

²¹² *Id.* at 7-8.

²¹³ *Id.* at 8 (Brackets in original).

²¹⁴ The report implies that *Wright's* narrow approach was connected with the procedural posture of the case—an affirmance of the lower court's granting the defendants' motion for summary judgment where all ambiguities and inferences

The Report addresses the concern that *Wright* did not actually repudiate *Salinger's* rule that unpublished expression is usually absolutely protected from copying. As discussed previously,²¹⁵ *Salinger* had identified an ambiguity in the *Harper* statement that "the scope of fair use is narrower with respect to unpublished works." The Second Circuit interpreted narrower scope to mean that there was less likelihood of finding fair use of unpublished expression rather than to mean that the amount of expression copied would be a smaller quantity for unpublished than for published works.

According to the Report the Copyright Office disagreed with the Second Circuit's choice, finding in this interpretation the crux of the impression that the court had adopted a per se rule barring fair use of unpublished expression. The Report does, however, endorse *Harper's* rule that the unpublished nature of a work constitutes a "key" although not "necessarily determinative" consideration prohibiting a fair use defense.²¹⁶

Does the recently passed amendment to § 107 adequately address this problem of scope of expression to be permissibly copied? Does it, given the Committee's acknowledgment that *Wright* could have extended fair use further, break through the confines of the minimalist approach in that decision?

The answer is yes and no. The Report describes the amendment as having a "narrow, but important purpose"—to ensure that, when determining fair use as to unpublished expression, the courts consider all of the four listed statutory factors as well as other unlisted, relevant ones. The amendment, explains the Report, achieves this purpose through two means. First, the amendment prohibits a per se rule.²¹⁷ Second, the legislative history encourages courts to take into account factors besides the four listed.²¹⁸

The difficulty with the amendment is that it expressly defers to the courts' discretion when considering the factors and how much weight to accord each. Additionally, the amendment and the Report do not clarify whether the Committee has embraced the alternative interpretation of the

are found in favor of the nonmoving party, here, Ellen Wright, the copyright holder. *Id.*

²¹⁵ *Supra*, at 208-09.

²¹⁶ *Id.* at 8-9.

²¹⁷ Bilder argues that specifically prohibiting a per se rule will make no difference to the four factor analysis because the plaintiff always wins factor two—nature of the copyrighted work, which in turn leads to a win on factor four—market effect, the most crucial factor. Bilder at 354. This writer disagrees. Removal of a per se rule concerning unpublished expression at least provides the court freedom to consider equally the other three factors. Certainly, a defendant could produce evidence to establish that the use of the disputed material will have no impact on the original author's economic interests. The defendant also could present evidence demonstrating a favorable market effect for the original artist, such as sparking renewed public interest in an individual whose works had been ignored or forgotten.

²¹⁸ *Id.* at 9-10.

Harper language on the scope of fair use and unpublished expression—the lesser the amount copied, the more likely that fair use applies. The only indication of the limits the Committee finds appropriate is its comment that unpublished expression could be used to support facts taken from the author's writings. How far a biographer can extend this boundary under the amendment remains uncertain.

SO WHAT DO WE DO NOW?

A biographer comes to you, the attorney, for advice. She wants to write a biography, using direct quotations and paraphrases from the subject's voluminous unpublished correspondence, diaries, and notes. The subject's heirs, the copyright holders, will not give her permission unless they have complete control over the final draft. She has refused.

What do you tell her? How do you help her to freely pursue Borges' biographical paradox? How do you enable her to follow Johnson's exhortation to delve into the inner recesses of the human heart? How do you assist her to achieve Nicolson's "pure" biography, with its "primary essential" of historical truth? Returning to the legally mundane, how do you employ fair use to protect her against an infringement claim by the heirs?

Given *Wright*, her prospects are dismal. Granted, the Second Circuit expressly rejects the per se rule against unauthorized use of unpublished expression. But the Circuit's minimalist approach concerning the permissible amount of expression that can be taken without infringement liability frustrates the lofty goals of Johnson, Nicolson and Borges and invites a lawsuit by the copyright holders.

Does enactment of H.R. 4412 affect this scenario? Yes. The law provides a promising breakthrough for two reasons: first, statutory renunciation of the per se rule and, second, the House Committee's acknowledgement that *Wright* "did not reach the outer limits of what might be regarded as fair use."²¹⁹

This statement is key. The Committee recognizes that in specific cases the circumstances may merit applying fair use to unpublished expression. For example, the expression may be crucial to accurately portraying facts in the subject's life. Significantly, the Committee also relies upon Judge Leval's characterization of unpublished expression as sometimes constituting facts themselves.²²⁰

In citing Judge Leval, the Committee accepts his broader view on fair use of unpublished expression in his *Salinger*²²¹ and *New Era*²²² district

²¹⁹ H.R. Report at 8.

²²⁰ *Id.*

²²¹ *Salinger v. Random House, Inc.*, 650 F. Supp. 413 (S.D.N.Y. 1986).

²²² *New Era Publications Intern. v. Henry Holt and Co.*, 695 F. Supp. 1493 (S.D.N.Y. 1988).

court opinions—a view the Second Circuit rejected in both cases. Since these reversals Judge Leval has written two articles explaining his perspective and offering his own solution: justifying the use when it is “transformative.” To be transformative:

The use must be productive and must employ the quoted material in a different manner or for a different purpose from the original.²²³

He rejects any use that “merely repackages or republishes the original,” harkening back to Judge Story’s test in *Folsom v. Marsh* of whether the use “supersedes” the original.²²⁴

Judge Leval argues that copyright has a “utilitarian objective,” that of enhancing intellectual benefits to society by encouraging authors to create. He stresses the derivative nature of artistic endeavors: each author builds upon the works of his or her predecessors. This interdependence is vital; without it, creative activity cannot proceed.²²⁵

For Judge Leval, factor one, the purpose and nature of the secondary use, is the “soul of fair use.”²²⁶ This factor embodies the concerns of society. In contrast, the other three factors focus on incentives for the author.²²⁷

The prime test of factor one is whether the secondary use is justified.

Does the use fulfill the objective of copyright law to stimulate creativity for public illumination? This question is vitally important to the fair use inquiry, and lies at the heart of the fair user’s case. Recent judicial opinions have not sufficiently recognized its importance.²²⁸

Here Judge Leval proposes “transformative use” as the test for fair use of unauthorized quotation and paraphrase of unpublished expression. Courts must apply this test, however, to each individual passage and not to the work as a whole. Doing so is the only means to determine whether the challenged passages have undergone the necessary transformation or merely supersede the prior work. In other words, do the quotations and paraphrases serve to support the biographer’s argument or thesis or instead to enhance the quality of the prose—simply to “make good reading?”²²⁹ Judge Leval’s theory would justify the former use and not the latter.

Indeed, examining his *Salinger* and *New Era* decisions in light of transformative use, Judge Leval recants somewhat his finding of no infringement in the former case. He admits that he had based his fair use finding on Ham-

²²³ Leval, HARV. L. REV. at 1111.

²²⁴ *Id.*

²²⁵ *Id.* at 1107, 1109.

²²⁶ *Id.* at 1116.

²²⁷ *Id.*

²²⁸ *Id.* at 1111.

²²⁹ *Id.* at 1112.

ilton's book as a whole. Doing so obscured passages that simply superseded the protected unpublished expression, he writes.

Judge Leval, however, does not retreat from his position in *New Era*, where he found the actual quotations essential to proving the biographer's thesis that Hubbard was a liar, racist and self-aggrandizing individual as well as cruel, paranoid, aggressive and scheming. Only Hubbard's own words could prove the truth of these allegations. For Judge Leval, "Where a simple direct statement of the facts calls for use of the original language, the need to report the fact justifies such use."²³⁰

Judge Leval analyzes the remaining three factors within this context of benefit to society. For him, factor two should not hinge on the published/unpublished nature of the work but rather on whether the use furthers copyright's utilitarian purpose. He favors greater protection for writings intended for publication than for private papers. He characterizes deference to private papers as contrary to the incentive rationale of the copyright law.

As to factor three, the amount and substantiality of material taken, Judge Leval argues for flexibility. Again, the courts must examine the quantitative and qualitative in terms of societal benefit, weighing the basis for the use and the actual amount of harm to the primary author's rights. Judge Leval provides the example of the critical work that quotes a poem in full, contending that such use would not supplant the market for the poem itself.²³¹ Such flexibility would mitigate the minimalist approach espoused in *Wright*, which stifles the biographer's freedom to produce an accurate portrait. Indeed, Judge Leval and his emphasis on accuracy echo Nicolson's theory.

Judge Leval's concern with societal interests also influences his examination of factor four, market effect. He decries the importance that the *Harper* Court accords this consideration, maintaining that market impairment should not eclipse the transformative justification in factor one. He would require that the economic harm be "reasonably substantial" to override the secondary user's and society's interest.

More importantly, Judge Leval contends that, "Not every type of market impairment opposes fair use." As examples, he cites an adverse review and a biographical exposé. The market factor should defeat fair use only when the quoted or paraphrased material, as Judge Storey found, "superse[de] the use of the original." Such substitution by the secondary work precipitates a finding against fair use.

The Committee does go one step further than Judge Leval, who contends that the four enumerated statutory factors should be the only ones considered in the fair use determination. He characterizes as "false" such factors as

²³⁰ *Id.* at 1112-14 and fn. 43.

²³¹ *Id.* at 1122-24.

good faith, artistic integrity (authors' moral rights) and privacy.²³² In contrast, the Committee emphasizes that the amendment allows the courts discretion to take into account other factors that they consider relevant.²³³

THE SOCIAL BENEFIT FACTOR

The courts should recognize social benefit as an additional factor, equal to, if not more important in stature than, the other four. Separating social benefit from factor one—purpose and character of the secondary use—would highlight the distinct role that public interest plays in the fair use equation, just as society's needs have played in the development of biography. Explicit consideration of social benefit would also counteract the prominence now accorded the right of first publication.

Thus, fair use could be found where a significant social benefit results that might not otherwise be obtained, even where the copyright holder suffers some financial loss. Moreover, according societal interest separate status comports with the fundamental purpose of copyright—to serve the intellectual needs of the public. Social interest would no longer be merely an element of factor one, as Leval makes it, but a determinative factor in and of itself.

A social benefit factor counteracts the minimalist approach in *Wright*. For example, the biographer Margaret Walker presented clearly stated areas of Wright's life that she wished to explore. One was his attraction and marriage to White women.²³⁴ This inquiry is not simply a voyeuristic peek at Wright's sex life. Wright grew up in a South where White women were the forbidden fruit; death by lynching, often the penalty for violating the taboo. Wright's concern with interracial sexuality, especially sex between black men and white women, constitutes a recurring, even a major, theme in his published works.²³⁵

What additional light could relevant quotations and paraphrases from the unpublished writings have cast upon Wright's fixation on the theme of

²³² *Id.* at 1125-1130.

²³³ House Report at 10.

²³⁴ *Supra* at 224.

²³⁵ See, e.g., *LAWD TODAY!*; *NATIVE SON*; and "The Ethics of Living Jim Crow," and "Big Boy Leaves Home," both in *UNCLE'S TOM'S CHILDREN* (The Library of America 1991). In all these works Wright portrays the sexual tension inherent in the juxtaposition of black male and white female. Wright graphically describes how the black man's arousal is tempered by the knowledge that satisfying his desire can result in his death. Indeed, his characters explicitly voice the danger.

For example, in *LAWD TODAY!*, at 110-111, while riding the Chicago "L," the protagonist Jake and his friends admire "the curved ascent of white thighs" of a woman sitting across the aisle.

They moved in their seats as though on pins, looking alternately at the woman and out of the window. Finally, Jake rolled his eyes heavenward and sang in an undertone:

interracial sex, particularly since this theme was played out not only in his work but in his personal life as well? To society's detriment the question remains unanswered. Margaret Walker was precluded from including any such unpublished expression in her biography.

Fair use should apply in a case such as this. Both theories, Leval's transformative model and this writer's social benefit as an independent factor, would justify Walker's secondary use of Wright's unpublished expression concerning sexual relations between Black men and White women. In Leval's terms, the use is transformative in that it provides additional insight into Wright's thoughts and feelings on the issue. In this writer's terms, the public benefits because such unpublished expression can further educate us about an especially pernicious aspect of racism.

Wright's limits on unauthorized use of unpublished expression are, as the House Committee recognized, too narrow. At present, your biographer client has no strong argument for fair use to protect wide-ranging quotations and paraphrase of unpublished expression. She must obtain authorization or else risk a lawsuit. Neither solution is acceptable in terms of achieving the "pure" biography that society needs. The legal situation currently favors the subject's interests over society's. While traditionally the law has accorded unpublished expression greater protection, the nature of biography and its social function today require more flexibility. Passage of H.R. 4412 helps, but the courts, particularly the Second Circuit, must retreat from a minimalist approach. The Second Circuit must examine the secondary use of unpub-

"Oh, Lawd, can I ever, can I ever? . . ."

Bob screwed up his eyes, shook his head, and answered ruefully:

Naw, nigger, you can never, you can never . . ."

Slim sat bolt upright, smiled and countered hopefully:

"But wherever there's life there's hope . . ."

Al dropped his head, frowned, and finished mournfully:

"And wherever there's trees there's rope . . ."

The theme of interracial sexuality permeates *Native Son*. Bigger masturbates before watching the newsreel of Mary Dalton, the woman he subsequently murders, cavorting on a Florida beach. Bigger and his friend are clearly sexually aroused, the friend commenting how much he would like to be there. Bigger, however, injects reality with his response, "You can . . . But you'd be hanging from a tree like a bunch of bananas . . ." At 474.

When Bigger carries the intoxicated and almost unconscious Mary to her bedroom he is sexually excited. He kisses her and fondles her breast. "He was aware only of her body now; his lips trembled." At 524. His desire leads to his destruction. Ironically, the seemingly inevitable consummation never takes place because Mary's blind mother enters the room. When Bigger is arrested, however, the police refuse to believe that he did not rape Mary before killing her.

lished expression in the context of each case. It must, as does the House Committee, accept Judge Leval's broader view of fair use for unpublished expression. The Second Circuit must return to copyright's fundamental principle of serving society, implicit in the Copyright Clause:

The Congress shall have Power . . . *To promote the Progress of Science and useful Arts*, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.²³⁶

Otherwise, the future of biography remains bleak, and the contribution of biography to the well-being of society is diminished.

Virginia Woolf wrote to her friend Ethel Smyth:

Lets leave the letters till we're both dead. That's my plan. I don't keep or destroy but collect miscellaneous bundles of odds and ends, and let posterity, if there is one, burn or not. Lets forget all about death and all about Posterity.²³⁷

Unfortunately, current legal precedent concerning secondary use of unpublished expression thwarts Posterity.

²³⁶ U.S. CONST. Art. 1, § 8, cl. 8 (Emphasis added).

²³⁷ Virginia Woolf, "Letter 3443: To Ethel Smyth," *THE LETTERS OF VIRGINIA WOOLF: VOLUME SIX 1936-1941*, 272 (Nigel Nicolson and Joanne Trautmann, eds. 1980).

**NEW LANDSCAPE IN THE COPYRIGHT PROTECTION FOR MAPS:
MASON V. MONTGOMERY DATA, INC.***

by DAVID B. WOLF**

While courts have traditionally viewed maps as compilations protected only for the labor involved in the gathering of facts, *Mason v. Montgomery Data, Inc.*,¹ the first major map case after *Feist Publications, Inc. v. Rural Telephone Service Co.*,² holds that maps are pictorial, graphic works which should be protected for their expressive transformation of facts. Rejecting the district court's application of the idea-expression merger doctrine to the plaintiff's landownership maps of Montgomery County, Texas, and limiting its earlier decision in *Kern River Gas Transmission Corp. v. Coastal Corporation*³ which applied the merger doctrine to a map of a proposed pipeline, the Fifth Circuit agrees with the analogy drawn between maps and photographs in *United States v. Hamilton*,⁴ decided under the 1909 Act, and is the first case to apply the 1976 Act's classification of maps as pictorial, graphic works.

THE DISTRICT COURT'S DECISION IN MASON AND THE FIFTH CIRCUIT'S DECISION IN KERN RIVER

Judge Hoyt's decision for the district court held that the landownership maps, while original, were not copyrightable because they express "the only pictorial presentation" which could result from a "correct interpretation" of the legal descriptions and other information used by the plaintiffs to produce the maps.⁵ Since any "pictorial presentation" of the same material would be substantially the same as the plaintiffs', "if done correctly,"⁶ the court applied the merger doctrine to deny protection to the maps. To protect the maps would give the plaintiffs, in the court's words, "a monopoly over the facts."⁷

The district court relied on the Fifth Circuit's decision in *Kern River* which (affirming an earlier opinion by Judge Hoyt) had denied protection to

*Copyright © David B. Wolf, 1992.

**Walter, Conston, Alexander & Green, P.C., New York, N.Y. The author served as counsel for amici curiae Rand McNally & Co., Hammond Incorporated, and Langenscheidt Publishers, Inc. in *Mason*.

¹ 967 F.2d 135 (5th Cir. 1992).

² 113 L.Ed.2d 358, 111 S. Ct. 1282 (1991).

³ 899 F.2d 1458 (5th Cir.), cert. denied, 111 S. Ct. 374 (1990).

⁴ 583 F.2d 448 (9th Cir. 1978).

⁵ 765 F.Supp. 353, 355 (S.D. Tex. 1991).

⁶ 765 F.Supp. at 355.

⁷ 765 F.Supp. at 356.

maps that depicted "the idea of a proposed location of a pipeline."⁸ The plaintiff in *Kern River* had conceded, however, that there was "no other way to portray the idea."⁹ As no such concession was made in *Mason*, the district court's decision could be interpreted to mean that any map which tries to be "correct"—as most maps do—will be embodied in a "pictorial presentation" not covered by copyright.

The Heritage of Earlier Map Cases

The district court's view that only one pictorial expression could result from a "correct interpretation" of the facts has a heritage going back to the 1866 English directory case of *Kelly v. Morris*,¹⁰ which anticipated the reasoning of most 19th and 20th century map cases. There is one objectively-verifiable reality that the mapmaker must present in his work: "there are certain common objects of information." Each cartographer who does his job properly will reach the same result: "certain common objects of information . . . must, if described correctly, be described in the same words." Since there is no originality in the object or presentation of the words, protection goes only to the originality of the effort: "[i]n the case of a roadbook, he must count the milestones for himself."¹¹

Kelly v. Morris was quoted in *Jeweler's Circular Pub. Co. v. Keystone Pub. Co.*,¹² which in turn is a principal authority for the leading "modern" cases on maps, *General Drafting Co. v. Andrews*¹³ and *Andrews v. Guenther Pub. Co.*¹⁴ As set forth most clearly in *Amsterdam v. Triangle Publications, Inc.*,¹⁵ the "direct observation" rule which resulted held that maps would be protected only for the labor involved in their creation. *Kelly v. Morris'* statement that "[the cartographer] must count the milestones for himself" was echoed in *Amsterdam's* holding that maps are protected "only when the publisher of the map in question obtains originally some of that information by the sweat of his own brow."¹⁶

One of the few cases to give any significant attention to the pictorial, graphic form of maps was a criminal prosecution for infringement, *United States v. Hamilton*, decided under the 1909 Act and thus prior to the classification of maps as "pictorial, graphic and sculptural works" in § 101 of the 1976 Act. In *Hamilton*, future Supreme Court Justice Kennedy rejected the sweat of the brow approach of *Amsterdam* and held that the "synthesis" of

⁸ 899 F.2d at 1464.

⁹ 899 F.2d at 1464.

¹⁰ L.R. 1 Eq. 697 (1866).

¹¹ L.R. 1 Eq. at 701.

¹² 281 Fed. 83 (2d Cir. 1922), *cert. denied*, 359 U.S. 581 (1922).

¹³ 37 F.2d 54 (2d Cir. 1930).

¹⁴ 60 F.2d 555 (S.D.N.Y. 1932).

¹⁵ 189 F.2d 104 (3d Cir. 1951).

¹⁶ 189 F.2d at 104 (quoting from the district court's decision).

terrain features from prior maps was an "element of originality" entitling the map to copyright protection, independently of any "direct observation" by its creator.¹⁷ *Hamilton* recognized the affinity of cartography to other creative activity, and relied on *Burrow-Giles Lithographic Co. v. Sarony*¹⁸ to draw an analogy between map-making and photography. Noting that a photographer's "selection of subject, posture, background, lighting, and perhaps even perspective alone" are granted protection, *Hamilton* found that a "[s]imilar attention" should be given the cartographer's art: "the elements of authorship embodied in a map consist not only of the depiction of a previously undiscovered landmark or the correction or improvement or scale or placement, but also in selection, design, and synthesis":

Expression in cartography is not so different from other artistic forms seeking to touch upon external realities that unique rules are needed to judge whether the authorship is original.¹⁹

Since *Hamilton* was unusual in taking an expansive view of the copyrightability of maps and not relying on the sweat of the brow, *Feist*'s rejection of the sweat of the brow doctrine as a basis for the protection of fact-based works raised special questions concerning the future protection of maps. *Feist* was especially critical of the Second Circuit's "classic formulation" of the doctrine in *Jeweler's Circular Pub. Co.* which was a principal authority for later map cases.²⁰ By denying any protection to maps on the basis of the merger doctrine, and giving no attention to their pictorial, graphic form, the Fifth Circuit's decision in *Kern River* and Judge Hoyt's decision in *Mason* might have indicated the direction map cases would take after *Feist*. Absent sweat of the brow, how were maps to be protected?

The Fifth Circuit's Decision in Mason

Reversing Judge Hoyt's decision, the Fifth Circuit's decision in *Mason* stated that the record—only a small part of which had been discussed by the district court—showed that plaintiffs' maps were not the only possible expression of the facts. Although the cartographer sought to depict his information "accurately," the merger doctrine did not apply because the "conflicts among the sources" and the "limitations inherent in the process of representing reality in pictorial map form" required the cartographer to make choices that resulted in "independent expression."²¹ The inherent "limitations" referred to by the Fifth Circuit are equivalent, in cartographic terms, to the processes of generalization which are used to transform data into map form and which

¹⁷ 583 F.2d at 452.

¹⁸ 188 U.S. 53 (1884).

¹⁹ 583 F.2d at 451, 452 (citation and footnote omitted).

²⁰ 113 L.Ed.2d at 373.

²¹ 967 F.2d at 140.

are the basis for the irreducible expression found in maps.²²

By refusing to follow *Kern River*, *Mason* should be considered to limit that decision to its facts. The Fifth Circuit stated that the idea at issue in *Kern River* was "simply the placing on a map of Kern River's certain 'proposed location for a prospective pipeline'."²³ The plaintiff in *Kern River* did not make a pictorial or graphic representation of existing facts but instead drew an "idea" of a proposed pipeline, an idea that did not yet exist. In *Mason*, by contrast, the cartographer's idea of making an "effective pictorial expression" from the landownership information that he selected was not the same as the final expression: "[t]hat idea and its final expression are separated by Mason's efforts and creativity that are entitled to protection from competitors."²⁴ Protecting "that expression" will not give plaintiffs a monopoly over the idea because "other mapmakers can express the same idea differently."²⁵ The court's use of the phrase "effective pictorial expression" reflected its view that, in contrast to the district court's decision and previous map cases, the effort to make an "accurate" map does not remove the work from the sphere of protectible expression.

The defendants also argued on appeal that the district court's finding of

²² Cartographic experts have described how maps distort reality by the processes of generalization. Mark Monmonier, Professor of Geography at Syracuse University, has written that a map must "generalize" in order to turn three-dimensional and complex reality into "a complete yet uncluttered two-dimensional scale model." The five processes of map generalization are (1) "selection" of certain features of the map, and suppression of most others; (2) "simplification," which reduces detail and angularity; (3) "displacement," which "avoids graphic interference by shifting apart features that otherwise would overlap or coalesce;" (4) "smoothing," which "eliminates detail and angularity" in order to "avoid a series of abruptly joined straight-line segments;" and (5) "enhancement," which adds detail "to give map symbols a more realistic appearance," e.g., "[l]ines representing streams . . . might be given typical meander loops, whereas shorelines might be made to look more coastlike." The result of these processes of generalization is that "a single map is but one of an indefinitely large number of maps that might be produced for the same situation or from the same data." Monmonier, *How to Lie With Maps* (Univ. of Chicago Press, 1991) at 1, 25-27.

Similarly, Professors Robinson, Sale and Morrison of the Department of Geography of the University of Wisconsin have written that "[c]artographic generalization is born of the necessity to communicate . . . [i]n order to portray important aspects of reality, various manipulations of the data that represent information to be mapped are necessary." Robinson, Sale and Morrison, *Elements of Cartography* (John Wiley & Sons, 4th ed. 1978), at 150. See also Raisz, *Principles of Cartography* (McGraw-Hill 1962), at 32 (defining a map as a "selective, symbolized, and generalized picture of some spatial distribution of a large area . . . as seen from above at a much reduced scale").

²³ 967 F.2d at 140.

²⁴ 967 F.2d at 140.

²⁵ 967 F.2d at 140.

originality should be reversed after *Feist*. The Fifth Circuit rejected that argument and held that the plaintiffs' selection, coordination, and arrangement of the information depicted were "sufficiently creative to qualify his maps as original 'compilations' of facts," and that the cartographer's creativity "far exceeds" the modicum of creativity required by *Feist*:

In his deposition and affidavit, Mason explained the choices that he independently made to select information from numerous and sometimes conflicting sources, and to depict that information on his maps. Mason's compilation of the information on his maps involved creativity that far exceeds the required minimum level.²⁶

The Fifth Circuit found that the plaintiffs' maps also had sufficient creativity to warrant protection "as pictorial and graphic works of authorship."²⁷ While acknowledging that courts have historically treated maps "solely as compilations of facts," the court took note that the 1976 Act categorizes maps not as factual compilations, but as "pictorial, graphic and sculptural works." Citing *Hamilton and Rockford Map Publishers, Inc. v. Directory Service Co.*,²⁸ the court held that maps, unlike factual compilations, "have an inherent pictorial or photographic nature that merits copyright protection."²⁹ Plaintiffs' pictorial representation of the landownership data of Montgomery County, Texas, embodying the inherent "limitations" or generalizations central to a map's nature, thus "easily exceeds" the small level of creativity required by *Feist*:

We think that the process by which Mason, using his own skill and judgment, pictorially portrayed his understanding of the reality in Montgomery County by drawing lines and symbols in particular realtion to one another easily exceeds that level.³⁰

Conclusion: Helping to Refigure the Landscape

In *Burrow-Giles Lithographic Co. v. Sarony*, the Supreme Court saw significance in the listing of maps and charts before books in the Act of 1790 when it stated that this first U.S. copyright statute "not only makes maps and charts subjects of copyright, but mentions them before books in the order of designation."³¹ This supported the Court's decision that the word "writings" in the copyright clause of the Constitution, Art. 1, § 8, ch. 8, passed only one year after the Act of 1790, should be interpreted broadly to include the photograph, "Oscar Wilde, No. 18," at issue in the case. *Burrow-Giles* rejected

²⁶ 967 F.2d at 141.

²⁷ 967 F.2d at 142.

²⁸ 768 F.2d 145 (7th Cir. 1985), *cert. denied*, 474 U.S. 1061 (1986).

²⁹ 967 F.2d at 142.

³⁰ 967 F.2d at 142.

³¹ 111 U.S. 53, 57 (1884).

the argument, similar to the one accepted by the district court's decision in *Mason*, that the photograph should not be protected because it mechanically represents "some existing object, the accuracy of this representation being its highest merit." The Court found instead that the photographer had proved that "Oscar Wilde, No. 18" was "the product of plaintiff's intellectual invention, of which plaintiff is the author" and was not to be distinguished from "Maps, charts, designs, engravings, etchings, cuts, and other prints."³² In *Bleistein v. Donaldson Lithographing Co.*,³³ the Supreme Court went further and held that the "least pretentious picture" has more originality in it "than directories and the like" and that, even if the Wallace circus advertisement "had been drawn from the life," it would still be protected because it represents "the personal reaction of an individual upon nature":

Personality always contains something unique. It expresses its singularity even in handwriting, and a very modest grade of art has in it something irreducible, which is one man's alone. That something he may copyright unless there is a restriction in the words of the Act.³⁴

In protecting the pictorial representations of landownership information in *Mason*, the Fifth Circuit recognized that a cartographer's activity easily contains the "very modest grade of art" under *Bleistein* and the "minimal degree of creativity" under *Feist* required for copyright protection. While the record cited in the case supported the view that the cartographer had made many choices in selection and arrangement to create his maps, *Mason* recognized more clearly than most previous cases that the mapmaker's drawing of lines and symbols, while striving to be accurate, involves a creative transformation of facts. Building on *Hamilton*'s analogy between cartography and photography, *Mason* helps to refigure the landscape in this area by holding that, like "Oscar Wilde, No. 18" in *Burrow-Giles*, and the Wallace circus advertisement in *Bleistein*, Hodge Mason's landownership maps, created by the processes of generalization, contain an inherent, pictorial singularity which should be protected.

³² 111 U.S. at 57, 60.

³³ 188 U.S. 239 (1903).

³⁴ 188 U.S. 239, 249-50 (1903).

PART II

**LEGISLATIVE AND ADMINISTRATIVE
DEVELOPMENTS***United States of America and Territories***U.S. COPYRIGHT OFFICE.**

Cable compulsory license; specialty station determination. Withdrawal of broadcast stations from 1991 final specialty station list. *Federal Register*, vol. 57, no. 163 (Aug. 21, 1992), p. 38069.

Stations KETH (Houston, TX.), KITU (Beaumont, TX.) and KLUJ (Harlingen, TX) requested that they no longer be considered specialty stations for the purposes of calculating royalties under 17 U.S.C. 111. The Office, therefore, removed them from the specialty station list.

U.S. COPYRIGHT OFFICE.

37 C.F.R., Part 202, Chapter II. Registration of claims to copyright; group registration of daily newspapers. Final regulations. *Federal Register*, vol. 57, no. 170 (Sept. 1, 1992), pp. 39615-16.

The Copyright Office has adopted a regulation permitting group registration of daily newspapers. Under the regulatory, all issues of a given title published with issue dates in one calendar month may be registered on the basis of a single application, a deposit of microfilm of the registered issues, and a \$40 fee.

U.S. COPYRIGHT ROYALTY TRIBUNAL.

Ascertainment of whether controversy exists concerning distribution of 1991 satellite carrier royalty fund. Notice. *Federal Register*, vol. 57, no. 152 (Aug. 6, 1992), pp. 34764-5.

This notice directs all claimants to royalty fees paid by satellite carriers for secondary transmissions to home dish owners during 1991 to file a notice of intent to participate in the distribution of the funds. It also asks for comment on (1) a proposed consolidation of the 1989, 1990 and 1991 proceedings; (2) the status of settlement negotiations with regard to the 1991 satellite carrier royalty fees; and (3) whether a controversy exists with regard to the 1991 satellite carrier royalty fees.

U.A. COPYRIGHT ROYALTY TRIBUNAL.

Commencement of the consolidated 1989-91 satellite carrier royalty distribution proceeding. Notice. . . . *Federal Register*, vol. 57, no. 204 (Oct. 21, 1992), pp. 48023-24.

The Tribunal declared that a controversy exists regarding Phase I of the 1989-91 satellite carrier royalty distribution proceeding.

U.S. COPYRIGHT ROYALTY TRIBUNAL.

1990 Cable royalty distribution proceeding. Notice of partial distribution. *Federal Register*, vol. 57, no. 176 (Sept. 10, 1992), pp. 41478-79.

Over the objection of the British Broadcast Corporation, the CRT ordered the distribution of 90% of the 1990 cable royalty funds. The parties to the previous year's distribution proceeding sought the partial distribution; based on 17 U.S.C. 111(d), and long established practice, the Tribunal granted the petition.

U.S. COPYRIGHT ROYALTY TRIBUNAL.

1992 Adjustment of the public broadcasting royalty rates and terms. Deferring date for submission of direct cases. *Federal Register*, vol. 57, no. 160 (Aug. 18, 1992), p. 37149.

The Tribunal has extended to October 19th the date for submitting direct cases in the public broadcasting royalty rate proceeding. The Public Broadcasting Service and the National Public Radio requested the extension to allow additional time for possible settlement.

U.S. COPYRIGHT ROYALTY TRIBUNAL.

1992 Adjustment of the public broadcasting royalty rates and terms. Notice of commencement of proceedings. *Federal Register*, vol. 57, no. 126 (June 30, 1992), pp. 39066-67.

The CRT commenced the public broadcasting rate adjustment proceeding with this notice instructing all parties intending to participate to file a Notice of Appearance and to submit written "direct cases." The hearings are expected to be held in October and the proceeding concluded by December 31, 1992.

U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 C.F.R., Part 76. Network-cable cross-ownership rule. Final rule. *Federal Register*, vol. 57, no. 154 (Aug. 10, 1992), pp. 35468-72.

The Federal Communications Commission modified its rule prohibiting common ownership of cable television systems and national television networks. Significant changes in the video marketplace since 1970 have made the objectives of the rule—curbing network dominance of the video marketplace and protecting an incipient cable industry development inapplicable. The Commission now believes that substantial public benefits could occur from relaxing the cross-ownership restriction. It, therefore, revised its rule, in order to permit networks to own cable systems, provided that no such combination exceeds 10% of homes passed by cable nationwide, and 50% of homes

passed by cable within an ADI. The local limit will not be applied to instances where the network-owned cable system faces a "competing" system.

PART V

BIBLIOGRAPHY

ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS

1. *United States*

DURNEY, EDWARD G. Protection of computer programs under Japanese Copyright Law. *UCLA Pacific Basin Law Journal*, vol. 9, no. 1&2 (Spring 1991), pp. 17-78.

Mr. Durney gives a brief explanation of Japanese software-related copyright law. He states that there are a few areas in which Japanese Copyright Law provides special provisions for software such as the scope of protection for computer programs. The Japanese Copyright Law provides a definition of a "program" and a "work" although Article 10(3) specifically excludes programming languages, rules and algorithms from copyright coverage. The author investigates other areas of the Japanese Act such as authorship by employee, "use" as infringements and the concept of registration. The remaining sections of the study are devoted to a discussion of *Microsoft Corp. v. Shuwa System Trading K.K.*, *System Science K.K. v. Toyo Sokuki K.K.*, and a "reverse engineering" case. At present, Japanese law allows reverse engineering under the patent and semiconductor chip protection laws.

GOLDMAN, WILLIAM SCOTT. Berne-ing the Soviet copyright codes: will the U.S.S.R. alter the copyright laws to comply with the Berne Convention? *Dickinson Journal of International Law*, vol. 8, no. 3 (Spring 1990), pp. 395-415.

On March 6, 1990, then Soviet President Gorbachev urged passage of new artistic legislation that would make it possible for the Soviet Union to accede to the Berne Convention. In his analysis of Soviet copyright law and Berne, Mr. Goldman first reviews the historical background of the Berne Convention along with its major provisions, including protected works, term of protection, registration, and exclusive rights. He then examines the Soviet copyright law, delving into its historical background and major provisions, including the parties and rights protected—personal rights, property rights and objects. He also examines rights granted to authors for their creative works and the practice of "exclusive use" contracts and discusses what is necessary for the Soviet Union's conformance with Berne provisions.

LEWIS, MATTHEW P. Bringing down the curtain on 'Rear Window:' copyright infringement and derivative motion pictures. *Loyola Entertainment Law Journal*, vol. 10, no. 1 (1990), pp. 237-61.

This is a discussion of the Alfred Hitchcock 1954 movie "Rear Window"

and the suit by Sheldon Abend, who brought action against Hitchcock, James Stewart and MCA for copyright infringement. The Circuit Court of Appeals held that the film "Rear Window" infringed the copyright of the underlying short story on which the film was based. The court, however, did allow the movie to continue to be shown providing a percentage of the profits were paid to Abend, the owner of the copyright in the underlying work. The author analyzes the Ninth Circuit's decision and the case *Rohauer v. Killiam Shows, Inc.* Mr. Lewis states that the court should have ruled in the *Rear Window* case that the exploitation of a derivative motion picture did not infringe the copyright in the underlying work.

CARNOFF, JILL. Getting a grip: a practical approach to corporate production of multimedia. *International Computer Law Adviser*, vol. 6, no. 8 (May 1992), pp. 4-17.

Ms. Sarnoff examines the legal ramifications to consider in the distribution of multimedia, which, for the purpose of this article, is defined as a creative work consisting of multiple audio-visual materials that either can be fixed in a tangible media or can be a performance in progress. She discusses the who, what, where, when and why of multimedia. Then, using the scenario of a small company interested in producing a multimedia CD-ROM product on the plays and times of William Shakespeare, the author addresses the practical and legal—intellectual property, right of publicity, invasion of privacy—concerns. She also supplies several possible licenses and releases as well as copyright guidelines that could be used in advising clients on the production of multimedia.

2. Foreign

BLACK, RAY. The United Kingdom a haven for the copier? *Copyright World*, issue 23 (July/Aug. 1992), pp. 29-31.

This article discusses changes in copyright protection brought about by the enactment of the Copyright Designs and Patents Act of 1988. The author maintains that the scope of copyright protection for items like toys and bags, unless registered under the Registered Designs Act 1949, is restricted by section 51 of the 1988 Act. That section provides that there is no copyright infringement in a design drawing or a design model for a product unless the product itself is considered to be an artistic work. *George Hensher, Ltd. v. Restawile Upholstery (Lancs), Ltd.* and *Mattel, Inc. v. Tonka Toys* are among the cases discussed.

BOOKS REVIEW. Copinger and Skone James on Copyright. 13th ed. UK: Sweet & Maxwell, Ltd. *Copyright World*, issue 23 (July/Aug. 1992), pp. 44-45 (reviewed by Nicola Solomon and Mark Stephens).

The reviewers, in examining this work, point out that it is set out logi-

cally and the footnotes are easy to follow. They indicate that they would have liked the book's commentary to give the practitioner more guidance with respect to the Copyright, Designs, and Patents Act 1988 and its application to new and/or difficult areas of law such as moral rights and industrial design. Overall they conclude that the book still is and will continue to be the best authoritative copyright tome in the U.K. for years to come.

DYEKJAER-HANSEN, KAREN. Parallel imports and the battle against piracy. *EIPR*, vol. 2, no. 2 (Feb. 1992), pp. 35-37.

In this article, the author discusses parallel imports and the rules that govern it, including complex rules that govern a third-country licensee. She states that it is difficult to begin an effective battle against piracy while at the same time encouraging parallel imports.

GINSBURG, JANE E. Copyright in the 101st Congress: commentary on the Visual Artists Rights Act and the Architectural Works Copyright Protection Act of 1990. *Revue Internationale du Droit D'Auteur*, vol. 152 (Apr. 1992), pp. 97-168.

Ms. Ginsburg reviews the Visual Artists Rights Act of 1990 and the subject matter protected under the new law. She also analyzes the Act's pre-emption provision. The author devotes her study to "works of architecture" and states that in the 1988 Berne Convention Implementation Act, Congress set forth explicit protection for architectural plans but made no provision for completed structures.

TRAPLE, ELZBIETA AND JANUSZ BARTA. Is the Berne Convention undergoing a crisis? *Revue Internationale du Droit D'Auteur*, no. 152 (Apr. 1992), pp. 3-97.

This study, written in 1989, analyzes the development of the principle of a "national treatment" that would replace bilateral agreements' principle of reciprocity in the area of copyright. In accordance with the "national treatment" principle, the author of an intellectual work would enjoy protection in every contracting country, regardless of his/her nationality or the place of publication of the work, and also would have the same rights as the citizens of the country in which protection is claimed. The authors discuss attempts too restrict the application of the principle of assimilation in the early texts of the Berne Convention and look at new categories of protected works, such as works of applied art and computer software and artists' rights in general.

AUSTRALIA. GOLVAN, COLIN. Aboriginal art and the protection of indigenous cultural rights. *EIPR*, vol. 14, no. 7 (July 1992), pp. 223-27.

Mr. Golvan comments on the Aboriginal and Torres Strait Islander Heritage Act of 1984 and states that this Act should provide better remedies and protection of Aboriginal communal rights and particularly aboriginal artistic

works and designs. The author believes criminal remedies should be available to Aboriginal communal works which are now only available to copyright owners.

AUSTRALIA: SUGDEN, PAUL. Goliath wins: "the Circuit Layouts Act 19879 has teeth." *Copyright World*, issue 23 (July/Aug. 1992), pp. 34-37.

Mr. Sugden discusses the recent court decision in *Nintendo Co., Ltd. v. Centronics Systems Pty., Ltd.*, a suit regarding the infringement of the original circuit layout of Nintendo's picture processes unit for its video games. In examining the decision, he talks about the Australian Circuit Layout Act of 1989, reverse engineering and copyright protection. He points out that the Act is based on copyright law and that the court used the established copyright testing to assess originality in the case.

CANADA: copyright constitutes a seizable asset in Ontario. *Copyright World*, issue 23 (July/Aug. 1992), p. 10.

The Supreme Court in Ontario, Canada has handed down a decision upholding the view that intellectual property rights may be demanded to satisfy a debt. The suit, *Planet Earth v. Rowlands*, concerned the seizure and sale of over 200,000 photographic negatives of rock performers to satisfy a debt. The court upheld the lower court's interpretation of the Ontario Execution Act as allowing seizure of intellectual property and income generated therefrom for repayment of a debt.

GERMANY: tide of history engulfs sculptor. *Copyright World*, issue 23 (July/Aug. 1992), p. 12.

The Berlin Court of Appeal decided in favor of the City of Berlin in its decision to dismantle and bury a large statue of Lenin erected by the former government. The author of the sculpture argued that under the German Copyright Act he had the moral right to prohibit any misrepresentation or other injury to the work that could prejudice his legitimate intellectual or personal interests in it. The Court held that the author's interests were outweighed by those of the City because he had linked his sculpture to the propaganda and objectives of the old regime and he could not now complain of the effects of historical change.

ISRAEL: PRESENTI, SARAH. An advert: An advert: a protectable work or an idea? *Copyright World*, issue 23 (July/Aug. 1992), pp. 20-28.

Ms. Presenti studies the issue of copyright protection as it relates to advertising. She explains that this question has raised second thoughts about appropriate legal protection because in advertising, the ideas, as opposed to their realization, are the real creativity and property of advertising agencies. She examines various precedents in this field from the perspective of the continental legal system of France and the common law system of Israel, Eng-

land and the U.S. Her investigation includes a discussion of *Ariella Schechter Bayer v. Shmuel Algerbally and others* and *Eitan Nesher v. Rachamim Giland and others* as well as an examination of unfair competition and trademark protection under these legal systems.

SOUTH AFRICA. DEAN, OWEN H. South Africa amends Copyright Act. *Copyright World*, issue 23 (July/Aug. 1992), pp. 38-43.

This article examines a draft bill to amend South Africa's Copyright Act, 1978, as amended. It focuses on some of the proposal's more important provisions and their effect on the Act's treatment of computer programs, works of craftsmanship and broadcasts and program-carrying signals. It also discusses the bill's effect on the law's dealings with compulsory licenses, parallel imports, infringements and moral rights. The article concludes that the proposed amendments, if adopted, will place the Copyright Act in a position to serve the holders and users of copyright adequately for the foreseeable future.

UNITED KINGDOM: NAPPER, ISABEL. Valve design gets heated. *Copyright World*, issue 23 (July/Aug. 1992), pp. 15-16.

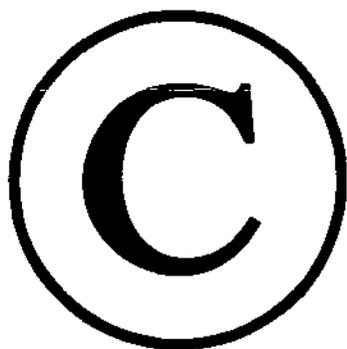
Ms. Napper discusses the court decision in *Drayton Controls (Engineering) Limited v. Honeywell Control Systems Limited* (1992), FSR 245, a U.K. copyright infringement suit regarding an industrial article—i.e. thermostatic radiator valve. The main issue was whether the defendant, in manufacturing and selling its own valve, had copied a substantial part of the drawings for plaintiff's valve. The court ruled that plaintiff's copyright claim failed despite the visual similarity of color and material between the valves because resolution of the question was based on comparison of the shape of the valves and not on their color or composite material.

Journal

of the

Copyright Society

of the USA



VOL. 40, No. 4

SUMMER 1993

JOURNAL OF THE COPYRIGHT SOCIETY OF THE U.S.A.
(formerly BULLETIN OF THE COPYRIGHT SOCIETY OF THE U.S.A.)

EDITORIAL BOARD

WILLIAM F. PATRY, *Editor-In-Chief*

JUNE BESEK
JANE GINSBURG
MARGARET GOLDSTEIN
MARCI HAMILTON
CRAIG JOYCE
ADRIA KAPLAN
I. FRED KOENIGSBERG
HON. JON O. NEWMAN

THOMAS P. OLSON
SHIRA PERLMUTTER
SHERI ROSENFELD
ANDREA RUSH
HARVEY SHAPIRO
BARRY SLOTNICK
DIANE L. ZIMMERMAN

Writers-Editors: N. ALICIA BYERS, GUY ECHOLS, SANDY JONES
(Employees of The Copyright Office)

THE COPYRIGHT SOCIETY OF THE U.S.A.
OFFICERS

<i>President</i>	<i>Assistant Secretary</i>
ROGER L. ZISSU	JUDITH M. SAFFER
<i>Vice President</i>	<i>Treasurer</i>
EUGENE L. GIRDEN	MICHAEL J. POLLACK
<i>Secretary</i>	<i>Assistant Treasurer</i>
HELENE BLUE	PHILIP M. COWAN
<i>Executive Director (1975-1984)</i>	
ALAN LATMAN	
<i>Assistant Executive Director (1978-1986)</i>	
KATE MCKAY	

BOARD OF TRUSTEES

HOWARD B. ABRAMS, Detroit, MI	M. WILLIAM KRASILOVSKY, New York, N.Y.
BARRY S. AGDERN, New York, N.Y.	SLADE R. METCALF, New York, N.Y.
JON A. BAUMGARTEN, Washington, D.C.	GLORIA MESSINGER, New York, N.Y.
SEYMOUR BRICKER, Los Angeles, CA	SHIRA PERLMUTTER, Washington, D.C.
MARIA DANZILLO, New York, N.Y.	MARYBETH PETERS, Washington, D.C.
PAUL E. GELLER, Malibu, CA	ERIC RAYMAN, New York, N.Y.
ANDREW J. GERBER, New York, N.Y.	JEROME REICHMAN, Nashville, TN
MARCI HAMILTON, New York, N.Y.	E. LEONARD RUBIN, Chicago, Ill.
HUGH C. HANSEN, New York, N.Y.	ANDREA F. RUSH, Toronto, Canada
PAULA JAMESON, Washington, D.C.	ANDRA SHAPIRO, New York, N.Y.
PETER JASZI, Washington, D.C.	ERIC H. SMITH, Washington, D.C.
HARRY M. JOHNSTON III, New York, N.Y.	KATHERINE C. SPELMAN, San Francisco, CA
ADRIA G. KAPLAN, New York, N.Y.	WILLIAM S. STRONG, Boston, MA
KENNETH M. KAUFMAN, Washington, D.C.	JONATHAN ZAVIN, NEW YORK, NY
I. FRED KOENIGSBERG, New York, N.Y.	

HONORARY TRUSTEES

RICHARD DANNAY	ALAN J. HARTNICK	BERNARD KORMAN
PAUL GITLIN	HARRY G. HENN	E. GABRIEL PERLE
DAVID GOLDBERG	WALTER J. JOSIAH, JR.	STANLEY ROTHENBERG
MORTON DAVID GOLDBERG		THEODORA ZAVIN

Published at the offices of the Copyright Society of the U.S.A. at the Center for Law and the Arts, Columbia University School of Law, 435 W. 116th St., New York, N.Y. 10027. Printed and distributed by Fred B. Rothman & Co., 10368 West Centennial Road, Littleton, Colorado 80127. Copyright 1993 by the Copyright Society of the U.S.A. All Rights Reserved.
ISSN 0010-8642

CONTENTS

	PAGE
PART I. ARTICLES	
Sandtrap	Robert Cassler 415
The Joint Work Dilemma: The Separately Copyrightable Contribution Requirement and Co- Ownership Principles	Nancy Perkins Spyke 463
Conference Report: The Copyright Society of the USA Mid-Winter Meeting	Joff Wild 494
PART II. LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS	
United States of America	506
PART IV. JUDICIAL DEVELOPMENTS IN LITERARY AND ARTISTIC PROPERTY	
Recent Developments in Copyright: Selected Annotated Cases	David Goldberg and Shari L. Rosenfeld 511
PART V. BIBLIOGRAPHY	
Books	
United States	599
INDEX TO VOLUME 40	604

THE JOURNAL of The Copyright Society of the U.S.A. is published quarterly by The Society at the Center for Law and the Arts, Columbia University School of Law, 435 W. 116th St., New York, N.Y. 10027; Roger Zissu, *President*; Eugene L. Girden, *Vice President*; Michael J. Pollack, *Treasurer*; Helene Blue, *Secretary*; Philip M. Cowan, *Assistant Treasurer*; Judith M. Saffer, *Assistant Secretary*.

COPYRIGHT SOCIETY OF THE U.S.A. MEMBERSHIP DUES (Membership includes subscription to the Journal): *Law Firms, Companies and Associations*: Sustaining Member \$1,000. Patron Member \$500. *Individuals only*: Contributing Member \$250. Member \$125. Junior Member (up to three years out of law school) \$50. Senior Member (over the age of 65 and a member of the Society for not less than 10 years) \$50. Full-time students \$25.

SUBSCRIPTIONS: *Institutional Libraries* (Academic, Public and Governmental) \$50.

Additional copies of the JOURNAL for all members at same address \$50.

Business correspondence regarding subscriptions, bills, etc. should be addressed to the distributor, Fred B. Rothman & Co., 10368 West Centennial Road, Littleton, CO 80127.

CITE: 40 J. COPR. SOC'Y, page no., . . . (1993).

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. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is: 0010-8642/93 \$2.00/0.

ARTICLES**SANDTRAP**

by ROBERT CASSLER

"A violent summer storm, and a man struck by lightning lies dead, face down in a sandy bunker near the thirteenth hole of a swank Washington country club. What looks like an accident turns out to be murder, and only Jameson Blackstone, Washington's most brilliant lawyer, can solve the riddle of the corpse in the sandtrap.

CHAPTER ONE

Wednesday, June 24, 1992

Anger. Anger so intense no thoughts were in his mind. No reasons. No justification. Just an uncontrollable rage welling up inside that commanded him to attack his tormenter.

Patras Bagdonas drove up the hill in his electric cart, his foot pressing the accelerator to the floor, not caring whether the cart could handle the bumps along the way. His eyes were solely on one man.

At the top of the hill, Patras leaped from the cart without pausing to put on the brake. The cart, after heading up the hill a little further, stalled, then careened backwards, gathering speed until it hit a red maple tree and toppled over.

But that was not Patras' concern. Patras vaulted a set of low hedges, and without pausing to regain his full balance, flung himself at the cause of his rage, landing both him and his target against the rocky surface of a dirt path.

"Patras. You gone nuts? What're you doing?" cried Danny. "Get off me!"

"You hit me! You hit me!"

Patras was now punching Danny nonstop. It didn't matter to Patras where he hit Danny, so long as he could get out some of the rage that still controlled him.

"Patras, stop! Whatever it was, I didn't mean it!" Danny had no anger in him. He just wanted to stop the fight. He allowed Patras to take a few more punches, offering just enough resistance to prevent Patras' hardest hits

from causing real damage. But a strong, stocky man like Patras was too much for Danny Meehan, 49, out of shape, with a small beer belly.

By now a small crowd had gathered around the two men. The Potomac Golf and Country Club was a genteel setting. The unwritten rule at this club was perfect courtesy and manners, no matter where you came from or who you were. The most you would ever witness at good old Potomac was a golfer blaming his putter for a bad putt. Naturally, a scene like this was unthinkable — and at the first tee, no less!

Mike Palchick, the burly manager of Potomac, came racing over. Grabbing Patras with both arms around his chest, he lifted him off Danny. As strong as Patras was, he was only 5'7, and no match for big Mike.

"What the hell do you think you're doing?" yelled Mike.

"Jo sviedinus trenke man I nugara! Jis zinojo kad as ten stoviu!" Patras said in Lithuanian.

"Will you speak English, for Chrissake!"

Patras turned his body to indicate his back. With his right arm twisted to its maximum, he pointed urgently to his lower back. "His ball hit me! Here!"

"And that gives you the right to hit one of our members? Did you know that Danny's just gotten over a heart attack? You might have killed him! Danny, what happened?!"

"I teed off. The ball hooked. I saw Patras and I yelled, 'fore.' You know what 'fore' means, don't you?" Danny asked Patras sarcastically.

"I know plenty English words," Patras pouted. "I know 'fore.' I know 'screw you'!"

"Why, you son of a bitch!" This time it was Danny who was angry. It looked like Danny and Patras might square off again, but Mike intervened.

"All right. Cool it, the two of you!"

The golf course ranger came over in his cart. "Hey, Mike, did you know Patras' golf cart is up against a tree?"

"Yeah," Mike responded, "Is it working?"

"The rear end is dented," the ranger said, "but it's all right. We found this —" The ranger pointed to a beer can with six plastic rings still attached to it.

Mike concluded the obvious and confronted Patras. "One can. Six rings. Did you drink the other five cans?"

"No. Somebody must have put them there."

"Patras. Your job is to be a groundskeeper. You water the greens. You mow the fairways. You don't drink! You understand me! I don't want to see a drop of alcohol on your lips ever again, or you're fired! And by the way, the club bar is off limits. Don't even walk in. If you need some food, get it from the snack bar!"

Patras had nothing to say. He held his head down in a sulking manner.

Mike turned to Danny, "I'm very sorry for all of this. I'm sure Patras just got a little excited, that's all."

"Oh, that's OK. I'm not the type to hold a grudge. I'm a lover, not a fighter."

"That's what I like to hear." Mike put his arm on Danny's shoulder. "Let's have a drink. On the house."

Mike and Danny headed up the hill to the club. Patras stared at them, still sulking. But before the two men were out of earshot, Patras heard Danny say, "You know, you got to watch out who you hire these days. Are you sure the little communist is legal?"

That same rage Patras felt earlier welled up in him again. But this time Patras did not make a move. He simply glowered at Danny, and then went back to work.

CHAPTER TWO

Two weeks later — Wednesday, July 8, 1992

Jameson Blackstone smiled contentedly to himself as he stepped into his white Chrysler LeBaron convertible. Here it was, the middle of the afternoon in downtown Washington, D.C., and on every sidewalk he could see the power brokers of Washington, impressing themselves and each other by wearing three-piece suits in the sweltering heat. They must think that they're so important, thought Blackstone, but all he could see were worried, stressed out men and women keeping up the frantic pace of influence and gamesmanship, even when Mother Nature was decreeing "slow down!"

I could have been a part of all that, thought Blackstone. I had all the makings — good family, Georgetown law school education, the right connections. I could have been a "golden slave," working twelve hours a day for some mega-law firm, just for the privilege of working fourteen hours a day when I became junior partner.

No, Blackstone thought, I'm doing all right. I'm not even 30 and I've got my own practice. No partners, no bosses, just me. I come and go as I please, and right now, I'm outta here!

Wearing a sport shirt and canvas shorts, Blackstone slipped his broad, 6-foot frame behind the wheel. Within minutes, he was driving his LeBaron past the drooping trees, the steaming pavement and the cold, formidable office buildings that make up the landscape of downtown Washington. Soon, with the wind freely blowing his wavy, chestnut brown hair, he was on the George Washington Parkway, headed for the pastoral comforts of suburban Maryland.

The cellular telephone rang. Blackstone picked up the receiver. "Talk to me."

"Sir Lionel. This is Lady Beatrice."

"How are you, my lady?"

"Passing fair, Sir Lionel. Have you read this morning's Washington Post?"

"Haven't had the chance."

"Seems you're getting pretty famous. You're all over the Style section. They're calling you 'Washington's most brilliant lawyer.' Says here, when you took the bar, you not only got a perfect score, but they asked you to write all their future exams."

"Now why did they have to print that?"

"It's true, isn't it?"

"It's true, but it's not that big a deal."

"It is when you add in the fact that you were the one to solve the dormitory murders at College Park, and you were the only one to figure out who was trying to assassinate Barbara Bush."

"I got lucky. He was really trying for Nancy Reagan, but he didn't notice the 1988 election. Smart guy, just never watched television."

"Well, I'd pick up a Post, if I were you. People are going to be expecting great things from you from now on."

"Maybe so, but not today. I'm just going for a workout at the club, a little golf, then maybe give a pal of mine some legal advice."

"That's why I called. I got the federal regs, you needed."

"Great. Fax it to the Potomac Golf and Country Club. It should get there when I do."

"They don't have a fax machine. I already checked."

"Then fax it to me here in the car."

"Will do." A pause. "Sir Lionel, will I see you at the tournament?"

"Yes, Lady Beatrice, if you will grant me the privilege of fighting for your honor."

"With pleasure, Sir Lionel."

"Lady Beatrice" hung up the phone, but the lilt of her voice put a smile on Jameson Blackstone's face that lasted well past the Parkway.

* * * * *

The LeBaron made a right turn at the sign of the Potomac Golf and Country Club and slowed to 10 miles per hour. Jameson Blackstone enjoyed this stretch of road. The tree-lined lane was always cool no matter how oppressive the heat, and it led gracefully past a stand of lovely six-foot tall yellow flowers that flourished nowhere else in the Washington area. He noticed that clouds were beginning to gather. Maybe they would cool things off a little more.

At the entrance to the club, the valet took Blackstone's car keys and promised to put his golf bag in the cart, while Blackstone took his cellular phone and laptop computer with him to the clubhouse. He entered the club

bar, looking for his friend Mike Palchick. "Hey, Mike," Blackstone said, having spotted him.

But Palchick didn't hear him. He was talking to the bartender. "I don't believe that son-of-a-bitch," said Mike to the bartender. "I told him to stay away from the bar."

"I didn't want to tell on Patras," said the bartender, "but I'm responsible for the tab."

"You did the right thing."

"Mike?" said Blackstone.

"Blackstone, not now. I got problems."

"Maybe I can —" started Blackstone.

"Where's Patras?" Mike asked the bartender.

"He's supposed to be on the back nine."

Palchick turned to Blackstone. "Blackstone, we'll have to do nine another time. I've got to read the riot act to one stupid jerk!"

CHAPTER THREE

At the thirteenth tee, Danny Meehan took his stance as if he were going to hit his ball, but then stopped. "Oh, excuse me. Did anyone get better than a birdie?"

"All right, dad, we all know it's your honor," said Johnny Meehan, "you don't have to rub it in."

"Kyle? Tracy?" asked Danny.

"No, go ahead. I got a par," said Tracy Daulton.

"I beat the number 26 touring female golf pro in America?" said Danny with mocking satisfaction in his voice.

"Yes, you did, and don't tell me it was that damn chili," said Tracy.

"You know my rule. I always have chili after nine holes — and I always do better on the back nine." said Danny.

"Maybe I should have had some of that chili. I got a seven," said Kyle Richards.

"You just don't get out enough, Kyle," Danny said. "You're letting a heart patient beat you."

"C'mon, dad, enough of your famous Irish sense of humor. Just hit the ball," said Johnny.

Danny readjusted the height of his tee, put his ball on the tee, and took some warm-up swings with his driver. The thirteenth hole was a challenging 404-yard, par four. It doglegged left about two-thirds of the way down the fairway to a fairly small elevated green with sandtraps on both sides and one huge sandtrap in the front right — the kind of sandtrap that just waited for an unlucky golfer's second shot.

Danny put his club in position as if this time he was really going to

swing, but then looked up with a twinkle in his eye and he said, "Wait. I got a better idea. Longest drive contest! This hole!"

"What's the point, dad?" asked Johnny. "Let's just play."

"The point, son, is all of a sudden I feel like I can beat anyone in the world. How 'bout it? Kyle?"

"Oh, no, Danny," Kyle said, "I'm a sure loser and I'm already in the hole to you for \$25."

"Is that anyway for a top Washington lobbyist to talk?" Danny responded. "Tell you what'd make it interesting. Instead of money, let's say, longest driver gets a free favor from anyone here. That means, Tracy, you hit from the men's tees. Agreed?"

Johnny, Tracy and Kyle agreed. Danny rearranged the order of hitting, insisting that Kyle hit first, despite Danny's honors from the last hole.

Kyle Richards, president and CEO of *A Better America*, a public interest group that takes on all liberal issues, approached his ball with caution.

"Well?" Danny said impatiently.

"There's a family of geese out there, heading for the lake. Animals have rights, too."

"They'll fly away when your ball gets there," Johnny said.

"I'd rather wait," Kyle said.

"Ah, for Chrissakes," Danny muttered.

When the geese cleared the fairway, Kyle finally took up his stance to hit the ball. A handsome man in his late thirties, with thinning light brown hair and wire rim glasses, Kyle had an athletic build, but was clearly awkward at golf solely due to lack of practice. But this time, his shot went straight and true down the fairway, about 190 yards.

"Not bad. Not bad. Could be a winner," Danny observed. "What favor are you playing for?"

"You know what favor I want."

"No, no. The flowers stay. End of discussion. I meant a small favor."

"I want Tracy to testify before Congress on the dangers of using pesticides on golf courses. Tracy is a famous golfer. It could have the same impact as Meryl Streep when she testified about Alar and apples."

"I don't know," Tracy answered. "I'm not into politics."

"That gives you all the more reason to beat Kyle's drive," Danny said. "C'mon, Trace, it's your turn."

Tracy Daulton was methodical and deliberate. Golf was not a game to Tracy. It was her profession. Tall, with a golden brown tan and long blonde hair naturally streaked by the sun, she was stunning to look at. In her pink golf shirt, sun glasses, and white golf cap, even the heat could not wilt her radiant beauty. Still, in her early thirties she had enough years of experience to be at the top of her game.

She swung with perfect form and follow-through, and her ball sailed 200 yards down the middle of the fairway.

"You're a machine, you know that, Tracy," Danny said in admiration. "What favor do you want?"

"I don't want anything. Father always said — 'master yourself, don't depend on anyone, and the world is yours.'"

"Oh right," Johnny said sarcastically, "and you don't want anything from my father, do you?"

"No, I don't, Johnny," Tracy replied. "I wish you could understand that."

Danny interceded. "Trace, c'mon, you got to ask for something. That's the game."

"I want Danny to be there when I sign the endorsement contract for my new line of golf clubs."

"Aw, Trace, I don't know," said Danny, growing serious for the first time.

"I want you to be there," Tracy said with intent in her voice.

"I'll be there," Danny temporized, "but only if you win this game."

Johnny Meehan took his place at the tee. At 26, Johnny was average in every respect except one — he had a burning desire to avoid his father's fate. His father, Danny, was an amiable failure in life — full of ideas, but like his golf stroke, not much follow through. Danny's saving grace was that everybody liked him, but that only lowered him further in Johnny's eyes. Johnny didn't want to end up like Danny being a greeter at the golf course, given a life membership only because everyone felt sorry for him. Johnny had dedicated himself to winning the Washington game, becoming a smooth political consultant, — some would even say political trickster. He loved working election campaigns, not out of convictions, but for the thrill of winning. Ironically, it was Danny's contacts at the golf course that got Johnny his important connections, not Johnny's talents.

Johnny took an oversized swing, determined to win even this small contest. His ball started out straight and then began to slice.

"No doubt about it, Johnny," said Danny, "you beat Tracy's shot, but only if your ball's still in the fairway. I think it might be in the rough. What favor are you playing for?"

Johnny paused before answering. Then he blurted, "I'll tell you what I really want. I want Ms. Daulton to stop playing up to my father!"

"Johnny, you're out of line," Danny said, halfstunned. "Tracy's very special to me."

"I just want to know what she's after."

"Nothing," Tracy responded. "Not a damn thing!"

"Aw, Trace —" Danny began.

"Danny, I can speak for myself. Johnny, this jealousy thing's got to

stop. I like older men. I like your father. You better learn to accept it now, because I intend to keep seeing Danny.”

Danny was clearly dismayed by the turn his little game was taking. “Now why’d ya have to bring up a thing like that now? Let’s just play the game. All right?” he said to Johnny. Johnny lowered his head. “All right?” This time it was directed to both Johnny and Tracy.

No one said anything. Danny, determined to get things back to normal, took his driver to the tee box, set up, and without taking a practice swing, hit the ball with a mighty whack. The ball shot out, as if from a cannon, and landed 225 yards down the middle of the fairway.

Kyle broke the silence. “You’re the winner, Danny, no question. What favor do you want?”

Danny paused for effect and then said, “I want . . . I want . . . I just want to love everyone, and I want everyone to love me!”

Kyle said, “I think we can do that. In fact, I know we can.” As Danny was picking up his tee, Kyle spoke, “Oh, Danny — “

“What?”

“Be sure to replace your divot. Even one square inch of grass removes enough carbon dioxide from the air each year to offset the pollution caused by 2 kilowatts of electric power —”

“Kyle?” Tracy said.

“What, Tracy?”

“Give it a rest.”

CHAPTER FOUR

Mike Palchick drove his golf cart along the paved path of each hole of the back nine, looking for Patras Bagdonas. Hole ten, hole eleven, hole twelve, still no sign of Patras. The clouds that were gathering earlier were getting darker and the wind was picking up. Jeez, I hope I find him soon, thought Mike.

At the thirteenth tee, Mike found an empty beer can and jumped to the conclusion that it belonged to Patras, but then he reconsidered. It could have been anyone’s beer can. He continued on.

As Mike’s cart curved left along the dogleg of the thirteenth hole, he spotted the foursome that was playing the hole, and quickly recognized Danny, Johnny, and Tracy. The fourth player looked vaguely familiar. He had seen him at Potomac a few times before. Oh, yes, Kyle Richards.

Danny and Tracy were in one golf cart. Johnny and Kyle were in the other. Mike yelled to Danny, “Have you seen Patras?”

“No, I haven’t, Mike.”

“Well, if you do see him, will you tell him he’s to report back to the clubhouse immediately?”

“Sure thing. I hope he’s not in any trouble.”

"Let's just say, he's got some answering to do."

Mike drove on. The cart path went to the right of the thirteenth green and then curved around the back, out of sight to anyone who was in the fairway playing the hole. It was there Mike found Patras, drinking out of a bottle.

* * * * *

"Oh, of all the confounded luck," griped Danny, "a perfect shot and it goes right into the sandtrap."

"That's why they put them there," said Tracy. "My ball's just short of the green on the left. Let me take my pitching wedge and putter, and I'll walk to my ball. You can bring the cart around to the right."

Danny agreed and Tracy headed for her ball. The sky was getting darker and now it was almost pitch black. Kyle and Johnny drove over to Tracy.

"Tracy, did you hear that?" Johnny asked.

"Thunder?" Tracy replied.

"No doubt about it," said Kyle. "Do you think it's close?"

At that moment, lightning flashed through the sky, followed three seconds later by a loud thunderclap.

"One. Two. Three. Three seconds," Johnny calculated. "Sound travels at 1,200 feet per second, so the lightning was 3,600 feet away, about two-thirds of a mile."

"What should we do?" Kyle asked.

"Get out of your cart," Tracy answered. "Drop your clubs and go straight into the woods."

"But isn't it bad to stand under a tree?" Kyle asked.

"An isolated tree, yes. That makes you a sitting duck. But the woods are generally safe."

Tracy was not speculating. She was talking from years of golfing in every kind of weather. Johnny and Kyle followed Tracy's advice. They abandoned their cart and scurried to the woods on the left side of the fairway. Then Tracy remembered Danny, who was still in his cart on the right side of the hole.

"Danny, get out of your cart," Tracy shouted.

"What?" The wind was blowing hard now and Tracy's words were not reaching him.

"There's a thunderstorm coming! Get out of the cart and go into the woods!"

Danny looked up at the sky, and nodded agreement. Tracy was satisfied that Danny heard her, and she turned to go to the woods on the left of the fairway, assuming Danny would go to the woods on the opposite side. But

Danny only heard Tracy say "Get out of the cart;" he didn't hear the rest: "go into the woods."

Thunder rumbled again in the sky, and now rain began to fall. Danny looked around in confusion, unsure what to do. He headed for the sandtrap where his ball was lying, and for the first time he was in high enough ground to see over the horizon of the green. Just beyond the green Mike Palchick and Patras Bagdonas were in a furious argument. They were both sitting in their golf carts, apparently oblivious to the storm around them.

"Mike! Patras! Get out of your carts!" yelled Danny. Danny raced straight up the incline of the green to get their attention.

Mike heard Danny and, realizing the situation, jumped from his cart. But Patras was not moving. Danny yelled again, "Patras, there's a storm! Get out before the lightning —"

Danny wobbled. His mind was confused and lightheaded. He was now at the very top of the green, the highest point for acres around. He smelled something sweet in the air, then noticed the hairs on his body were standing on end. And then it struck him. A lightning bolt!

Danny's forward progress stopped. He remained upright for a second, then crumpled and fell to the ground. His body rolled and tumbled the length of the green until it finally came to rest face down in the huge sandtrap at the front right of the green. Danny Meehan was dead.

CHAPTER FIVE

"I'm going to sue Potomac Golf Course for all it's worth!" threatened Johnny Meehan.

The rain storm had ended. Johnny, Tracy and Kyle were back in the clubhouse, and Johnny was railing at Mike Palchick, while Blackstone looked on.

"My father has been playing this course for twenty years, and I've been playing it for ten. Not once — not once! — have I seen a sign, or a pamphlet, or anything, about what to do in a thunderstorm!" Johnny continued.

"Johnny, is that any way to carry on?" asked Mike. "Your father's dead. Show a little respect."

"My father's dead because he was trying to warn you!"

"Aw, Johnny." Mike had nothing more to say. Johnny's accusation landed a powerful punch, and Mike's feeling of guilt blocked any reasoned reply.

"Mr. Meehan?" Blackstone said, feeling the time had come to intervene.

"Who are you?"

"I'm Jameson Blackstone, attorney for Potomac Golf and Country Club. What happened to your father was an act of God."

"Thanks very much, Mr. Blackstone, but my father happened to be the religious one. I don't believe in God."

"I wasn't making a religious point. I was making a legal point. An act of God means something that happens due solely to some violence of nature that cannot be held to be anyone's responsibility. Lightning killed your father, not the Potomac Golf Club."

"I know lightning killed my father, but he should have been warned what to do. We all should have been warned! I'm telling you, Mr. Blackstone, I'm going to sue this course for negligence, and I'm going to win!"

A pall fell over the room. Talk of court battles seemed out of place when a human life had just been lost. Finally, Mike spoke up.

"I still say that's no way to honor your father. He's not even cold yet, and you're counting how much money you're going to get."

"I don't see you apologizing for anything," Johnny responded.

"I've got nothing to apologize for. I cared more about that man than anyone in this room, including you or Ms. Daulton here. Why, she was practically engaged to him and I haven't seen a tear yet."

Tracy snapped to attention at the mention of her name. "Look, Mike, I don't have to conform to your stereotype of the hysterical woman to prove I cared about Danny. I just happen to keep my emotions under control. I think we should all do the same."

"I'm not asking for a Victorian fainting spell," Mike answered, "but it wouldn't have hurt you to show just a little grief."

"Hey, everybody," Kyle spoke up. "Calm down. I don't know about you, but this is the first corpse I've ever seen. I'm not feeling so hot."

At that, Kyle grabbed the nearest chair, and eased himself into it. "All my life, I've worked against violence of any kind — against war, assault rifles, handguns — but it was always in the abstract. Now, I've seen it up close. It kind of gets to you."

Kyle started to breathe rhythmically, and then threw his head forward and heaved. But it was a dry heave. Nothing came up from his stomach.

"Are you all right, man?" Mike asked.

"I'll be fine." Kyle responded.

The bartender came over with a glass of brandy, but Kyle indicated that he preferred water, and the bartender obliged.

"Look," Mike said, "Montgomery County Emergency has been called. And the police, too. Why don't we just relax until they get here. All right?"

Later, after Johnny, Tracy, and Kyle had gone to the locker rooms to shower and change into some dry clothes, Mike Palchick spoke with Blackstone.

"Blackstone," Mike asked, "do you think Johnny has a case against the club?"

"According to tort law as it used to be, no," replied Blackstone. "A golfer assumes the ordinary risks of playing on a golf course, and no one can be held responsible for an act of God. But these days, I don't know —"

"What do you mean?"

"If Johnny can show that most of the golf courses in the area regularly post warnings about what to do in a thunderstorm, then he might be able to establish that warnings are the normal standard of care owed a golfer, and failure to post a warning could be found by a jury to be negligence."

"You mean if golf courses offer free advice out of the goodness of their hearts, it might all of a sudden become something that's owed to the golfer?"

"Exactly. Unfortunately the standard of care can keep rising without anyone knowing it. It's all up to the jury to decide, and they love to rule against a rich private country club".

"Jeez. We can't afford that. We spent all last year defending ourselves against the woman who fell over an exposed tree root."

"I know. I won the case for you. It was an obvious defect that she should have seen. You didn't owe her any warning."

"But she took every appeal. No offense, but it still cost us a bundle just to defend ourselves. Look, will you see what you can find out about Johnny and Danny and everything and see if you can persuade Johnny not to sue? I'd gladly pay you for your time and it'll be much cheaper for us in the long run."

"Sort of a private detective."

"Well, sort of. Just be on the lookout for, well, whatever."

"Especially 'whatever'."

"What do you mean?"

"How many people were at the thirteenth green when Danny died?"

"Well, there was me, Johnny, Kyle, Tracy, and my groundskeeper, Patras Bagdonas."

"Right. Where's Patras?"

A light dawned on Mike. He saw what Blackstone was driving at. "You're right. Patras is gone. Where's Patras?"

CHAPTER SIX

Mike and Blackstone asked everyone at the club, but no one had seen Patras anywhere. Then they went to the locker where he kept his things in permanent storage. He wasn't there, either then. Then they noticed that Patras' locker had no lock on it.

"Open it," said Blackstone.

Mike yanked at it. The locker door clanged against the nearby locker at it swung open.

"Empty." Mike observed. "I can't believe it. I know he kept everything in that locker. Now, there's nothing. Not even the lock."

"What did you tell him at the thirteenth green?" asked Blackstone.

"I was pretty mad. I said a lot of things. I told him he was suspended

for a month, and he could come back only when he had his drinking problem under control."

"Are you sure he understood what you said?"

"With Patras, you're never sure. He speaks mostly Lithuanian, and his English is just so-so. And it was beginning to rain real hard. I don't know what he heard."

"Maybe he thought you were firing him and he was supposed to clear all his stuff out immediately."

"I don't know. I thought I made it clear he wasn't fired."

Mike and Blackstone returned to the club bar. Johnny, Tracy and Kyle were there, cleaned up and wearing street clothes. The course ranger was there, also.

"Mike," Kyle said. "The ranger has something you'd better see."

The course ranger turned to Mike. "I knew you were asking about Patras, so I went to his golf cart to see what I could find. I found this — a bottle of cognac . . ."

"Yeah, I know," said Mike. "That's the bottle he swiped from the bar. Seems like beer isn't good enough for him anymore."

"And I also found this." The ranger showed Mike a plastic pouch with white powder inside.

"What is it?" asked Mike.

"I don't want you to get the idea that I've been doing anything illegal," said the ranger, "but I happen to know this is cocaine."

Blackstone took the pouch gingerly by the edges. He held it up to the light, pondering its consistency. "It looks like cocaine. We'd have to open it to see."

"Oh, I don't think you're going to do that," said a voice from behind Blackstone. "That's police property."

Blackstone turned in the direction of the voice. It was Sargeant Ethan Raymond, Montgomery County Police. He was accompanied by a medical examiner. Middle-aged and experienced, Sargeant Raymond commanded authority without ever having to raise his voice. Sargeant Raymond put out his hand, signalling that he expected Blackstone to hand over the pouch.

"Doesn't he need a search warrant, or something?" asked Tracy.

Blackstone handed the pouch to Raymond without resistance. "No," explained Blackstone, "it's the 'plain view' doctrine. If a policeman has a right to be where he is — and Sargeant Raymond has the right to be here since we called him — then anything that's within his plain view can be taken for evidence, even without a search warrant."

"Thank you, Mr. Blackstone," said Raymond. "It's about time I heard you talking about police rights."

"I'm as interested in finding criminals as you are, Sargeant."

"Can I put that on my cassette? I want to play it at night whenever my faith in lawyers starts getting' low."

Mike approached Raymond. "Sargeant, I didn't call you here to get Patras in trouble. One of our members, Danny Meehan, is dead from being hit by lightning. I just didn't know who to call."

"Well, this Patras is in trouble. Cocaine is a serious matter in Maryland. We've got a full-scale epidemic on our hands," said Raymond. "And as for the deceased, the medical examiner says he didn't die from lightning."

"What?" exclaimed Johnny. "I saw it! We all saw it!"

"Oh, he got hit by lightning, all right," said the medical examiner. "But it only singed his shoulder. You know, lightning doesn't have to be fatal. Why, there was a man — a park ranger in the Shenandoah mountains — he got hit by lightning seven times. Still lived to talk about it."

"What happened to him?" asked Kyle.

"He eventually committed suicide. His fiance refused to marry him."

Raymond continued. "It's the judgment of the medical examiner and the police that the deceased should be examined to determine the cause of death. I understand that his son is here?"

"Yes. I'm his son," said Johnny.

"Are you the next of kin?" asked Raymond.

"Yes. My father's a widower, and I'm his only child."

"Then, I'd like to ask you to sign this. It's a consent form allowing the medical examiner to perform an autopsy."

The medical examiner handed the form to Johnny.

"I'm not signing anything," said Johnny.

"Suit yourself," said Raymond. "In cases where the next of kin refuses to sign, the medical examiner is instructed to call the Chief Medical Examiner in Baltimore who can order the autopsy in any event."

"Johnny," said Blackstone, "this is standard procedure. Whenever a death occurs by reason of violence, suicide, or any suspicious or unusual manner, the state has to find out the cause of death."

"Let my father rest in peace. No autopsy. I'm invoking my constitutional rights."

"What rights?" asked Raymond.

"The right to the free exercise of religion."

Blackstone reacted in disbelief. "But Johnny, you said you didn't believe in God."

"I don't, but my father believed in never disturbing the dead. No autopsy."

Sargeant Raymond looked at Blackstone. "Well, this is a new one on me."

"Sargeant," began Blackstone, "as attorney for Potomac Golf and Country Club, I request that an autopsy be performed on the deceased. My client

was recently informed to expect a law suit on the grounds that he failed to warn Mr. Meehan of the dangers of lightning. If Mr. Meehan did not die of lightning, then, of course, no judgment could be found against my client. Therefore, it is necessary for my case that the real cause of Mr. Meehan's death be ascertained."

"And Johnny, as for your assertion of a First Amendment right against autopsies, it won't go anywhere, there was a case in the mid 1970s, *Snyder v. Holy Cross Hospital*, that said that the state's interest in preventing the spread of disease and stopping crime overrides any respect due the deceased's religious beliefs. If you don't believe me, you can look it up on any computer research program, like Lexis or Westlaw."

Sargeant Raymond was visibly impressed. So were the others in the room. "That's twice, today, you've been on my side," said Raymond. "I don't think I can stand this much cooperation. Mr. Meehan. Have you changed your mind?"

Sargeant Raymond once again offered the consent form to Johnny, Johnny scribbled his name on the dotted line.

CHAPTER SEVEN

Thursday, July 9, 1992

The next morning, Blackstone entered his townhouse office near Dupont Circle with both the *Washington Post* and the *Washington Times* tucked under his shoulder. It was his morning ritual to scan both papers for news that might pertain to his clients.

His office was the latest in flexible arrangements. The owner of the townhouse leased office space to various individuals, offering them a secretarial service, photocopier, conference space as needed, and a very adequate law library. It was up to each tenant to provide his or her own fax machine and/or computer. By this method, Blackstone could get all the cost sharing advantages of a fully equipped law firm, but still pay only a nominal rent each month. It was perfectly suited to his independent ways.

Blackstone turned to the local section of each paper, and found brief mentions of Danny Meehan's death.

Meanwhile, the coverage on the local television stations the night before had been anything but brief. It was the usual sensational, panic-provoking type of coverage you'd come to expect. All previous lightning accidents in the Washington area for the past ten years were endlessly replayed. One station had four different weather forecasters explaining the phenomenon while another station interviewed the fiance who jilted the park ranger struck by lightning seven times. Blackstone wondered why anyone would leave his home after watching this kind of coverage.

The phone rang. It was Mike Palchick at the other end of the line. "Blackstone, can you come to the club right away?"

"It's not to make up those nine holes I didn't play yesterday, is it?"

"When this is all over, you can have a year of free golf with as many mulligans as you want. No, this is serious. It's more than just a negligence suit."

"I'm on my way."

Blackstone took his laptop computer and a gym bag (in case there was time for a quick workout at the country club) and put them in the back seat of his LeBaron. In minutes, he was at the Potomac Golf and Country Club.

Mike was waiting outside the clubhouse. When he saw Blackstone, he quickly motioned for him to come inside. Without saying a word, he led Blackstone to his private office.

"Would you like a drink?" asked Mike.

"Do you have some orange juice?" inquired Blackstone.

"Of course." Mike got some orange juice out of his private refrigerator. "I wish I could stay as healthy as you, but, if you don't mind, I'm going to have a Scotch."

After they both drank their first sips, Blackstone broke the silence. "What is it, Mike?"

"The police called. The results of the autopsy indicate that Danny Meehan did not die of lightning."

"We already knew that."

"He died of a heart attack that began moments before he was struck by lightning."

"Well, I'm sorry to hear that, but it does solve the negligence suit."

"There's more. The heart attack was caused by cocaine."

"What?"

"That's what they said. They found cocaine in his system, and as everyone knows, cocaine can disrupt the brain's control of the heart and lungs. Especially with a man who's had a heart attack, he was just asking for it if he took cocaine."

"Was Danny a drug user?"

"Never. Never touched the stuff. He wouldn't even know where to get it."

"And that's what you told the police?"

"Absolutely."

Blackstone paused in his questioning for a moment to take in all this information. Then he continued, "If Danny never used drugs, then how did the cocaine get in his system?"

"The police said there are three ways cocaine is usually taken. It can be inhaled through the nose — or it can be injected directly into a vein, or it can be smoked."

"Yeah, but all three ways sound like Danny had to have taken it voluntarily — unless someone came up to him and put a needle in him."

"They say it wasn't inhaled, injected, or smoked. It was eaten. They found a large deposit of cocaine in Danny's stomach and intestines mixed in with the other food from the last meal he ever ate."

"They can tell all that?"

"The body stopped digesting when it died. Danny's last meal was only an hour or so before his accident."

"What did he have?"

"Chili. Danny always ordered chili. People used to kid him, but he said it gave him the strength to go 18."

"If someone wanted to, he could put a lot of cocaine in a bowl of chili. Mix it with some sugar, and it might even taste good."

"That's what the police think. After I told them that Danny never used drugs, and considering the unusual way the cocaine got in his body, the police think it was — murder."

Blackstone said nothing. Murder. So much violence in Washington, especially in the last few years, and it all comes back to that one scourge — cocaine.

After a few moments, Blackstone asked, "Who do they think did it?"

"Remember that bag of cocaine we found yesterday in Patras' golf cart? Well, the police analyzed it. Your guess about sugar was right on the mark. The pouch was pure cocaine mixed with a little cane sugar."

"Just right for pouring into a bowl of chili," mused Blackstone.

"The police have a warrant out for Patras' arrest. But the problem is — they can't find him anywhere. Jimmy, when they do find him, will you defend him? The club will pay your fees."

"That's quite a switch. Yesterday, you were so mad at him, you almost fired him."

"Hey, Patras may have a drinking problem, but he's no killer. You know it's not so easy coming thousands of miles to a new country. And if he's facing a murder charge, well, he's going to need a friend. I know. It wasn't so many years ago when my parents came over when Stalin was in charge. They needed all the help they could get."

"It's good to hear you talk like that, Mike. A lot of people look down on immigrants, forgetting that we're all immigrants in this country. Let's take a walk — get out of this stuffy office. Maybe our minds will think better."

Blackstone and Palchick walked along the back nine. The thunderstorm of the day before had broken the heat wave that had gripped Washington for weeks. The weather was clear, dry, and in the low 80s. The perfect weather belied the sad tone of the two men's conversation.

"Who else could have put the cocaine in the chili?" Blackstone asked as they rounded a bend in the path.

"Danny was eating in the club bar with Johnny, Tracy and Kyle. Any of them could have done it."

"Or anybody else in the club bar for that matter — the waiter, the chef, the other golfers, you."

"Don't put me on the list of suspects," Mike joked. "I'm paying your legal fees."

"Well, let's suppose it was just Johnny, Tracy, or Kyle who had the best opportunity. Why would any of them want to do it? Fill me in on the others. Let's start with Johnny."

Mike halted and turned to Blackstone. "Johnny's an opposite type from Danny. A real generation gap. Danny's fault was that he was too easy-going. Let people take advantage of him. Johnny's too conniving. Always working the Washington deal. Johnny never respected his father, but I don't think Johnny would do it. He'd rather ruin you by playing a political dirty trick on you. Johnny a murderer? Nah."

"What about Tracy?"

"That's one gal I have never figured out. There's no good reason why she should be attracted to Danny, only bad ones. He was no Robert Redford. He had no money. But he did have connections. He knew everyone in the PGA and the LPGA. But Tracy is drop-dead gorgeous. Even if Danny could introduce her to someone here or there, it didn't make sense for her to waste her time with him."

"How is she as a golfer?"

"I tell you she's a good golfer, but not the best."

"So why is she one of the top rated pros?"

One reason. She never misses a putt. I mean never. I've seen her have trouble on the tee and in the fairway, but when she's on that green, that ball goes in the hole every single time. She's got nerves of steel."

"Nerves good enough for murder?"

"No, not those kinds of nerves. But, hey, I'm no psychiatrist."

"What do you know about Kyle Richards?"

"He's devoted all his life to social causes. That man wouldn't hurt a fly. And if *you* hurt a fly, he'd start a class action suit on behalf of flies everywhere."

Blackstone was stumped by the answers Mike was giving him. They all seemed to be dead-ends. But then, how could anyone think someone he knows is capable of murder? It was too much beyond the realm of everyday life.

"That leads us back to Patras," said Blackstone. "And you say Patras was barred from the club bar because of his drinking. So it would have to have been something important for Patras to risk getting fired."

"We thought it was just the temptation of alcohol. Patras usually drank beer because it was cheap and available, but he always said that Lithuanians prefer cognac. Not many of them drink beer."

"But the police will argue that coming to the club bar and putting co-

caine in Danny's meal was his only chance to induce Danny to get a heart attack — and that's why Patras risked it. But why would Patras want to kill Danny?"

"Blackstone, Patras got into a fight with Danny a couple of weeks ago because he thought Danny hit him with a golf ball on purpose."

"So?"

"So everyone saw it. Then Danny asked me whether I was sure Patras was legal. You know ever since they changed the immigration law and made the employer responsible for making sure his help is legal, it's been kind of tough. I've been burned more than a few times, and the police have asked me why I don't check their backgrounds harder. I tell them I can't tell if someone has forged his documentation. So I went back to my records and I started to ask Patras some questions. He got furious. He started yelling half in Lithuanian, half in English, but he said the name Danny often enough so I knew he had overheard what Danny said about him."

"And you think that would make Patras want to kill Danny?"

"I don't think so, but Danny had the unfortunate habit of calling Patras 'the little communist.' That was just Danny's sense of humor. In fact, he liked Patras. But Patras has a hair-trigger temper, especially if you call him names. And if I've seen it, so have other people, and the police are going to hear about it."

"Did you ever find out whether Patras is legal?"

"No, I was following up on a few leads, but that's all. But from Patras' reaction, I'd say he isn't legal."

"I think you're right, and if the police have issued an arrest warrant, they've also contacted the Immigration and Naturalization Service."

"Blackstone, you've got to find him. The longer he's missing, the worse it looks."

"Yeah," said Blackstone. "It looks so bad, even I'm beginning to think he did it."

CHAPTER EIGHT

Blackstone and Palchick headed back to the clubhouse from their walk. Seeking release from the tension of the sudden turn of events, Blackstone took in a quick half-hour workout.

After Blackstone showered and dressed, Mike saw him and asked, "What are you going to do?"

"Find Patras," answered Blackstone.

Blackstone got in his LeBaron and headed back to the Washington Beltway and then to I-270 North for his trip to the distant Maryland suburbs.

Blackstone picked up his cellular phone, "Sir Gilbert?"

"Yes, Sir Lionel," said the voice at the other end.

"You were vanquished a fortnight ago, and there is the matter of the ransom still owing."

"I know, Sir Lionel. What is your bidding?"

"I would have a small chore performed, if you would. At the INS building, check the status of Patras Bagdonas, a Lithuanian, and see what you can find. It is a matter most urgent. Do it and your debt to me is paid."

"It is done. But Sir Lionel, next time, it will be you who will be the vanquished and I will be the victor."

"Ah, the talk of a brave fellow. I shall see you at the tournament."

Blackstone clicked off the cellular phone and chuckled. At the exit for Gaithersburg, Blackstone made a left and then a right, and then traveled some five miles to a modest garden apartment complex which had newly planted stick figure trees and speed bumps every twenty yards. Making innumerable lefts and rights, Blackstone drove to the far end of the complex and parked. His destination was two flights up the last building in the cul-de-sac.

Blackstone rang the doorbell, and a woman came to the door. "Mrs. Bagdonas?"

"Yes. Who are you?"

"I'm Jameson Blackstone. I'm an attorney for the country club where Patras works."

"The police have already been here. I told them I don't know where Patras is."

"Mrs. Bagdonas, the country club has hired me to be Patras' defense attorney. If you'd let me in, I can help you and your husband."

Mrs. Bagdonas hesitantly opened the door and let Blackstone in. The apartment was small and didn't have much furniture.

"I only have some coffee to offer you," apologized Mrs. Bagdonas.

"That's fine," said Blackstone. "I don't want anything. Mrs. Bagdonas —"

"Dalia. My name is Dalia." Dalia was in her mid-twenties, barely over five feet tall, with a round face, dark brown hair and a fair complexion.

"Dalia. I need to ask Patras some questions, and more importantly, Patras needs to appear at the police station. Whether or not the police decide to charge him with a crime, he has to answer to his arrest. Otherwise, no one can help him."

Blackstone's words weighed heavily on Dalia. "I know, Mr. Blackstone," Dalia said, "I've been in this country a lot longer than Patras. I understand. But Patras is afraid. He comes from a country where once you let the police take you, you may never come back."

"But isn't that why he came to this country? Mrs. Bagdonas, your husband has not acted smart in this at all. He's his own worst enemy."

At that, Dalia took offense. "Mr. Blackstone, from what Patras tells me,

I think you and everyone else at that club has the wrong idea about Patras. He wasn't always a drunkard. Here, I want you to listen to this."

Dalia went to her bedroom and returned with an audio cassette. She placed it in her tape recorder, and motioned to Blackstone to listen. Soon, sweet violin music filled the room, magically transforming the bare apartment into a concert hall.

After a few minutes, Dalia clicked off the tape recorder. "There, you see. That is the Patras Bagdonas I know."

"He's quite a violinist."

"He was called to perform with the Moscow Symphony. Three years, he was with them."

"Then was happened?"

"Patras didn't think he was going to get any promotions. He thought perhaps being Lithuanian was being held against him. I told him that I was going to America, and this broke his heart. He wanted to come with me."

"And he did. Didn't he?"

Dalia's eyes searched nervously all around the room. It was hard for her to look Blackstone straight in the eye. Then she calmed down and with an inner strength, she asked Blackstone directly, "Can I really trust you?"

"I am Patras' attorney. I swear that everything you say will be held in complete confidence."

At that point, Dalia made her decision to confide. "Patras had no way of following me to America. They refused him an exit visa. But his brother was able to get one. Why? Who knows how that system works. But before Patras' brother could leave, he was accidentally killed by Russian soldiers putting down a freedom rally. No one really knew who the soldiers had just killed. In the confusion, Patras took his brother's visa and has pretended to be his brother ever since."

Dalia continued, "He's not in this country legally, but only he knows it. As far as the Americans or the Russians are concerned, they think he's legal. If Patras wouldn't always look so guilty, no one would ever suspect him."

"Isn't there some way he can become legal?"

"No, we've looked into everything."

"What about you? If he's your husband, can't you get him in?"

"I'm not a citizen, Mr. Blackstone. I'm just a permanent resident."

"I see. Well, what's he doing working for a golf course?"

"Patras' whole world is music. But when he got here, there weren't any jobs for classical violinists. In the Soviet Union, if you made it in their orchestra, you had a guaranteed job, but here Patras found out he had to knock on doors and prove himself. That was something he wasn't willing to do. Patras took a job as a waiter. Then Mr. Palchick gave him a job being a groundskeeper. It was very kind of Mr. Palchick to give Patras that job, and

it gives him time to be outdoors, but —” Dalia’s voice trailed off, not wishing to be critical.

“I get the picture,” said Blackstone. “Patras spends his days all alone on that course feeling sorry for himself and drinking.”

“It’s not the job for him.”

Blackstone felt a warm compassion for Dalia. He looked straight at her. “Dalia, Patras’ job is not the issue right now. Patras has got to come forward while there’s still time. He can tell the police that he spent the evening at a friend’s working off the alcohol and that he came back immediately when he heard the police wanted him. That way, there won’t be any evasion of arrest charge. But he’s got to do it.”

Dalia’s turned her head away. Her eyes were wet, and she wiped them. She looked up, “How can I be sure? About you — about anything?”

“Mrs. Bagdonas. It’s not enough to be free. You have to be brave. I’m a Blackstone. While that name may not mean much to you, I can tell you I am a direct descendent of the best in Anglo-American justice. As young as I may appear, I can guarantee you can do no better than to put your faith in me.”

Dalia took heart. “I will. What do you want me to do?”

“Tomorrow there will be a wake for Danny Meehan. I want you and Patras to be there to show that the two of you cared about him, and then I want Patras to give himself up to the police.”

Dalia considered Blackstone’s words carefully. “I must go now to the beauty parlor. My shift begins in a hour. I will think about what you said.”

Blackstone headed for the door and then turned to say good-by, but as he was about to speak, Dalia said, “Mr. Blackstone, I hope you’re right. But if you’re not, remember, I will do anything, anything, to protect my husband.”

CHAPTER NINE

Friday, July 10, 1992

At the Silver Spring home of Danny Meehan, a crowd of friends and relatives gathered for the wake. It was a celebration of the man Danny Meehan was, and so the atmosphere was a mix of sorrow and happiness — sorrow for the loss of Danny, happiness at the joy he brought to those around him. A light meal of cold cuts, potato salad, beer and soft drinks was offered.

Rosie O’Reilly had made all the arrangements. Johnny Meehan had not really been up to it, nor was Tracy, and Rosie had been Danny’s closest friend his entire life, even more so when Danny’s wife died.

Rosie grew up with Danny, and in the late ‘70s when her children were going off to college, Rosie decided to go to law school and get her license. Now in her fifties, Rosie had developed a nice general practice consisting

entirely of her friends, relatives and the referrals they brought in. It was a satisfying way for her to help the people she loved.

Blackstone came up to the door, and, noticing that it was left open, walked right into the middle of the gathering. He looked around and made a guess. "Mrs. O'Reilly?"

"Yes. Are you Jameson Blackstone? You're just in time. I understand that you're representing the country club."

"Yes, I am."

"Well, I was sick over what happened to Danny. I never imagined when I nursed him back to health that this would happen. If there's any way I can help, you just let me know."

"Is Patras Bagdonas here? Or his wife Dalia?"

"No one by that name has shown up, and I think I've met just about everyone."

Blackstone grimaced. That was not the answer he wanted to hear. Blackstone mingled for a few minutes and then was tapped on the shoulder by Rosie. "I'm just about to read Danny's will to the interested parties," said Rosie. "Would you come in and listen?"

Blackstone entered the den that was closed off to the rest of the house and took his seat, along with Johnny Meehan, Tracy Daulton, Kyle Richards and Mike Palchick.

Rosie began, "Danny Meehan was loved by everyone. Just two months ago, it was my pleasure to prepare his will. The will reads, 'I, Danny Meehan, being of sound . . .'"

At that moment, the door of the den opened and in walked Patras and Dalia Bagdonas. The room quieted and then the tension rose. Was the killer of Danny Meehan entering the room, everyone wondered? "Mr. Blackstone?" asked Dalia, tentatively.

Blackstone rose and went over to the couple, pleased that Patras had finally shown up, but unsure whether Patras and Dalia were welcome at the reading of the will. Blackstone looked at Rosie. Rosie said, "Mr. and Mrs. Bagdonas. Please. Sit down. The reading of Danny's will involves you."

Surprised to hear this, all Patras could say were a few thank yous as he and Dalia took their seats.

Rosie read, "'Since my wife, Maureen, has passed from this earth, I have found it my unwilling task to write a new will. Never did I imagine when I married Maureen and looked into her fresh, young face that I would be the one to bury her. But let not this new will and testament be read without it being said, as I so often said to her while she lived, that I loved Maureen deeply and forever.'"

Rosie faltered in her speech, finding it necessary to wipe away her tears. She said, "I will now read the specific and general bequests. 'To Kyle Richards, I give a \$2,000 donation to his organization, *A Better America*. I hope

he will put it to good use. To Tracy Daulton, who I have just met, but for whom I have a great fondness, I give my wife's jewelry — no one I know could look lovelier in them. To Mike Palchick, I give my trophies and my golf clubs. Maybe he'll know how to use them.' ”

There were chuckles in the room. Rosie continued, “ ‘To Patras Bagdonas,’ ” All of a sudden there was a hush. “ ‘To Patras Bagdonas,’ ” Rosie repeated, “ ‘I give \$3,000 to the little communist to help him make his adjustment to this new country and I give my apologies if my sense of humor has caused him any pain. And to Rosie O'Reilly, who has been the third most important woman in my life after Maureen and my mother, I give my love. I would gladly give her something more tangible if only her professional ethics would permit.’ ”

Rosie blushed and then said, “I will now read the residual bequest. ‘The remainder of my estate and everything in it, I hereby give, bequeath, and devise to my son, John Meehan.’ ”

Rosie looked up. “That's it. The rest of the will are contingency clauses, but as I see that all the beneficiaries are present and well, there's no need to read them.” Rosie got up and the small crowd in the den dispersed.

* * * * *

While Tracy, Kyle, Mike and Johnny returned to the gathering, Blackstone told Patras and Dalia to pay their respects. Then, Jameson Blackstone asked Rosie for a private discussion.

“You said that you'd help me in any way. What I need to know is, is there anything in Danny's estate — the part of it that went to Johnny — that could give Johnny a motive for murder? I'd appreciate it if we could go over it right now before Johnny comes by.”

“All right, I knew Danny's affairs very well. Let's go into the den.”

Once there, she spread out her file for Blackstone to see.

“I'll tell you right now, Danny didn't have much. He had a second mortgage on this house, and he borrowed heavily against his life insurance because his medical policy didn't cover home nursing after his heart attack. The rest of Danny's estate, if you can call it that, are the remnants of failed businesses and failed investments.”

“Let's go over them one by one,” Blackstone asked.

“In 1964, when Danny was just 21, he wrote a song called, *The Story of Daniel Boone's Dog*. It was a big country hit. But Danny sold it outright to a music publisher for next to nothing.”

“Did he sell everything?”

“Yes. He sold the first term of copyright and the renewal term of copyright.”

“I'd like to take a look at the contract.”

“Go ahead. Danny tried for years, but he could never break it. The

success of Danny's song made him think he was a songwriter. But Danny was no songwriter. He was just lucky. So after six wasted years, Danny gave up. Next, he worked for a pharmaceutical manufacturer. There was big money in drugs and Danny poured all his savings into buying the company stock. The company, MediCure, was going to make it big with a new drug for lowering cholesterol called LessCholes. But the FDA never gave its approval and MediCure went bankrupt."

"Did they go bankrupt or are they in reorganization?"

"As far as I know, they went bankrupt. In the '70s, Danny started a baseball card and comic book business. But he didn't know how to bargain. All that's left of that business is this box of baseball cards."

"Have you had them appraised?"

"Not yet, but Danny had a book that listed the values and he said they were never worth more than a few thousand dollars. In the '80s, Danny got in on the video craze and opened a store, only to have it go under when the big video chains moved in."

"Anything else?"

"There was one thing that Danny cared about. He was not only a member of the Potomac Golf and Country Club, but they made him a member of the Board. They even gave him the title to one acre of land belonging to the course near the Potomac River."

"You mean he owned one of the holes?"

"No, the land was next to the course."

"That must have been worth something."

"Not really. You see all they gave Danny was a life estate in the land so he would have a permanent say in the governing of the club. His ownership of the land lasted only as long as he lived. The land reverted back to the club upon Danny's death."

"So it's not even a part of the estate."

"Exactly," said Rosie.

"Exactly," echoed Johnny. Johnny Meehan entered the den, startling Blackstone and Rosie. "So you see, Mr. Blackstone, there was no reason for me to kill my father — not for a heavily mortgaged house, a borrowed-against life insurance, a sold song, worthless stock, a box of baseball cards, and land that went right back where it came from."

"Johnny," exclaimed Rosie, "we were thinking no such thing! Mr. Blackstone just has to be careful, that's all."

"I'm not insulted," Johnny said, "but if Mr. Blackstone really want to look for something valuable, why doesn't he check with Ms. Daulton? She got the family jewels and she didn't even know him more than a month. I'd say that was fast work."

"I'd say you're right," said Blackstone. "Rosie, are they worth anything?"

"I don't know. We'll have to have them appraised."

Johnny sneered. "Why don't you ask Ms. Liberated what she wanted with the jewelry in the first place. It's not her style to wear any."

"They're all good questions, Johnny," said Blackstone, "as soon as we . . ."

From the den, Rosie, Blackstone and Johnny could hear the doorbell ring, and a sudden commotion coming from the remaining guests. And then they heard a muffled, "Is Patras Bagdonas here?" or words to that effect. Blackstone indicated that maybe the three of them should see who was at the door.

It was Sargeant Raymond of Montgomery County Police with two police officers beside him. One of the guests who had let them in turned to Rosie. "Rosie, I let them in. I wasn't sure about answering —"

"That's fine," Rosie answered. "Officer, can I help you?"

"We understand that Patras Bagdonas is here. We have a warrant for his arrest."

At that, Blackstone stepped forward. "Yes, Sergeant, I called your office. Patras is here. I understand that he spent the last two nights with a friend rather than face his wife with the news that he was suspended for being drunk, but I can assure you that immediately upon hearing of the warrant, Mr. Bagdonas told me to inform you of his whereabouts. He would have come down to the station immediately, but he wanted to pay his last respects to the deceased."

With those words, Patras Bagdonas, who had been in the living room, nervously stepped forward. His wife, Dalia, held his hand tightly.

"Patras Bagdonas," recited Sergeant Raymond, "you are charged with one count of cocaine possession, and you are being investigated for illegal entry into this country and the murder of Daniel Meehan. You will have to come down to the station with us. You have the right to remain silent. Anything you say may be held against you in a court of law. You have a right to an attorney. If you cannot afford an attorney, the State will appoint one for you."

Patras looked down, scared. The Miranda warnings recited by Sergeant Raymond might reassure the average American that due process would be carefully observed, but to Patras, struggling to understand it all, it was just part of the bewildering experience of being arrested.

"Sergeant," said Blackstone, "I am Patras' attorney. I'll go with him to the police station." Then Blackstone turned to Patras and Dalia. "Don't worry. I won't stop until I find out who killed Danny Meehan."

Despite any language barrier, Blackstone's words reached Patras, and for the first time, he looked up with a glimmer of hope and confidence as he moved forward to allow the police to take him into custody.

*CHAPTER TEN**Saturday, July 11, 1992*

Unlike many defense attorneys who simply stonewall police investigations by refusing to let their clients answer any questions, Blackstone allowed Patras to respond to certain areas of inquiry. Did he ever use drugs? How did the cocaine get there? How did he feel about Danny Meehan? Blackstone's strategy was to allow Patras' own innocence to shine forth so that the police would get the same innate feeling that Blackstone had that Patras simply could not have wanted to murder Danny Meehan. It was a strategy Blackstone could use only if he truly felt that Patras was innocent. But on one subject, how Patras got into the country, Blackstone would allow Patras to say only that the Soviet Union let him out of Lithuania and that's all Patras knew.

The police were somewhat swayed but ultimately unconvinced by Patras' answers. They booked him on cocaine possession. In the court room later in the day, the prosecutor attempted to deny bail on the ground that Patras, a suspected murderer, might flee. But once again, rather than choose silence, Blackstone coached Patras to say the right things.

"I came to this country because I want to live in freedom and start a new life with my wife, Dalia," said Patras to the court. "I know if I run away, then you have a right to send me back. I won't run away. I promise."

Bail was granted. Outside of the courtroom, television cameras and reporters waited. Apparently, the Washington Post story on Blackstone's had made him a target of media interest. Blackstone had not expected this, and his first instinct was to protect Patras who had stood up so far remarkably well but was now showing signs of distress.

The first reporter shoved a mike into Blackstone's face, "Is it true that Tracy Daulton's golf partner was murdered, instead of killed by lightning?"

"I don't know, is it?" responded Blackstone testily. He tried to push on, but his way was blocked by a second reporter who held a videocam.

"It's been said you have special sources for solving your murders. Would you tell us who they are?" asked the second reporter.

"I really don't know what you're talking about, and if I did have special sources, I'd protect them, just like you protect your sources."

"The reports say your client possessed cocaine and is in the country illegally. Do you think the way the police have treated substance abusers that you can get a fair trial in this country?"

This third question was the trigger. Blackstone blew up. "I have every faith that the Montgomery County police and prosecutor's office will give my client full due process. But will you! My client has done nothing wrong, but that doesn't prevent you from spreading everything possible about him! If any one of you even hints that my client took cocaine, you will be sued for libel in the morning! And before you start clucking about your First Amend-

ment rights, let me introduce you to another right in the Constitution. It's called the right to a fair trial! My client may go to prison for what you spread about him, so just shut up!!"

The microphones in Blackstone's face suddenly disappeared, and the videocams were now facing away or down. The reporters had not gotten what they wanted, but they did get something. Blackstone continued to escort Patras to his car, but once inside, Blackstone knew he had lost his cool. What had he been taught in law school about judicial temperament? No matter how people try to provoke you, there's nothing to be gained by losing your temper?

Blackstone dropped Patras off at his Gaithersburg apartment without saying much. He was moody and distant and losing it. Goddam Washington, thought Blackstone. It gets to you — all those cowards doing their dirty work with whispers and word processors.

While Blackstone had spent so much energy being strong for Dalia and Patras and Rosie and Mike, he hadn't realized how much this case had drained him. What's the matter with me, thought Blackstone. I'm F.F.V. — one of the First Families of Virginia. I can trace my ancestry to nine of the twenty-five barons who acted as sureties for Magna Carta. I'm the descendent of William Blackstone, the most famous lawyer in 18th century England.

But no matter how much Blackstone tried to motivate himself by citing the heroic examples of his forebearers, it was no use. Clearly, it was time to renew his batteries, even if it meant delaying the solving of the crime. What I need, thought Blackstone, is a good fight.

CHAPTER ELEVEN

Sunday, July 12, 1992

In a Maryland farm meadow in Frederick County on a glorious Sunday that promised to stay in the low 80s, the multitude gathered. There were knights and ladies, lords and peasants, merchants and clergy, all assembled for one purpose — to see the best and the bravest among them compete for glory and honor on the field of combat.

In truth, these were really Washingtonians engaged in play-acting, allowing their fantasies to run unleashed as a means of escaping their 9-5 work lives. Some worked for the U.S. government, many in high places. Others were professionals who thrive on government businesses — lawyers, consultants, lobbyists, engineers. Still others had jobs in businesses no different than one would find in any other metropolitan area.

They were members of SMR, the Society for Medieval Re-enactments. They each had a medieval name, and each was sworn to uphold the honor and secrecy of the society — not out of snobbery, but because it allowed them

to behave the way they liked and they knew it would not be circulated afterwards.

King Richard the Lion-Hearted (actually Dan Royer, a commercial artist for Congressional Quarterly) entered the lists with his lovely Queen Berengaria (in reality, Maria Maldonado, a program analyst at HUD) to the huzzahs of the adoring crowd.

"This day and the events hereto are dedicated to the Queen of Love and Honor, my most beloved Queen, Queen Berengaria!" cried King Richard. His proclamation was greeted with roars of shouts and celebrations.

"I thank you, my good King," said Queen Berengaria, "and to one of you among us shall go this day the chaplet of honor which your valor shall justly deserve." Queen Berengaria held up a coronet of green satin for the crowd to see. A sea of waving scarves and handkerchiefs indicated the crowd's approval. "Now," continued the Queen, "stand forth, all you gallant knights, and let fair eyes look upon your deeds!"

At the flourish of clarions and trumpets, the knights entered the lists. Blackstone, as Sir Lionel and defending champion, led the way. He was dressed in gray mail, with light armor, shield, and lance. His helmet and visor all but hid his face and his wavy, chestnut brown hair, but his blue-grey eyes shown through clearly.

Blackstone led his horse to the pavilion where the King and Queen sat, and once there, he turned toward the center of the lists, shield up. The emblem upon the shield depicted a fierce lion standing on his haunches, defending a giant black stone. This represented the long tradition of the English royalty, symbolized by the lion, to protect the Blackstone family, the keeper of the Anglo-Saxon common law, from all trespassers.

Blackstone waited to see if any challengers would appear. Presently, a tall, lanky young knight with waves of long, black hair jutting out below his helmet, approached Blackstone. "I, Sir Lionel, am Sir Reginald du Bois, and I hereby challenge you!" At that, Sir Reginald (actually Bill Roberts, a lawyer for the Library of Congress) touched Blackstone's shield lightly with the reverse of his lance, and then retreated to the far end of the lists, awaiting the call to begin.

Blackstone took his place at the other end of the lists. This would be a mighty challenge, thought Blackstone. Sir Reginald is two inches taller and has greater arm extension and he handles his horse deftly. It's a good thing I've kept up with my workouts. Blackstone noticed the unusual emblem on Sir Reginald's shield — a three-quarter circle of ferrets, looking like the letter *c*, with each ferret's mouth biting the tail of the ferret in front of it. They were on a field of blue with a thin gold band forming a circle around the ferrets. Hmph, thought Blackstone, a large *c* with a circle around. Could you imagine a more inviting target? He must be mocking me.

King Richard threw down his truncheon, the trumpets blared, and the

joust began! Sir Lionel and Sir Reginald (for that's whom Blackstone and Bill had truly become) rode their brave steeds the length of the field straight at each other, but when they passed, neither man could so position his lance-point as to make any mark upon the other. The first ride ended in a draw.

Both Sir Lionel and Sir Reginald made mental adjustments in time for the second run. Again, the trumpets blared. The champion and the challenger sped at each other, and with ultimate concentration their lances found their targets. Both of them had been hit by the other, and their horses reared and whinnied in protest. If either man fell off his horse, the other would be the winner. But with true horsemanship, both knights held miraculously to their steeds, regained their composure, and retreated once more to the far end of the lists. The second ride had also ended in a draw.

There would be only one more encounter, and if Sir Reginald did not win, then Sir Lionel would retain his honor. The horses were allowed some time to regain their breath. Once more, the trumpets blared. The knights raced directly at each other. Sir Lionel lunged his lance at Sir Reginald, but Sir Reginald avoided the blow. It looked like neither knight would hit the other, but just as Sir Reginald recovered from Sir Lionel's advance, Sir Reginald gave a backward swing of his lance, and knocked Sir Lionel's helmet off. It was a hit! And enough to make Sir Reginald the winner of the joust!

Sir Reginald cast aside his lance and lifted his helmet to acknowledge the admiration of the crowd. His horse slowed to a trot, then Sir Reginald spurred his horse to gallop around the enclosed arena in victory. The multitude cheered mightily.

It was Sir Reginald's intent to make one last turn of the lists and end up in front of the King and Queen. But as he spurred his horse to greater speeds and sharper turns, his horse stumbled. Sir Reginald was thrown, but not entirely. His left foot still dangled in the stirrup. His horse, confused and threatened, reared. Sir Reginald's leg was now free, but he was in greater danger of being trampled.

From the far length of the lists, Sir Lionel saw Sir Reginald's peril. He commanded his horse to travel 100 yards at full tilt. Surely, this was a fool's command, for how could the horse stop from going through the fence and into the crowd, traveling at such speed? But barely a few feet from Sir Reginald, Sir Lionel's masterful control of his horse became evident. In a split second, he halted his horse so completely that it resembled no more than an equestrian statue. Then extricating himself from his stirrups and landing in one fluid motion, Sir Lionel asserted his dominion over Sir Reginald's horse which quickly calmed down to a state of quiet repose.

The threat was over. Sir Reginald was safe, suffering no more than a twisted ankle. Sir Lionel helped Sir Reginald onto his horse once more, and together they trotted to the pavilion where the King and Queen sat.

"Hail, Sir Reginald," said Queen Berengaria. "You are our new cham-

pion and to you goes the chaplet of honor." At which, Queen Berengaria placed the chaplet upon Sir Reginald.

"But greater than victory was the courage and skill shown this day by Sir Lionel," said King Richard. Cries from the crowd of "Largesse! Largesse!" filled the lists.

Sir Reginald bid the crowd to quiet. "The throng have shouted what my heart has commanded. Sir Lionel, I owe you my safety. There shall be no ransom in respect of my victory. Your horse and your armor are yours."

"No, this I cannot allow," said Sir Lionel. "What I did for you I did as any knight pledged to chivalry would do. It is only mete and proper that I labor to regain my arms from you, the champion this day. This I insist upon, and this I will do."

Sir Reginald and Sir Lionel shook hands and turned to depart. Sir Reginald's squire raced to Sir Reginald's side to lead his horse away and give Sir Reginald's ankle the attention it needed. At the same time, Sir Lionel turned his horse to leave the lists.

It was up to King Richard to close the proceedings, praise the combatants, and bid the crowd more fun and revelry for the remainder of the day.

Blackstone chuckled as he left the arena. Just one day ago, he was so angry with the reporter who was trying to find out who his sources were. Now it just made him laugh to reflect that it was these bunch of crazy play actors who had provided so many of his breakthroughs in the past. There was something enervating about creating a society devoted to honor and courage and love, even if it was only make-believe, and saying those words did have a way of knitting these disparate people together, both here in this meadow and in real life.

Blackstone didn't mind that he lost to Sir Reginald. He had had his good fight. Now it was time to find his murderer.

CHAPTER TWELVE

Monday, July 13, 1992

A refreshed Jameson Blackstone arrived at his downtown office bright and early Monday morning, ready to tackle his case.

Already waiting for him were two messages from Rosie O'Reilly. Message one — Danny Meehan's jewelry was appraised for \$15,000. Message two — the baseball cards in the box that represented all that was left of Danny Meehan's card business were worth \$4,500. Fast work, thought Blackstone. Rosie must have gotten those appraisals on Saturday while Blackstone was bailing out Patras. But all in all, still no motive for murder that he could see.

Blackstone turned his attention to legal research. First, he called up on his computer all precedents relating to selling the copyright in a song.

Just as he thought, the Supreme Court said in 1943 in *Fred Fisher Music*

Company v. M. Witmark & Sons, if a composer sells both his first term of copyright and his renewal term of copyright, he's stuck with the deal he made. There's no getting the copyright back.

Blackstone checked to see if the precedent had been modified by any later cases. The computer showed nothing. The precedent's still good, thought Blackstone. But maybe there was something in the contract. Mental note, call Rosie and get a copy of the contract.

Then Blackstone accessed through his modem a computer service that would list the current financial conditions of all public corporations in America. That pharmaceutical firm, MediCure, which was trying to market LessCholes, was it completely bankrupt? No doubt about it. It went out of business in 1973. It's dead as a doornail.

Maybe there was something in the buy-out of the video store, or of the baseball card business. Or maybe the appraiser misjudged one of the cards because the hitter was swinging from the wrong side, or had his cap on backwards.

Right, thought Blackstone, and maybe I can grasp at straws for months working this angle. This isn't it — unless — what did they say all the time in law school? A good lawyer pays attention not only to what the evidence says, but what it doesn't say. Could that apply here? Let's take another look at . . .

In the midst of Blackstone's thought, the phone rang. It was Sir Gilbert. "Sir Lionel?"

"Yes, Sir Gilbert. How fare ye this day?"

"I have this morning returned from the INS building," said Sir Gilbert. Then, switching from "medieval" English to modern, Sir Gilbert continued. "This Patras Bagdonas you're interested in. He's in a bit of trouble. The INS people are looking into his visa and for one thing, the birth date on the visa is all wrong. It says he's only 22, but he's got to be at least 28, according to INS. What's more, the INS thinks he failed to report a crime he committed in Lithuania. And I guess you know the police are swarming all over his file. I had to wait to get my hands on it."

"It's what I might have expected," said Blackstone. Then, remembering his "medieval" English, "Thank ye, Sir Gilbert. Your excellent efforts have this day earned the ransom that was owing for your loss at the games. I look forward to more encounters and good feasting at the Battle of Hastings."

"At least there we will fight side by side against the Saxons, instead of against each other. Good day to you, sir."

Blackstone hung up the phone, chagrined. It looked to Blackstone that the INS and the police were closing in on Patras. First, a wrong birthdate (no doubt Patras' brother was six years younger), then an unreported crime (Patras' brother must have been as much a hothead as Patras), what next? Probably something that will blow Patras' story wide open. Then no one will

believe Patras didn't kill Danny Meehan. I've got to work faster, thought Blackstone. Or at least smarter.

Sandra, the suite secretary and receptionist, walked into Blackstone's office. "This videotape," said Sandra, "was just dropped off."

"Who's it from?"

"There was no message attached to it."

"Did you recognize the courier?"

"Not any of the regulars I know."

"Thank you, Sandra."

Sandra was right that there was no message attached, but there definitely was a message inside the jacket of the videotape. It read, "Watch this video and you'll discover who murdered Danny Meehan."

Blackstone immediately put the video jacket in plastic, hoping that perhaps the fingerprints of the person who sent the video were still on the jacket. Then gingerly holding the cassette by the corners he inserted it in the suite's television set.

First there was snow on the screen, then a jumble, then a clear image of network coverage of a golf tournament. The announcer was explaining to the audience that they were watching the Ladies Professional Golf Association in beautiful Myrtle Beach, South Carolina on a lovely April day.

Then the image fast-forwarded. The screen showed Tracy Daulton finishing a swing and her ball rising high and far down the fairway, one bounce onto the green, and rolling relentlessly toward the hole, until with one last turn of the ball, it managed to fall into the cup. The announcer became ecstatic, "What a remarkable recovery shot! Tracy Daulton, having blown her first shot and having landed in the rough, leaving her with a nasty downhill lie, nonetheless has managed to blast herself out of trouble. She even put a bit of a draw on the ball — which as you know, is extremely difficult with a downhill lie — so that her ball curved ever so nicely onto the green and into the 14th hole for two below par — an eagle!"

The television camera, having covered the flight of the ball, returned to Tracy for a reaction shot, but the reaction was not one of triumph. She was placing her club back in her bag and there was Danny Meehan with a camcorder, talking to her vehemently. Tracy attempted to disregard Danny by handing her club to the caddy, but then turned to Danny and said something that was not caught by the television mikes. The video froze at that point.

Next, Blackstone saw on the video a crudely made sign which asked the questions: "What was Danny Meehan saying to Tracy Daulton? What was her answer? Don't you want to find out?"

The video was not finished. After a second more of jumble, it moved forward to a victory celebration by Tracy Daulton, and her interviewer asking her to what she attributed her remarkable finish. Tracy responded that it

was the eagle on the 14th hole that turned everything around, and it was all due to the superiority of her clubs which gave her the control she needed to execute such a difficult recovery shot.

More jumble, and now on the screen was a report on CNN that Premium Clubs had asked Tracy Daulton to endorse their new line of golf clubs based on her splendid victory in Myrtle Beach. The report finished by noting that Tracy was expected to sign the contract, worth hundreds of thousands of dollars, sometime in August.

The video ended with another crude graphic that commanded: "Jameson Blackstone. Ask Tracy Daulton about her contract and why Danny Meehan did not want to be there at the signing." Then there was nothing but snow on the screen.

Blackstone watched the tape a few more times, and mused. Someone is definitely trying to manipulate me, but what else do I have to go on? Fine. I'll do what the tape says. Where do I find Tracy Daulton?

* * * * *

Once more, Blackstone's LeBaron made the turn into the long approach toward the Potomac Golf and Country Club. A few phone calls had elicited the information that Tracy was doing what every professional golfer must do — working several hours a day perfecting her game.

Blackstone asked for Tracy's whereabouts at the clubhouse, and was told she was at the driving range. Blackstone left the clubhouse, went past the club bulletin board which had a large notice posted on it, and made another left. There was the driving range, 50 yards ahead and down a small hill, with many golfers concentrating on their shots.

Could there be any doubt which one was Tracy? Although not wearing her pink golf shirt this time, she was just as dazzling in an off-white top that had wide short sleeves and a sloping neckline. Gathered at the waist with a thin brown belt, it showed her form off to perfection.

Tracy was concentrating on her 9-iron shots when Blackstone approached.

"Ms. Daulton, do you have a moment?" asked Blackstone.

"One second, please." Tracy swung her 9-iron and her ball sailed down the driving range and fell 10 yards to the left of a chalk circle that was about 100 yards out.

"You turned your body a little to the left," commented Blackstone.

"I know," responded Tracy. "I know whenever I do something right and I know whenever I do something wrong. Now, what can I do for you?"

"I'm Jameson Blackstone . . ."

"Of course, I remember you from the afternoon Danny died," said Tracy with some cordiality. Then sharply, "It's about time you showed up. How long does it take you to work a case?"

"That's a switch. Most people don't want to see me."

"Mr. Blackstone, I'm supposed to be in Oregon right now. This time of year, there's a tournament every week, and I'm losing money by not being there. But your Sergeant Raymond told me not to leave the jurisdiction until this matter's cleared up. So the faster you do your job, the faster I can get back to mine."

"Is there some place we can sit down?"

"There's always Danny's office."

Tracy and Blackstone returned to the clubhouse and entered a tiny cubicle of an office that Danny Meehan used to work out of. It still had many of his trophies, plaques and photographs. Apparently, there had been no rush to clean out the place since his death. Tracy sat behind Danny's desk, while Blackstone pulled up the only other chair in the room.

"Ms. Daulton, if you really want me to do my job fast, let me get to the point. What was your interest in Danny Meehan?"

Tracy hesitated, and then said evenly, "I was going out with Danny. I was very fond of him."

"That's all? People say you were very close to getting married."

"We might have been."

"Don't you know? I thought you knew everything — when you do something right and when you do something wrong."

Tracy shot Blackstone a stern glance for that bit of sarcasm, and then regained her composure. "Yes, Mr. Blackstone. We were going to get married."

"But after he died, you showed no emotion. I want to know why, and I don't want to hear a speech about women's liberation. I want the real reason."

Tracy abandoned her control and spoke directly, "Mr. Blackstone, my father taught me everything about golf and about life, and one thing he told me was that no matter what happens on the last hole, you just leave it behind and go on. You'll never get another birdie if you're still thinking about the double bogey you just had."

"I see. Golf and life. They're exactly the same."

"You bet. It's all a mental game, no matter what you're doing. Master your emotions, gain control of yourself, and there's nothing in golf or life that you can't have."

Blackstone was impressed by Tracy's obvious belief in what she said. "That's what your father taught you?"

"Every day of my life. So I left Danny behind, just like I leave my holes behind, the good ones as well as the bad."

"At least you admit Danny was one of your better holes."

"Yes, he was." As she said this, Tracy was absent-mindedly holding a plaque that Danny won in 1989.

"All right," said Blackstone, accepting for the moment Tracy's explanation, "You liked Danny, so why did you make it appear that you were marrying him for his money?"

Tracy was incredulous. "You mean his wife's jewelry?"

"He changed his will right after meeting you."

"I didn't ask him to do that. He did it because Rosie was bugging him after his heart attack to take care of things."

"But you're accepting the bequest."

"Yeah, I'm accepting it. Don't get the idea that just because I'm number 26 in the country, that I'm swimming in money. Do you know how much it costs to enter a new tournament every week? The hotels, the travel. I don't have any sponsor, or a rich husband. And if I miss the cut, I don't get a dime. When I started, my father pushed me. Then he died, and I spent a few years sharing a Winnebago with two other female pros, and we drove to each event. Yeah, now I'm coming into the money. But how long does that last? No, I'm accepting the jewelry and I'm cashing it in as fast as I can."

"Money's important to you."

"It's important to everyone."

"But it's really important to you. You don't want to go back to Winnebago and hoping to make the cut. Now, one more time. Why did you want to marry Danny?"

"I told you already. I was fond of him."

"I don't buy it! You're a beautiful woman. He was paunchy and over the hill. Someone like you should be seeing Johnny, not Danny."

"Johnny's a boy with more complexes than Freud would know what to do with. I'm interested in men, Mr. Blackstone."

"And Danny Meehan was your man?" asked Blackstone, exasperated. "Was he your man before or after the Myrtle Beach tournament?"

The question hit home to Tracy. Her face was immobile, noncommittal, but her eyes were darting in all directions, the sole clue to indicate that Tracy was desperately calculating what she should say or do next.

"I'm waiting, Ms. Daulton," said Blackstone, "for your answer. My client's freedom may depend on it."

Tracy made her choice to come clean. "I did not kill Danny Meehan, Mr. Blackstone, so if I tell you what was really going on, I'm doing it to show my innocence, not my guilt."

Blackstone indicated that he was ready to listen and he could be trusted. Tracy continued, "I first met Danny after his heart attack. I thought he was OK, but he thought I was terrific. He kept asking me out. I figured his heart attack gave him a real sense of his mortality and I was nothing more than his link to youth. But he was good for contacts, so I went out with him."

"When I had my tournament at Myrtle Beach, Danny wanted to come along. The walking was just what the doctor ordered for his recuperation."

"The 14th hole was my big hole. I scored an eagle on my second shot. I was thrilled, but then Danny came over to me and claimed I cheated. I told him I didn't. All I had done was clear away some of the twigs from around my ball, which is perfectly legal. Danny claimed that when I cleared away the twigs, my ball moved, and that I had to mark myself down for another stroke. I swore I didn't move the ball."

"Later on, I saw the videotape from his camcorder and Danny was right. I did move the ball. But by then it was too late. I had won my first tournament in two years and all of a sudden I was getting offers to endorse a new line of golf clubs."

"Danny never let up on me, even after the tournament. He kept saying how professional golf was the last sport based on honor, and it was my duty to report the extra stroke."

Blackstone interjected, "But the hundreds of thousands that was coming your way for the endorsement — you couldn't jeopardize that."

"No, I couldn't," said Tracy, "but Danny didn't understand. It was then I started to play up to him. Make him feel good."

"Even marry him?" asked Blackstone.

"Danny said he would never report me, but if anyone ever asked, he would have to tell the truth. So I went to my lawyer, and he advised me that if I married Danny, I could get spousal immunity. In other words, I could prevent Danny from ever testifying against me if I was sued by Premium Clubs or investigated by the LPGA."

Blackstone was taken aback by this revelation. "Are you sure that's what your lawyer told you?"

"Yes."

"Who's your lawyer?"

"Charles Levine. Do you know him?"

"One of the best. And he gave you this advice?"

"Yes."

"And that's why you say you wanted to marry Danny Meehan?"

"Absolutely. So you see, Mr. Blackstone, my behavior has been hard to explain, but now that you have the explanation, you can tell that I'm no murderer."

"Just a woman who's a little mercenary, a little dishonest, and a woman who's on a path to get what she wants."

"Exactly," said Tracy as she gazed into the photo of Danny Meehan from a 1987 club tournament.

"It's a strange self-image you prefer for yourself," said Blackstone. "Someday, Ms. Daulton, your mastery of your own emotions might just crack a little, and you'll allow yourself to look inside and find out just who Tracy Daulton really is."

"Do you know who Tracy Daulton is?"

"Haven't a clue," said Blackstone. "But I'm not done with you. There are holes, some bad ones, in your story, and unlike you, I don't leave the bad holes behind. If you want to know what I think, Danny threatened to tell the officials you cheated, so you pretended to want to marry him, but when he kept threatening you, you killed him. That's what I think."

Blackstone rose and left Tracy sitting in Danny's old office. Tracy acknowledged slightly Blackstone's leaving, but it was clear that Tracy was still gazing at the photo of Danny Meehan. Blackstone noticed the disconnect between Tracy's words and her handling of Danny's memorabilia throughout their conversation and wondered whether he would ever understand her.

He was still wondering as he left the clubhouse and made the turn past the bulletin board with the large notice on it. But as mentally preoccupied as he was, this time he saw the notice, and what it said made all the difference in the world.

CHAPTER THIRTEEN

You dummy, Blackstone said to himself, as he ran to get into his car and drive into D.C. just as fast as he possibly could. You were concentrating so hard on what was in Danny Meehan's estate, that you never thought about what wasn't in his estate. Remember what they said in law school? You have to look at what the evidence doesn't say as much as what it does say. So much for a Georgetown law education.

Blackstone drove as much above the speed limit as he dared, trying to make downtown before lunchtime, and all the time he was thinking about what Mike told him about the club notice. It was a very illuminating conversation. Just a few blocks below Dupont Circle at 19th and N Street, Blackstone parked his LeBaron and entered a corner townhouse which had been converted to offices whose sole occupant and owner was the lobby group, *A Better America*.

Blackstone walked up the ramp through the front door and noticed that everything about the townhouse spoke to *A Better America's* values — handicapped-accessible, signs in each corridor indicating no smoking, and recycling bins for paper, aluminum, plastic, and glass at every turn.

But the only thing that interested Blackstone at this moment was the location of Kyle Richards' office, which he quickly found. The secretary asked Mr. Blackstone what he wanted.

"I'd like to speak to Kyle Richards," Blackstone said in a tone which meant business.

"He's in a meeting," the secretary responded.

"My name is Jameson Blackstone. This is very important. Now I'm going to write something down on a piece of paper. I want you to go into the meeting and hand it to him, and I won't take no for an answer."

While the secretary was trying to explain to Blackstone that she couldn't

possibly interrupt Mr. Richards, Blackstone wrote his note and handed it to the secretary.

The secretary read it out loud, "Aeschynomeme Virginica?"

"That's close enough," said Blackstone, "but you pronounce the first syllable 'esk', not 'esh'. Now go give it to him, or I will go straight into that meeting myself."

The secretary gave Blackstone a look of great indignation, but nonetheless did what Blackstone told her to do.

Within moments, a red-faced Kyle Richards walked briskly into the center of the suite, and then ushered Blackstone into the privacy of his office.

"Mr. Blackstone. I didn't know it was you out here. I'm so glad you could come by."

"Aeschynomeme Virginica. You know what it is?" said Blackstone.

"Excuse me?"

"Aeschynomene Virginica. Otherwise known as the sensitive joint-vech. It's a rare legume that grows six feet tall and has yellow flowers. It can only grow along rivers that are close enough to the coast to be influenced by the tides, yet far enough upstream to have fresh water. In otherwords, it can only grow right at the spot where the Potomac Golf and Country Club is."

"That's very interesting, Mr. Blackstone," said Kyle. "As you know, we have a commitment here to the environment."

"Do you? Have you seen this notice that was posted on Potomac Golf and Country Club bulletin board?" Blackstone showed him the notice. "There's to be a meeting of the board to consider selling undeveloped portions of the lands owned by the club to a consortium of real estate developers."

"So?"

"So they couldn't have held that meeting so long as Danny Meehan was alive. He held a life estate in a portion of that land, and he was adamantly opposed to the club selling it. And why? A rare legume with yellow flowers that Danny didn't want to see destroyed. But now that Danny's dead, they're going ahead with the sale, and you, Mr. Richards, are a part of that real estate consortium!"

Kyle Richards sat there with nothing to say. Then he made a motion out of his seat, heading for the door. "Excuse me," said Richards, "I have a meeting to go to."

Blackstone blocked the doorway and pushed Kyle Richards into the nearest seat. "Oh, no, you're not going to feed me that bureaucratic bullshit. You're not leaving this room until I get some answers."

"I'm not part of any consortium . . ." started Richards.

"The truth, Mr. Richards. I want the truth. I've already confirmed

from my sources that you're in with the developers. Now what I want to know is, are you just some hypocritical lobbyist, or are you a murderer?"

"I'm no murderer."

"My guess is that you are. The Department of the Interior has a notice out. They're ready to declare the sensitive joint-vech an endangered species. Your group had to act fast if that land was ever allowed to be developed. But as long as Danny lived, you were frustrated. How frustrated were you, Mr. Richards?"

Kyle Richards started to sweat. Abandoning all attempts at evasion, he blurted out his explanation. "Look, I told you the truth. I'm not part of any consortium. But I was approached by developers to convince Danny to vote to sell the land. They figured if Danny heard it from someone with my environmental credentials, he'd go along.

"Did they offer you a contingency fee or a cut of the deal?"

"Contingency."

"How much?"

"Enough to buy my first house in Washington. I told Danny there were plenty of other joint-vech populations in Pennsylvania, Delaware, the Carolinas, but he wouldn't buy it."

"So you killed him!"

"No! I would never do that! I swear. I believe in non-violence, now and always. No, I tried to convince him as a lobbyist would, with precedents, cases." Kyle had an idea. "Where's my file?"

Kyle was nervous, his hands shaking. He clearly wasn't able to locate anything in his current condition. "If I could just find my file, I can show you how I tried to persuade Danny."

Before Blackstone could say anything, Kyle was on the intercom, "Donna, could you bring me *Lujan v. National Wildlife Federation*. It's a 1990 case."

Donna replied over the intercom. "I'm sorry, Kyle, but we're having computer problems. Every Supreme Court case decided in 1990 is just not coming up on the screen."

"Did you try both Lexis and Westlaw?" asked Kyle.

"It's the most amazing thing," said Donna. "Both legal research services are having the identical problem."

Blackstone listened closely to this news.

"When will they have it fixed?" asked Kyle.

"They're looking into the problem right now."

Kyle clicked off the intercom, still nervous, and still trying to defend himself against Blackstone's accusation. "Wouldn't you know it. Just when I look for a case, a computer bug won't give it to me. But let me show you our main file . . ."

"Forget it!" Blackstone said sharply.

“What?”

“I said forget it. We’ve got more important things to do — like find out what the Supreme Court decided in 1990 that someone doesn’t want anyone to know about. Where’s the nearest law library?”

“There’s one at the Federal Communications Commission, just a block from here. Sixth floor.”

“Let’s go.”

Blackstone and Kyle entered the sixth floor law library of the FCC and went straight for the printed volumes of the U.S. Supreme Court cases.

“Take a seat,” said Blackstone to Kyle, handing him the second set of Supreme court volumes. “No matter how long it takes, we’re going to read every case decided in 1990.”

The two of them sat down to what promised to be a lengthy vigil.

* * * * *

Three hours later, Blackstone was on the phone to Bill Roberts (otherwise known as Reginald du Bois) at the Library of Congress. “Sir Reginald.”

“Yes, Sir Lionel.”

“I have a 1990 case I must ask you about. Are you familiar with *Stewart v. Abend?*”

“Indeed, I am.”

“And did it reaffirm a 1960 case, *Miller Music v. Daniels?*”

“It sure did.”

“Then I have just discovered who the murderer of Danny Meehan is.”

CHAPTER FOURTEEN

Tuesday, July 14, 1992

The next morning at 10 a.m., Bill Roberts made a phone call from his office to Blackstone.

“Sir Lionel?”

“Yes, Sir Reginald.”

“Your suspect is here, just as you predicted.”

“Good. Have someone call the police, while you take care of our suspect’s business — as slowly as you possibly can. In the meantime, I’m on my way.”

Jameson Blackstone jumped into his LeBaron, and in less than 15 minutes, he made his way from downtown to Capitol Hill where the Library of Congress is located. In less than 3 minutes, he was on the fourth floor of the Copyright Office, a division of the Library of Congress.

Slipping through a side door, he made his way unnoticed to Bill Roberts’ office, where he spotted Bill returning from the photocopying machine.

“Bill,” asked Blackstone, “what have you got for me?”

"It's everything you wanted, responded Bill. Here's the copy of the registration form. And the receipt. I'll let you handle it."

Blackstone took the receipt and the registration form and walked casually to the front of the office.

"Yes, sir," said Blackstone, "everything's in order. Here's your receipt for the \$20. The copyright renewal for *The Story of Daniel Boone's Dog* is all yours — Mr. John Meehan."

Johnny Meehan looked up and his face turned ashen. He was expecting that guy from the Copyright Office, not Jameson Blackstone. His heart was pounding now and all he could think of was to run — bolt — get out of there as fast as he could.

"Johnny, wait!" cried Blackstone. But it was too late. Johnny Meehan was racing down the hallway. "Bill," cried Blackstone, "get the police!"

"Don't worry," said Bill, "the police have all the exits blocked." But Blackstone didn't hear Bill's last remark. He too was racing down the hallway in pursuit of Johnny.

Blackstone arrived at the elevator just as Johnny got on, but it wasn't a down elevator. It was an up elevator. Blackstone saw it go to the sixth floor. At that moment, Bill arrived at the elevators in hot pursuit, "Have you spotted him? Do you know where he's going?"

"Bill, what's on the sixth floor?"

"Conference rooms, the cafeteria. Why?"

"Johnny isn't trying to go down. He's trying to go up."

"That doesn't make sense."

"No time for sense. Where're the stairs?"

Bill indicated that the stairs were close by and Blackstone vaulted them, three steps at a time. Bill, whose ankle was still sore from the medieval tournament, took the next elevator. In a few moments, they were both on the sixth floor, with no idea what to do next.

Where could Johnny be? What direction should they try? Think. What could Johnny be trying to do?

Suddenly, a muffled sound came from the direction of the conference rooms. Off they went, Bill and Blackstone. To the far end of the cafeteria was the West Dining Room, used for conferences and special luncheons. The sound had come from there, where 20 officials from the People's Republic of China were attending a seminar offered by the Copyright Office on copyright law.

Blackstone scanned the room. He didn't see Johnny, but what he did see were the men and women from China in a state of uproar. Bill showed up a few seconds behind Blackstone and he spotted Marybeth Peters, the American leader of the seminar.

"Marybeth," asked Bill, "did you see a man —?"

Before Marybeth could answer, the Chinese officials, to a man and woman, began gesturing frantically toward the window.

"Bill, I don't know what in the world happened," said Marybeth, "We were taking a break, enjoying the view of Washington, when this man came racing by. He's out there, on the balcony."

Blackstone stepped forward, "I'll handle this. Bill, tell the police to send some men upstairs."

Blackstone stepped carefully through the glass doors and onto the 6-foot wide balcony that graced the sixth floor of the Copyright Office, while Marybeth Peters and the Chinese delegation looked on.

"Don't come any closer!" warned Johnny Meehan, standing at the corner of the balcony, with his arms clutching the railing.

"Johnny, I didn't mean to frighten you like I did," said Blackstone. "But there's some questions I've got to ask you."

"What's the use? I'm no good! I'm just no good!" sobbed Johnny.

"Take it easy, man. Let me help you." Blackstone attempted to inch forward toward Johnny.

"You just stay away from me, Mr. Know-It-All Lawyer, or I'll jump!" cried Johnny.

Blackstone retreated. "Look, Johnny, I'm backing off. See. I'm a good 50 feet from you. I'm no threat to you, Johnny. Can't I help you?"

"You can't help me. No one can help me." Johnny made a move as if he was about to jump.

"Wait! Johnny! It can't be as bad as all that!" cried Blackstone.

Johnny turned in Blackstone's direction. "Do you know what the last thing my father said to me was? 'I just want to love everyone and I want everyone to love me.' And what did I do? I killed him! I killed him! I'm just no damn good!"

Johnny turned back toward the railing. It was clear that he was going to jump. Blackstone made his decision as to what he must do. He yelled, "Johnny" one more time to delay him, then rushed at him full tilt.

Marybeth yelled, "He's heading straight for the railing. Is he crazy?"

But despite the momentum of his own body, Blackstone was able to stop perfectly still at the edge, and in one fluid motion, he grabbed Johnny and pulled him from the railing. As Blackstone had done with his horse at the tournament in rescuing Bill Roberts, he did by himself on the balcony of the Copyright Office. And who said, thought Blackstone, that the fantasies of make-believe don't come true in real life?

Blackstone dragged a sweating, frantic Johnny Meehan back into the conference room. By now Bill had gotten the police.

"Get me some water and a towel," said Blackstone. Marybeth went to the set-ups at the back of the room, and returned in a few seconds with a glass of water and a cloth.

"Here, Johnny," said Blackstone. "Drink this."

Johnny drank.

"Am I going to jail?" asked Johnny.

"I'm afraid so," responded Blackstone.

"I didn't want to go to jail. I never wanted to go to jail," said Johnny in anguish. "But the Federal Election Commission. They found out about the money I skimmed off the top in the campaigns I worked." Now Johnny's words were spilling out. "They told me if I didn't replace the money, I'd be going to jail for a long time."

"That's OK, Johnny. Everything's all right. Just take your time." Blackstone gave Johnny another sip of water to drink.

"So then a man from the music company that bought my dad's song visited me. He said he wanted to buy my interest in dad's song for \$2,000. I said, what interest? My father sold that song. Then he explained that to sell the renewal, my father had to live to the time renewal arrives. Otherwise, it goes into his estate."

"You didn't accept the \$2,000, did you?"

"No. The man tried to convince me that it was just a precaution, that of course dad would live until renewal. But what's \$2,000? I heard they were going to make a movie out of *The Story of Daniel Boone's Dog*, and maybe a television series. There were big bucks to be made from that song."

"Enough bucks to replace the money you stole from the campaigns."

"It was unfair. That song belonged to my father, but while he was alive, none of us could get it back. But if he was dead —."

"Then all your problems would be solved."

"I never wanted to kill him. I didn't know anything about poisons. But it was almost renewal time and I had to act fast. So I asked myself, what would happen if I fed him some cocaine? Maybe he would get a heart attack and no one would know."

"Someone would always know, Johnny, even if it was just you."

"I just didn't want to go to jail. I just didn't want to go to jail."

"Funny. That's exactly where you're going." Blackstone rose and indicated to the police that they could take Johnny into custody. As he left the conference room filled with police, Chinese copyright officials, Marybeth Peters and Bill Roberts, all was quiet except for the sobs, "I'm just no good. I'm just no goddamn good."

EPILOGUE

Saturday, July 18, 1992

"Okay, Blackstone," said Mike, "I'll admit it. You solved another case and this one in record time, but I got a fist full of questions for you." Mike poured the last drop of wine from the wine bottle into Blackstone's glass and motioned silently to the waiter to bring another bottle to the table.

“Oh,” said Blackstone, “I thought you invited me and Patras and Dalia —”

“— And Rosie,” said Rosie.

“— And Bill,” said Bill.

“— I thought you invited us all to your private dining room at good old Potomac because you were grateful. I didn’t know I was going to have to sing for my supper.”

“Ah, that you are, my boy,” said Mike. “And ‘sing’ is just the word for it. For one, I don’t understand this copyright renewal business. Explain it to me again.”

The waiter returned with a fresh bottle of wine. “It’s like this,” started Blackstone. Then Blackstone reflected, “Bill, you’re the copyright lawyer. You tell him.”

“You see, Mike,” said Bill, “the Copyright Act of 1909 gave an author two terms of copyright, each one to last 28 years. But the Act says that the author can only get the second 28 years if he is living at the time of renewal. Otherwise, it belongs to his wife, or his children, or his estate.”

“But he sold his copyright,” said Mike.

“Yes, he did,” said Bill, “but all he could sell was the first term of copyright, and an expectancy for the second term of copyright. He couldn’t sell the second term outright, because he couldn’t guarantee that he would live to see the second term.”

“This is crazy,” said Mike. “You mean that’s what the law says today?”

“No, Mike,” said Bill. “Congress changed the law, starting in 1978. Any work of art created from 1978 on belongs to the author for his lifetime plus fifty years, and if he does sell it, even if he sells it outright, he or his estate can revoke the sale after 35 years, no questions asked.”

“So you see,” said Blackstone, “this business of the child hoping his parent doesn’t live until his renewal term so he can get the copyright back is only true for copyrights secured before 1978.”

Mike scratched his head, trying to understand it all. “So until the year 2005 or so, we can have more Johnny Meehans looking to knock off their fathers? What a motive for murder!”

The waiter came to the table and asked whether they were ready to eat. When he saw the enthusiastic nods, the waiter quietly served the best of Potomac Golf Club’s fine cuisine.

Mike dove into his steak with abandon, but even while he was chewing noisily, his mental wheels were still spinning. He couldn’t help but ask while he was chomping, “But Blackstone, you’re the finest lawyer I know. Why didn’t your research tell you all this immediately?”

“Mike, as you know, I went straight to my computer, but all my research revealed was the 1943 Supreme Court case that said an author could sell both terms of his copyright, and when I asked the computer if the

Supreme Court had issued any further opinions on the question, it said no. What I didn't know was that in the meantime Johnny had entered a computer virus in both Lexis and Westlaw."

At that point, Rosie interjected. "Johnny was really clever when he wanted to be. After the music publisher approached him, he found out that *Stewart v. Abend*, the 1990 Supreme Court case, had confirmed a 1960 case that explained how the child of an author could get back a copyright that the author himself couldn't get back. And he knew that Blackstone would find that out, so he blanked from both research systems all Supreme Court decisions from 1990 and 1960."

Blackstone resumed his explanation. "It was typical Johnny. He was a political consultant — really a dirty tricks expert — and this was the sort of dirty trick he knew how to do best. And just as typical, it was Johnny who sent me the videotape about Tracy Daulton, just as he used to send videotapes about his political opponents to the media during elections. And it was Johnny who put the cocaine pouch in Patras' golf cart."

Everybody at the table ate silently for a while, then Rosie sighed, "Poor Tracy. I just can't help feeling sorry for her. Blackstone, why did you think that she did it?"

"Because, Rosie, her story just didn't wash."

"Why not?" asked Rosie.

"Tracy said that the reason she wanted to marry Danny was to get spousal immunity so he couldn't testify whether she cheated. But you know as well as I do that spousal immunity is full and complete only when you're on trial for a crime. When it comes to a civil suit — one person suing another — spousal immunity doesn't apply if what happened occurred before the couple was married. And Danny and Tracy were not married at the time of the golf tournament."

"So did Tracy's lawyer give her bad advice?" asked Rosie.

"Charles Levine doesn't give bad advice," said Blackstone. "It's my theory that's what Tracy thought she heard because it played into her self-image as a woman in control of her destiny, and that's what she kept telling herself was her reason for seeing Danny. It never occurred to us mortals who are so hung up on looks, and it never occurred to Tracy who's the so-called master of her emotions, that maybe Tracy wanted to marry Danny because she really loved him."

Minutes later, the meal ended. The waiter cleared the table, then brought in a huge cake with candles on it.

"Is it somebody's birthday?" asked Dalia.

"Not quite," said Blackstone. "This is a cake of congratulations. Congratulations, Patras Bagdonas!"

Patras gave a look of "Who, me?" Rosie stood and went over to Patras and Dalia, giving them both a hug. "I've some wonderful news for the two of

you," said Rosie. "Remember the day of the reading of the will? I said there was no need to read the contingency clauses because everyone was present and well. Well, I think it's time I read you one clause in particular."

Rosie put on her glasses, pulled the will out from her pocketbook, and read, "'And in the unlikely event that John Meehan predeceases me or is for any other reason unable to accede to my estate, I give, bequeath, and devise the entire remainder of my estate to Rosie O'Reilly in trust to sell and dispose of same to benefit the music department of the college of her choice. May that college help someone like me who could write only one song.' I've talked with a local college about giving them Danny's song and whether they couldn't add a concert violinist to their faculty. They said they'd like to hear Patras play this week."

Dalia's face lit up. Unable to restrain herself, she leapt to her feet and hugged first Rosie and then Blackstone. "Oh, you've been so good to us! The two of you!"

But Patras Bagdonas was still seated, looking a bit glum and concerned. Blackstone went over to him. "I know what's bothering you, Patras. You're still worried about immigration. Well, I think it's time we got you into this country the right way."

"What do you mean?" asked Mike.

Blackstone smiled. "Dalia, you're Patras' wife. You're going to get Patras into the country."

Dalia shook her head. "But I told you, Mr. Blackstone. I'm not a citizen. I'm only a permanent resident."

"And I'm here to tell you, Mrs. Bagdonas, that the Immigration Act of 1990 changed all that. Now spouses of lawful permanent residents can immigrate under the family preference program just like spouses of full-fledged citizens."

For the first time in the two years since Patras Bagdonas entered the country, there was relief written all over his face. No more the sullen, nontalkative man everyone had know, now there was no stopping Patras from talking. Patras praised and blessed Blackstone in every way, shape and form, using every gesture known to man. Unfortunately, all his words were in Lithuanian, so not that much was understood. But this much got across — Patras was eternally grateful to Jameson Blackstone.

After one more bottle of wine, the fine meal at Potomac Golf and Country Club was over. Everyone said their fond farewells and called for their cars.

Blackstone got into his LeBaron and headed back to town, past the stand of *Aeschynomene virginica* which was now safe due to the Interior Department's designation of it as an endangered species.

Well, that case ended up all right, thought Blackstone, but it just goes to show you. There's too much reliance on computers these days. If it hadn't

been for what happened in Kyle Richards' office, I might never have unlocked the key to the case. Yes, sir, there's no substitute for the old methods. But doing legal research by hand takes time. And I'm just one man. What I need is an associate. That's it, an associate. Someone I can share the load of these cases with.

As Blackstone drove down George Washington Parkway, he kept imagining who his new associate might be. Being fair-minded, Blackstone would not eliminate any potential associate on the basis of race or gender, but somehow, just somehow, he knew exactly what she would look like.

THE END

**THE JOINT WORK DILEMMA: THE SEPARATELY
COPYRIGHTABLE CONTRIBUTION REQUIREMENT AND CO-
OWNERSHIP PRINCIPLES**

by NANCY PERKINS SPYKE*

I celebrate myself,
And what I assume you shall assume,
For every atom belonging to me as good belongs to you.¹

I. INTRODUCTION

Section 101 of the Copyright Act of 1976 defines a joint work as a work that is "prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole."² The Copyright Act does not define interdependent; however, Webster's Unabridged Dictionary provides this definition: "mutually or equally dependent."³ Dependency requires the influence or control of something else, or a reliance for support or aid.⁴ One respected commentator states that joint work contributions are interdependent when they are assembled into a unified whole, rather than being recast and incorporated into the whole.⁵

Joint works composed of interdependent parts may therefore include a song with lyrics, a novel with illustrations, a computer program comprised of different components, or a mixed media artistic installation such as a sculpture with sound.⁶ In each instance, one component of the work is influenced or controlled by the other, and the relationship between the components of

*Nancy Perkins Spyke is a Professor of Legal Writing at the Nova University Shepard Broad Law Center where she teaches art law. In 1993-94 she will be a Visiting Professor of Law at Duquesne University Law School. She gratefully acknowledges the assistance of Craig Glasser, Nova University Shepard Broad Law Center 1994 J.D. candidate, in the preparation of this article. A substantially similar version of this article is to be published in volume X of the University of Miami Entertainment and Sports Law Review, with whose permission this article appears here.

¹ Walt Whitman, *Song of Myself*, in Walt Whitman Selected Poems 15 (1992).

² 17 U.S.C. § 101 (1988).

³ Webster's New Universal Unabridged Dictionary 956 (2d ed. 1983).

⁴ *Id.* at 488.

⁵ 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 6.04, at 6-12 (1991) [hereinafter Nimmer].

⁶ Throughout this article, the mixed media art installation will be used as one example of a joint work. It was an article about a Miami art festival featuring precisely these types of collaborative efforts that inspired this article. See Elisa Turner, *Sights, Sounds Harmonize in Three Collaborations*, *The Miami Herald*, August 9, 1992, at 31.

the works fits comfortably within the Webster definition. Further, in these examples the individual contributions are assembled into the final product, rather than being recast. While joint works may also be created when authors contribute inseparable components to the whole, this article is primarily concerned with the peculiar problems of joint works comprised of interdependent parts.

In any one of the examples above, the work will be considered a joint work if more than one author contributes to the work, and if the authors intend that the interdependent parts are to become a unified finished product. In such a case, absent an agreement to the contrary, the authors of the joint work are co-owners of the copyright in the work, each one enjoying an undivided ownership interest in the entire work. Each co-owner may freely utilize the work, subject only to a duty to account to the other co-owner. Arguably, one co-owner could also appropriate any portion of the work, even if that portion of the work was created by the other co-owner.⁷ As reflected in the Walt Whitman verse reproduced at the beginning of this article, joint authors create individually, yet share every atom of ownership with all coauthors.

Increasingly, courts have required each contribution to a joint work to be separately copyrightable. This trend is at odds with the definition of joint work, which requires merger and unity, and also leads to a recognition that discrete individual efforts often combine to create a joint work. In light of this increased emphasis on each author's contribution, the co-ownership principles become harder to rationalize. This article will propose that the "separately copyrightable" test be used to determine not the existence of a joint work, but whether a joint work is composed of interdependent contributions. It will further propose a different form of ownership for collaborative efforts comprised of interdependent parts.

The existing joint work co-ownership provisions could lead to results not anticipated by the authors. The sculptor who creates a work in conjunction with a composer will discover that the composer may grant a non-exclusive license to the sculpture alone, subject only to the duty to account. The novelist who writes a book with photographs taken by a photographer will discover

⁷ See *infra* text accompanying notes 32 and 136. The verb "appropriate" is used throughout this article to refer to situations where one coauthor makes use of a portion of a joint work, as opposed to granting a license to the work. The coauthor may freely grant a non-exclusive license to the joint work without the authorization of another co-author. *Noble v. D. Van Nostrand Co.*, 164 A.2d 834 (N.J. Super. Ct. Ch. Div. 1960). However, one coauthor cannot transfer the interest of another coauthor without consent. 17 U.S.C. § 204(a) (1988); *Crosney v. Edward Small Products*, 52 F. Supp. 559 (S.D.N.Y. 1942); *Nimmer* § 6.11, at 6-31. Since the Copyright Act defines a transfer to include an exclusive license, a coauthor may freely grant only non-exclusive licenses to a joint work without the authorization of other coauthors. See 17 U.S.C. § 101 (1988).

that the photographer may use the novel's story to create a different book with other photographs. Authors of interdependent works may fully intend to create a joint work, but may not anticipate what could happen after the joint work is created. Case law reinforces the principle that later derivative works created or licensed by one author that incorporate any part of the joint work may not be the subject of an infringement action by the other author. The only remedy is an action for an accounting, which differs significantly from an infringement action.

More equitable ownership principles can be found by looking to European practice and by looking within the Copyright Act itself. The prevailing European definition of joint work does not encompass creations where authors contribute interdependent parts; only if authors' works are inseparable will many foreign jurisdictions perceive the authors as co-owners. This view recognizes the interest of individual authors in the components of collaborative works comprised of interdependent parts, and allocates ownership rights in a more sensible fashion. Another, perhaps preferable, approach would be to treat the joint efforts of authors in these cases as collective works, which would allow the authors to separately own the copyrights to the individual components of the work and would limit the later use of the combined work. The use of collective work ownership principles has some appeal, but is not supported by existing copyright provisions, their legislative history, or case law.

Either the European rule or the collective work approach presents a more favorable positioning of the authors in the event a joint work is later appropriated. These approaches also better serve the purposes of copyright. However, neither view is currently tenable. Based on the current law, the most prudent course of action is for joint authors to take preventative measures by contracting to restrict one another's use of the joint work and its components. In the pages that follow, the statutory provisions governing joint works will be explored, as will relevant case law. The extent of the joint work contribution and co-ownership dilemma will be explored as will the available remedies.

II. BACKGROUND: STATUTORY PROVISIONS AND LEGISLATIVE HISTORY

The copyright protection afforded joint works is set forth in a number of provisions of the Copyright Act of 1976. To begin, joint works will qualify for copyright protection if they are original works that are fixed in a tangible medium of expression. Pictorial, graphic, and sculptural works are expressly recognized as being copyrightable.⁸ Therefore, joint works can be found in a number of mediums: popular songs; symphonies; books; and even mixed me-

⁸ 17 U.S.C. § 102 (1988).

dia artistic works, as in the case where a painter, sculptor, and composer collaborate on a single installation.⁹

The statutory definition of joint works points out that the authors must intend their contributions, whether they are inseparable or interdependent, to be part of a unitary whole.¹⁰ There is no requirement that each author of a joint work contribute the same amount to the work; rather, the traditional view has been that each author's contribution, whether it be qualitative or quantitative, must be at least something more than *de minimis*.¹¹ Increasingly, however, the courts that have dealt with this issue have required each author's contribution to a joint work to be separately copyrightable.¹² Some commentators have argued against the "separately copyrightable" requirement, claiming it has been adopted for "evidentiary convenience, and that it contradicts the core concept of joint works as being a unitary whole (sic)."¹³ In any event, it appears that the separately copyrightable test will be easily met in most joint works composed of interdependent parts, as opposed to those joint works of the inseparable type.¹⁴ It is this separate nature of the contributions to a joint work composed of interdependent parts that raises questions about each author's extent of ownership.

Assuming the requisite intent exists, a joint work will be created, then, when a painter creates an enormous mural that is to be accompanied with sound, even if the sound is made up of and played from a relatively short sequence of audio tape. Likewise, a joint work will exist if an author writes a book of several hundred pages where an illustrator contributes a mere handful of illustrations.

Crucial to the creation of a joint work are the elements of merger and

⁹ The canvases created jointly by Andy Warhol and Jean Michel Basquiat in 1984 and 1985 are examples of joint works. See Robert Colacello, *Holy Terror: Andy Warhol Close Up* 474 (1st ed. 1990).

¹⁰ Nimmer defines an author as "a creator in any medium to which the term writings may be applied." Nimmer § 1.06[B], at 1-38. The term therefore includes artists, composers, and photographers, as well as writers. *Id.*

¹¹ See, e.g., *Words & Data, Inc. v. GTE Communications Services, Inc.*, 765 F. Supp. 570, 575 (W.D. Mo. 1991) (relying on Nimmer § 6.03, at 6-8).

¹² *Childress v. Taylor*, 945 F.2d 500 (2d Cir. 1991); *Ashton-Tate Corp. v. Ross*, 916 F.2d 516 (9th Cir. 1990); *M.G.B. Homes, Inc. v. Ameron Homes, Inc.*, 903 F.2d 1486 (11th Cir. 1990); *Meltzer v. Zoller*, 520 F. Supp. 847 (D.N.J. 1981).

¹³ Edward Valachovic, *The Contribution Requirement to a Joint Work Under the Copyright Act*, 12 Loy. L.A. Ent. L.J. 199, 214 (1992). A thorough analysis of this line of cases is not contemplated here. The author acknowledges the trend and proposes to illustrate that, in addition to contradicting the merger concept of joint works, the separately copyrightable test is incongruous with joint work co-ownership principles.

¹⁴ For example, in the song and lyrics example, the music and words would each be separately copyrightable. When contributions are inseparable, the separately copyrightable determination would arguably involve more of an inquiry.

unity, whether the contributions are interdependent or inseparable.¹⁵ However, it is not necessary that an author know, at the time of creation of her work, exactly how or when that work will be merged with that of another author. In *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*,¹⁶ a lyricist wrote the words to a song and sold them to a music publisher who later hired a composer to write music for the lyrics. The composer and lyricist had not worked together on the song and, in fact, never met until years after the song was finished. However, the lyricist wrote the lyrics with the intent that they would be merged with music; likewise, the composer knew that he was writing music for lyrics.¹⁷ Based on these facts, the court found that the song was a joint work: "[I]t makes no difference whether the authors work in concert, or even whether they know each other; it is enough that they mean their contributions to be complementary in the sense that they are to be embodied in a single work to be performed as such."¹⁸ This principle appears to remain viable even under the 1976 Act.¹⁹ Therefore, if a sculptor creates a work intending that it will be combined with a work in another medium, such as sound, and if, at a later time, the sound is created by a composer who intends his sound to accompany the work, a joint work will result. The distance between coauthors' intent that is allowed under this rationale underscores how very separate the components of joint works can be, despite the fact that they may ultimately be merged.

Contrasted to joint works are compilations, which the Copyright Act defines as works "formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship."²⁰ Compilations include collective works, which are works "in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole."²¹ Examples of collective works include periodicals and encyclopedias.²² In a collective work, "the key elements are assemblage or gathering of 'separate and independent works . . . into a collective whole.'"²³ Compilations have been found to exist where

¹⁵ H.R. Rep. No. 1476, 94th Cong., 2d Sess. 103, 120 reprinted in 1976 U.S.C.A.N. 5659, 5736 [hereinafter House Report].

¹⁶ 140 F.2d 266 (2d Cir. 1944) [hereinafter *Marks*].

¹⁷ *Id.*

¹⁸ *Id.* at 267.

¹⁹ Nimmer § 6.03, at 6-9.

²⁰ 17 U.S.C. § 101 (1988).

²¹ *Id.*

²² *Id.*

²³ House Report, *supra* note 15 at 122. The legislative history emphasizes the difference between joint works, "where the separate elements merge into a unified whole, and a 'collective work,' where they remain unintegrated and disparate."

existing street maps have been assembled into a composite,²⁴ where a directory of public relations firms was assembled,²⁵ and even where the sound recording of a hockey game was edited to be used in a miniature hockey game.²⁶ Compilations can exist where noncopyrightable material is assembled into a work which becomes copyrightable; collective works, however, contain a number of independent works that are copyrightable in and of themselves.²⁷ Thus, all collective works are compilations, but not all compilations are collective works.

Based on these definitions, if two authors have created individual works that have been fixed in a tangible medium of expression,²⁸ and if those works are assembled or coordinated and presented together, the result will be either a joint work or a collective work. To illustrate the difference between joint and collective works, consider the following examples. A composer and an artist decide to work closely together to create a mixed media installation at a local museum. The two create interdependent parts of the piece (the sound and the sculpture); the result will be a joint work. In contrast, consider the sculptor who is inspired by the pre-existing music of a composer, and decides the music would suit a sculpture that she has already created. If the sculptor assembles the two preexisting works for display, a collective work arguably results.²⁹

But what if the sculptor is inspired by the music and thereafter creates a sculpture that will be merged with the music for ultimate display? In such a case, a joint work cannot exist, assuming that the composer, at the time the music was created, had no intent for the music to be merged into a unitary whole. Likewise, to label the work as a collective work is inappropriate, since this scenario reflects more than the assembly of two or more preexisting works. What exists in this instance is a derivative work, since it is a transformation or adaptation of a preexisting work.³⁰

²⁴ *Andrien v. Southern Ocean County Chamber of Commerce*, 927 F.2d 132 (3d Cir. 1991).

²⁵ *J.R. O'Dwyer Co., Inc. v. Media Mktg. Intern., Inc.*, 755 F. Supp. 599 (S.D.N.Y. 1991).

²⁶ *Innovative Concepts in Entertainment, Inc. v. Entertainment Enter. Ltd.*, 576 F. Supp. 457 (D.C.N.Y. 1983).

²⁷ See House Report, *supra* note 15 at 122: "Unlike the contents of other types of 'compilations,' each of the contributions incorporated in a 'collective work' must itself constitute a 'separate and independent' work, therefore ruling out compilations of information or other uncopyrightable material and works published with editorial revisions or annotations;" see *Southern Bell Tel. and Tel. Co. v. Associated Tel. Directory Publishers*, 756 F.2d 801 (11th Cir. 1985).

²⁸ 17 U.S.C. § 192 (1988).

²⁹ This appears to be so despite legislative history that indicates that where there are a few separate elements that are brought together, it is unlikely that a collective work exists. House Report, *supra* note 15 at 122.

³⁰ 17 U.S.C. § 101 (1988) defines a derivative work as "a work based upon one or

The proper labeling of these types of works is crucial, since different copyright protection exists in these three instances. In the first example, the artist and sculptor are co-owners of the copyright of the joint work.³¹ This co-ownership means that each author acquires individual ownership in the entire work, "including all of the contributions contained therein."³² In the collective work example, the composer and artist retain the distinct copyrights in their individual contributions to the collective work, and, in the absence of any agreement to the contrary, the sculptor, who assembled the work, also acquires the copyright to the collective work, which carries only the privilege of reproducing the contributions as part of the collective work.³³ Finally, where the sculptor uses the composer's sounds in creating a derivative work, the sculptor owns the copyright to the derivative work, and that right extends only to the material contributed by the sculptor; the sculptor enjoys no rights in the preexisting music. The composer's copyright in the sound remains independent of the sculptor's rights.³⁴

Therefore, works that incorporate separate contributions may be protected in different ways, depending on whether they qualify as joint, collective, or derivative works. In the first instance, the authors are co-owners of the copyright. If the final work is a collective work, the individual authors will retain copyright protection in their own works, and the person who assembles or coordinates the contributions will acquire the privilege of presenting the contributions in the collection. In the case of derivative works, the author of the preexisting material retains her copyright, and the author who later uses that material in the final work acquires copyright in the derivative work, limited to her contribution.

The owners of copyright in the above examples enjoy a number of rights, including the right to reproduce the work, to prepare derivative works, and to perform and display the work publicly.³⁵ Anyone who violates these rights may be subject to an infringement action.³⁶ Returning to our examples, the

more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotation, elaborations, or other modification which, as a whole, represent an original work of authorship, is a 'derivative work'."

³¹ 17 U.S.C. § 201(a) (1988).

³² *Words & Data*, 765 F. Supp. at 574 (quoting Nimmer).

³³ 17 U.S.C. § 201(c) (1988).

³⁴ 17 U.S.C. § 103(b) (1988). Importantly, 17 U.S.C. § 106 gives the owner of copyright the exclusive right to prepare derivative works. Therefore, in this hypothetical situation, the composer would have to authorize the use of the music.

³⁵ 17 U.S.C. § 106 (1988).

³⁶ 17 U.S.C. § 501 (1988). Before maintaining an infringement action, the copyright owner must register the copyright. 17 U.S.C. § 411(a) (1988); *see, e.g.*, *M.G.B. Homes*, 903 F.2d at 1489.

authors of the joint work each have the right to determine if the mixed media piece will be reproduced.³⁷ In the collective work example, the sculptor will be able to present the combined work at a later time, and even revise the combined work, but would not be able to license the rights to the music.³⁸ Similarly, in the case of the derivative work, the sculptor could allow his sculpture to be photographed and reproduced for a postcard, but could not authorize the public performance of the composer's music.³⁹

The ramifications of these varying copyright interests can be surprising in the case of a joint work. Since the authors of the joint work each own an undivided right in the whole work, any author may use any portion of the joint work, or grant a nonexclusive license to the work, subject only to a duty to account to the other authors.⁴⁰ Therefore, the composer who is the coauthor of the mixed media piece in the example above could grant a nonexclusive license for the reproduction rights to the sculpture without the permission of the sculptor, and would only have to provide an accounting to the sculptor. The sculptor could not sue the composer for infringement, because it is impossible to infringe your own copyright.⁴¹ Similarly, the sculptor could use the composer's music in conjunction with another of her own sculptures, subject only to the duty to account to the composer. This result could surprise either or both of the artists, despite their intent that their interdependent works be merged into a unified whole.

The result is, however, different in the case of a collective or derivative work. In the collective work example mentioned above, the sculptor, who is the author of the collective work, would risk an infringement suit if she authorized the use of the works of the painter that were used in the collection; likewise, the sculptor who creates a derivative work using the composer's music could not license the rights to the music without facing infringement liability. The latter two results appear more logical than those that arise in the case of a joint work, since the rights of the authors of the previously existing works are fully protected. Whether joint works composed of interdependent parts should be treated differently than collective or derivative works is the

³⁷ Section 109(c) of the Copyright Act allows the owner of a copy of a work, or one authorized by the owner, to display the copy publicly. This provision would allow a museum to display those joint works that it owns, or that are loaned to it, without facing infringement liability.

³⁸ The copyright in a collective work "does not imply any exclusive right in the preexisting material." 17 U.S.C. § 103(b) (1988).

³⁹ This is because of the limited copyright of the author of the derivative work under section 103. The composer would alone have the authority to authorize the public performance of the music.

⁴⁰ See *Strauss v. The Hearst Corp.*, 8 U.S.P.Q.2d 1832, 1837 (S.D.N.Y. 1988); *Ash-ton-Tate Corp. v. Ross*, 916 F.2d 516, 522 (9th Cir. 1990).

⁴¹ See *Donna v. Dodd, Mead & Co.*, 374 F. Supp. 429, 430 (S.D.N.Y. 1974).

question this paper addresses. The author believes the differing treatment is not warranted, and actually fails to serve the purposes of copyright.

III. THE EXISTENCE OF JOINT WORKS

Joint work issues have frequently arisen over the years and new trends continue to unfold. What follows is a discussion of cases dealing with joint work issues, largely focusing on those cases involving joint works made up of interdependent contributions. The discussion will first analyze case law where joint works were found to exist, and will then discuss cases reaching the opposite conclusion.

A. Joint Works Composed of Interdependent Parts Found to Exist

A common example of a joint work is a song with lyrics. It is easy to picture the Gershwin brothers or Rogers and Hammerstein laboring together to create their songs, and there is little problem perceiving these works to be comprised of interdependent parts intended to be merged into a unified whole. Numerous cases illustrate this principle, and in doing so they reiterate that the co-authors each own an undivided interest in the copyright.⁴² One court eloquently described the requisite creative process by saying that the co-author lyricist and composer of a song "both plan an undivided whole; in that case unless they stipulate otherwise in advance, their separate interest will be as inextricably involved, as are the threads out of which they have woven the seamless fabric of the work."⁴³

Joint works are found in other media as well. In *Donna v. Dodd, Mead & Co.*,⁴⁴ a book with photographs was found to be a joint work. There, an author, Donna, and a photographer coauthored a children's book; the author provided the text, and the photographer provided illustrative photographs. Later, the photographer and his wife coauthored three books, using the same format as the original work. Donna sued for infringement. She did not dispute the principle that if she was considered a joint author, she could not sue for infringement, since a copyright owner cannot infringe her own copyright.⁴⁵ However, she claimed that the original book was a composite work rather than a joint work⁴⁶ and that she and the photographer possessed separate copyrights for their contributions. The basis of this argument was

⁴² See *Pye v. Mitchell*, 574 F.2d 476, 480 (9th Cir. 1978), where the court found that three co-authors created and wrote the words and music to a song, and as such each held an undivided one-third interest in the work.

⁴³ *Marks*, 140 F.2d at 267 (J. Hand).

⁴⁴ 374 F. Supp. 429 (S.D.N.Y. 1974).

⁴⁵ *Id.* at 430.

⁴⁶ "Composite works" were defined in the Copyright Act of 1909 as works to which a number of authors contributed distinguishable parts. *Shapiro, Bernstein & Co. v. Bryan*, 123 F.2d 697 (2d Cir. 1941). As such, they were similar to the current Act's collect works.

Donna's claim that the photographer did not have Donna's text in mind when he took the photographs.⁴⁷ However, the court noted that the case of *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*⁴⁸ had eroded the "preconcerted design" standard. Before *Marks*, co-authors had to share a common design before the elements of the work were produced. However, *Marks* held that joint works will result even from authors who are strangers and who work at different times, as long as the authors, at the time of creation, intend their work to form part of an integrated whole.⁴⁹ Applying this rule, the court found a joint work in Donna's case, since it appeared that the photographer may have intended his photographs to be joined with text from another source at the time they were taken.⁵⁰

As an alternative rationale, the *Donna* court stated that a joint work would exist even if the photographer had no such intention when the photographs were taken. This view was based on the 12th Street Rag doctrine. That doctrine, enunciated in the case of *Shapiro v. Bernstein*, states that even if an author has no intent to merge a work with another at the time of creation, a joint work will nevertheless be created if that author later forms and carries out the necessary intent.⁵¹ However, under the Copyright Act of 1976, the 12th Street Rag doctrine is no longer viable.⁵² Therefore, for works created on or after January 1, 1978, the effective date of the current Act, there must be an intent to form a joint work at the time each contribution is created.⁵³ The demise of the 12th Street Rag doctrine leads to the conclusion that works incorporating a previously existing work that was created without the intent that it become part of a joint work, will be deemed either collective or derivative works.⁵⁴ If, then, the situation in the *Donna* case arose under the current Act, it would be necessary to demonstrate that the photographer, at the time he took his pictures, had the intent to merge his work with some text to be written in the future. Only then could the resulting book be considered a joint work.⁵⁵

⁴⁷ *Id.*

⁴⁸ See *supra* text accompanying notes 17 and 18.

⁴⁹ *Marks*, 140 F.2d at 267.

⁵⁰ *Id.*

⁵¹ *Id.* at 430 (relying on *Shapiro Bernstein & Co., Inc. v. Jerry Vogel Music Co., Inc.*, 161 F.2d 406 (2d Cir. 1946)). This view is commonly referred to as the "12th Street Rag" doctrine, after the name of the song at issue in the case.

⁵² Nimmer § 6.03, at 6-9 - 10 (relying on the Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law; 1965 Revision Bill, 89th Congress, 1st Session, Copyright Law Revision Part 6 (House Committee Print 1965)). The Supplementary Report, at page 65, expressly denounces the broadened intent concept of the 12th Street Rag doctrine.

⁵³ The House Report emphasizes that "the touchstone here is the intention at the time the writing is done." House Report at 120.

⁵⁴ See Nimmer § 6.06[B], at 6-18 - 20.

⁵⁵ Books can also be joint works where the efforts of multiple authors are insepara-

The computer age has also spawned joint works composed of interdependent parts. In *Ashton-Tate Corp. v. Ross*,⁵⁶ two men decided to collaborate in the development of a computer spreadsheet program. They decided that one of them, Ross, would write the computational component of the program (the "engine"), and the other, Wigginton, would write the user interface component. There was no formal written contract between the two, and they each worked on their portions of the program, meeting on at least two occasions to discuss concepts for the program.⁵⁷ At one of these meetings, Ross apparently provided Wigginton with a handwritten list of potential commands that could be incorporated into the user interface.⁵⁸ After working six months, a prototype program was formed, but the two men had a dispute as to how it should be marketed. As a result, Wigginton approached Ashton-Tate, a leading publisher of software, to see if it would be interested in publishing the program. Wigginton soon discovered that Ross was not interested in having Ashton-Tate market the program, and Wigginton thereafter went to work for Ashton-Tate, taking with him the user interface portion of the program.⁵⁹ Eventually, Wigginton's interface was combined with another engine component and the resulting spreadsheet program was marketed by Ashton-Tate.⁶⁰

Before the Ashton-Tate program was completed, Ross developed a user interface component, combined it with his engine, and produced his own spreadsheet program. He planned to use his own company, Bravo, to market his program.⁶¹ Ross also met with Ashton-Tate and discussed his spreadsheet program, and at that meeting both parties signed nondisclosure statements. Ross was assured by Ashton-Tate that the nondisclosure statements covered information relating to Ross' program.⁶² When Ashton-Tate later completed its spreadsheet program, Ross and Bravo demanded that they be compensated for Ross' contribution. Ashton-Tate then filed a complaint for declaratory relief.⁶³

The district court granted Ashton-Tate's motion for summary judgment on all issues, holding that Ross' suggested user commands were not enough of a contribution to Wigginton's interface for the prototype program to be a

ble. For example, in the early 1960's, Alex Haley, the author of *Roots*, collaborated with Malcom X on the civil rights activist's autobiography. The book was published in 1964 and its manuscript was registered as jointly owned by Haley and Malcom X. Malcom X Widow Sues for Proceeds from Manuscript, Palm Beach Post, Nov. 22, 1992, at 2A.

⁵⁶ 916 F.2d 516 (9th Cir. 1990).

⁵⁷ *Id.* at 517.

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.* at 518.

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

joint work.⁶⁴ While a number of issues were raised on appeal, most interesting to this discussion was Ross' claim that the prototype program created by him and Wigginton was a joint work, and that he was therefore a joint author of the entire prototype, including the user interface.

The court began by holding that a joint work requires that each author contribute an independently copyrightable contribution.⁶⁵ Because Ross' only contribution to Wigginton's interface component was a handwritten list of suggested user commands, the court found that Ross was not a co-author of the interface component and that the interface was therefore not a joint work.⁶⁶ However, the court conceded that it was possible that the Wigginton/Ross prototype program was a joint work and that the two men may have obtained an undivided interest in the entire work.⁶⁷

The computer program prototype in *Ashton-Tate* falls squarely within the parameters of the joint work definition. Both Ross and Wigginton intended to create interdependent works that would be combined into a unified whole—the spreadsheet program. In this case there was no issue surrounding the timing of the intent or whether one of the authors was uncertain as to how or when his work would be merged with another. There was also no issue as to the amount each author contributed to the prototype; the court inferred each component was separately copyrightable.⁶⁸ Assuming, then, as the *Ashton-Tate* court was willing to concede, that the program prototype was a joint work, both Ross and Wigginton were owners of undivided interests in the whole work.

In another case, a commercial photographer was commissioned to take photographs to be used in conjunction with an article in the magazine *Popular Mechanics*. The article was held to be a joint work.⁶⁹ At the time of the "shoot" the photographer, Strauss, knew that his photograph would be used for the first two pages of an article devoted to fishing. As such, he was aware that captions and copy would be superimposed on the picture when the article was finalized. Strauss was also closely supervised by one of the magazine's graphics editors who had designed the layout of the article.⁷⁰ The magazine later used a modified copy of the article pages, including the photograph, in an advertising insert, and Strauss sued for infringement.⁷¹ The court first

⁶⁴ *Ashton-Tate Corp. v. Ross*, 728 F. Supp. 597, 602 (N.D. Cal. 1989).

⁶⁵ *Ashton-Tate*, 916 F.2d at 521. The court acknowledged that this issue is not yet settled. For example, Nimmer claims that a joint work exists even where an author makes a lesser contribution. Nimmer § 6.07, at 6-21.

⁶⁶ *Ashton-Tate*, 916 F.2d at 521-22.

⁶⁷ *Id.* at 522. As discussed below, the court did not need to decide the issue, since Ross and Bravo misframed their relief.

⁶⁸ *Id.*

⁶⁹ *Strauss v. The Hearst Corp.*, 8 U.S.P.Q.2d 1832 (S.D.N.Y. 1988).

⁷⁰ *Id.*

⁷¹ *Id.* at 1834-35.

ruled against the magazine's claim that its later use of the photograph was protected by the fair use doctrine.⁷² However, the court found the photograph was incorporated in the first pages of the article and that a joint work had been created. In easily reaching this determination, the court held that "it is hard to imagine a set of facts that is any clearer on that point. Neither party denies that both intended from the start for Strauss' photograph to be incorporated into the . . . article."⁷³ Because a joint work existed, Strauss could not sue for infringement; at best, he could sue for his pro rata share of the profits generated by the defendant's use of the joint work.⁷⁴

Not unlike the computer program prototype in *Ashton-Tate*, the title page with photography in *Strauss* was a joint work composed of interdependent parts. The magazine and Strauss were therefore co-owners of the copyright, each with an undivided interest in the whole. Despite Strauss' objections, the unauthorized use of his photograph by the magazine could not lead to infringement liability.⁷⁵

In yet another case, *Words & Data, Inc. v. GTE Communications Services, Inc.*, the suggestions of a customer that became an integral part of a telemarketing form led a court to determine that the form was a joint work.⁷⁶ Sprint Communications Company collaborated with Words & Data to create a system that would allow Sprint to gather and track telemarketing information. The tracking form that resulted combined Words & Data's bar coding with Sprint's format and text. The court held that the encoding form was a joint work.⁷⁷

In one of its arguments, the plaintiff, Words & Data, argued that since Sprint never claimed to be a joint owner during the parties' collaboration there was no intent to establish the existence of a joint work.⁷⁸ The court rejected that argument, however, by noting that a joint author's ownership arises automatically; no express claim of authorship is required.⁷⁹ The court

⁷² *Id.* at 1836.

⁷³ *Id.* at 1837.

⁷⁴ *Id.* at 1838.

⁷⁵ It has been suggested that because commissioning parties such as The Hearst Corporation are now limited in relying on a claim of sole copyright ownership based on the work for hire doctrine (*See Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989)), they will now assert co-ownership based on the joint work doctrine. Kent R. Middleton, *The Inadvertent Joint Author: The Need to Establish Joint Authorship in Commissioned Work by Contract*, 8 U. Miami Ent. & Sports L. Rev. 141, 144 (1991). However, the emergence of the separately copyrightable standard may make it more difficult for commissioning parties to substantiate a joint work claim.

⁷⁶ 765 F. Supp. 570 (W.D. Mo. 1991).

⁷⁷ *Id.* at 579.

⁷⁸ *Id.* at 574-75.

⁷⁹ *Id.* at 575.

additionally relied on legislative history that states that collaboration alone will establish intent:

[A] work is joint if the authors collaborated with each other, or if each of the authors prepared his or her contribution with the knowledge and intention that it would be merged with the contributions of other authors as "inseparable or interdependent parts of a unitary whole."⁸⁰

The court found that both parties collaborated on the telemarketing forms and additionally found that, at the time of the collaboration, Words & Data intended its contributions would be integrated with those of Sprint.⁸¹ Based on its reliance on the legislative history, the court appeared to view the collaboration alone sufficient to establish intent. The additional discussion of Words & Data's intent is curious since the legislative history requires that, as an alternative to collaboration, intent can be established if each party can show a preconceived design. The facts showed no such intent on Sprint's part.

The *Words & Data* construction of intent embraces legal and factual intent. Although this liberal interpretation finds support in the legislative history, it has not been adopted by other courts.⁸²

B. Joint Works Found Not to Exist

Many of the cases which refuse to find joint works involve collaborative efforts of the inseparable, rather than interdependent, genre.⁸³ These cases are valuable, however, for the additional light they shed on the elements of intent and level of contribution. In *Childress v. Taylor*,⁸⁴ an actress approached a playwright with the idea of writing a play about Jackie "Moms" Mabley. When the playwright, Alice Childress, agreed, the actress, Clarice Taylor, turned over all the research she had accumulated to Childress, and Taylor later conducted additional research for the play at Childress' request.⁸⁵ The two spoke about the play on a regular basis, and Taylor also suggested the inclusion of scenes and characters in the play.⁸⁶ The court

⁸⁰ *Id.* quoting House Report at 120.

⁸¹ *Id.*

⁸² *See, e.g.,* *Childress v. Taylor*, 945 F.2d 500 (2d Cir. 1991).

⁸³ Recent cases finding joint works composed of inseparable components include *Weissmann v. Freeman*, 868 F.2d 1313 (2d Cir. 1989), where a collaboration between two doctors resulting in a scholarly syllabus was held to be a joint work; and *Weinstein v. University of Illinois*, 811 F.2d 1091 (7th Cir. 1987), where two assistant professors and a director of continuing education at a pharmaceutical college created a joint work by collaborating on a research article.

⁸⁴ 945 F.2d 500 (2d Cir. 1991).

⁸⁵ *Id.* at 502.

⁸⁶ *Id.*

found that Taylor “[e]ssentially . . . contributed facts and details about ‘Moms’ Mabley’s life and discussed some of them with Childress;” Childress, however, wrote all the dialogue and created the play’s structure.⁸⁷ After the play was initially produced, the two women were unable to formalize their relationship, and Taylor had the play rewritten by another playwright. The new version of the play was subsequently presented.⁸⁸ Childress sued Taylor and others for copyright infringement, and Taylor responded by claiming to be a coauthor of a joint work. Had the court agreed, Taylor, as a co-owner of the copyright, would have been free to adapt the work with another playwright.

The claim that the play was a joint work failed. The court looked at the statutory definition of joint work and reasoned that the “definition concerns the *creation* of the work by the joint authors, not the circumstances”⁸⁹ Further, the court noted that the legislative history requires a focus on two factors: the act of collaboration, and the parties’ intent.⁹⁰ The court also acknowledged the unsettled issue regarding the requisite level of contribution to a joint work, and determined that each contribution must be separately copyrightable.⁹¹ In situations where a party contributes something less than a copyrightable work, benefits can be afforded only by contract.⁹² Therefore, the court’s determination as to the existence of a joint work hinged on two elements: intent and the amount of contribution by each author.

Ultimately the *Childress* court did not have to determine whether Taylor’s contributions were copyrightable, since it agreed with the district court that the parties did not share the requisite intent.⁹³ It approved of the district court’s determination that the parties had to “entertain in their minds the concept of joint authorship, whether or not they understood precisely the legal consequences of that relationship.”⁹⁴ The court suggested two factors that could be helpful in making this determination: 1) whether, in the absence of a written contract, each party intended that all parties would be identified as co-authors; and 2) how the parties regarded themselves in relation to the work.⁹⁵ In short, all contributors must fully intend to be joint authors.

⁸⁷ *Id.*

⁸⁸ *Id.* at 503.

⁸⁹ *Id.* at 505 (emphasis in original).

⁹⁰ *Id.*

⁹¹ *Id.* at 507. The court admitted that the issue was not an easy one to resolve, since the Copyright Act does not require each contribution to be copyrightable. Further, since “author” is not defined in the Act, there is no textual support requiring that co-authors of a joint work create copyrightable contributions.

⁹² *Id.*

⁹³ *Id.* at 509.

⁹⁴ *Id.* at 508.

⁹⁵ *Id.*

Notably, the court found too broad the view that intent requires merely a finding that the parties intend their work to be part of a unified whole.⁹⁶ In the court's opinion such a test could result in a finding of intent in unlikely situations.⁹⁷ The court could find no evidence that Childress intended to enter into a joint authorship, and further found that she never contemplated the play's authorship would be credited to both herself and Taylor. The court determined that Taylor merely offered advice as the actress who would play the title role, and that Taylor's intent to be a joint author was never shared by Childress. Also important to the court's decision was the fact that, after the play was written, Childress was unwilling to enter into any contractual arrangement that recognized a co-ownership of the rights to the play. Even though the proper focus was on the intent at the time of the writing, the court acknowledged that evidence of later conduct could be probative of a prior state of mind.⁹⁸

The *Childress* narrower view of intent contrasts sharply with the view embraced in *Words & Data*, which holds that collaboration alone may establish intent. This article does not attempt to either harmonize these views or resolve the issue, but rather exposes joint work intent as yet another area ripe for debate.

Joint works have also been disallowed based on findings that the putative coauthor failed to create a portion of the work. In *M.G.B. Homes, Inc. v. Ameron Homes, Inc.*,⁹⁹ M.G.B. filed an infringement action against Ameron, claiming that Ameron had constructed a home using the floor plan for one of M.G.B.'s model homes. M.G.B. claimed ownership of the copyright because of its relationship with the drafting company that produced the final floor plans for the model home. After the court rejected the idea that the plans were a product of an employee and therefore were not a work made for hire,¹⁰⁰ it addressed the possibility that M.G.B. was a coauthor of the plans, which, if true, would render the plans a joint work.¹⁰¹ To support its claim, M.G.B. argued that it provided a thumbnail sketch of the floor plan to the drafting company, reviewed the drawings in progress, made suggestions and

⁹⁶ *Id.* at 507.

⁹⁷ *Id.* The court used the examples of a writer/editor relationship and a writer/researcher relationship, where the contributors typically intend their work to be merged but do not regard themselves as coauthors.

⁹⁸ *Id.* at 509.

⁹⁹ 903 F.2d 1486 (11th Cir. 1990).

¹⁰⁰ A work made for hire includes "a work prepared by an employee within the scope of his or her employment . . ." 17 U.S.C. § 101 (1988). In the event a work for hire exists, the employer is considered the author and owns the copyright, unless the parties expressly agree otherwise in writing. 17 U.S.C. § 201(b) (1988). Whether a work is prepared within the scope of employment is determined by applying agency principles. See *CCNV v. Reid*, 490 U.S. 730 (1989).

¹⁰¹ *Id.* at 1492.

revisions, and also had final approval of the work.¹⁰² The court found that M.G.B. did what was expected of most clients in architectural settings, and that such a level of involvement would not make M.G.B. an author.¹⁰³ The court made a determination that M.G.B.'s contribution amounted to ideas, and was not copyrightable, since M.G.B. had not "created" anything.¹⁰⁴

One court, in finding that a joint work was not created, has claimed that the determination must be made by considering both the quantity and quality of an alleged co-author's contribution.¹⁰⁵ In *Eckert v. Hurley Chicago Co., Inc.*, the court noted that cases disallowing joint work status where one party merely makes suggestions appear to focus not only on the quality of the contribution to determine whether a joint work is created, but on the quantity of the contribution as well. *Eckert* reasoned that "quality" is considered when these cases find suggestions to be insufficient involvement for the work to be joint. On the other hand, "quantity" is considered when those courts rule that the parties did not intend the suggestions to be merged into the final work.¹⁰⁶ The "quality" analysis appears to focus on the type of material that is contributed to the work, while the "quantity" analysis appears to focus on how much of the contribution is embodied in the final product.¹⁰⁷ As *Childress*, *Ashton-Tate*, and *M.G.B.* illustrate, the Second, Ninth, and Eleventh circuits reflect a trend that requires a co-author's contribution to be independently copyrightable for it to be part of a joint work. In those jurisdictions, *Eckert's* "quality/quantity" analysis would arguably be unnecessary, since regardless of quality or quantity, if multiple contributions to a work are separately copyrightable, there will likely be a finding that a joint work has been created, assuming the intent exists.

Contrasted to those cases that fail to find the requisite involvement and

¹⁰² *Id.*

¹⁰³ *Id.* at 1493.

¹⁰⁴ *Id.* In a footnote the court stated that a work is not created until it is fixed in a copy for the first time. *Id.* n.16. Other cases have similarly rejected the contention that a joint work exists where a putative author has made mere suggestions regarding the content of the work. See, e.g., *Whelan Assoc. Inc. v. Jaslow Dental Lab., Inc.*, 609 F. Supp. 1307 (D. Pa. 1985), *aff'd*, 797 F.2d 1222 (3d Cir. 1986) (dental laboratory's claim that it was a joint author of a business software program was rejected since an officer and shareholder of the laboratory "did little more than explain the operations of the dental laboratory business and define the information he wanted to be able to obtain from the computer"); *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989) (computer software company customer's suggestions, ideas, and limitations were insufficient to render it a joint author of a software program).

¹⁰⁵ *Eckert v. Hurley Chicago Co., Inc.*, 638 F. Supp. 699 (N.D. Ill. 1986).

¹⁰⁶ *Id.* at 704.

¹⁰⁷ *Eckert's* discussion of intent in conjunction with its "quantity" analysis is somewhat confusing. The intent of the parties to create a joint work is a separate requirement that must be addressed to determine if a joint work exists.

intent to create a joint work is the recent case of *Words & Data, Inc. v. GTE Communications Services, Inc.*, discussed above.¹⁰⁸ There, the input of a customer was held to be sufficient to make it a coauthor of the completed work. Sprint and Words & Data created a system involving a series of bar-coded forms. Using the form in conjunction with a scanner and modem, Sprint representatives would transmit prospective customer information to Words & Data, which would then format the forms.¹⁰⁹ It was undisputed that Sprint contributed all of the text for the forms, and that it also made suggestions as to the form headings and format.¹¹⁰ When Sprint later sought to have another company handle the formatting of data, Words & Data sued for copyright infringement.¹¹¹

The court distinguished cases such as *M.G.B. Homes* by saying that architectural firm clients' contributions are typically transformed into highly refined plans, unlike Sprint's case, where its contributions remained intact on the final form. The court also distinguished other cases which involved alleged coauthorship of technical coding systems,¹¹² by noting that in *Words & Data* the claim involved the infringement of the entire form, not merely the bar codes. As mentioned earlier, the court found that both parties collaborated on the form, and also found that Words & Data intended that its contribution would be integrated with that of Sprint to create the final form.¹¹³ In addition, the court found that Sprint's contribution—all of the form text and much of its format—was more than de minimis, making the form a joint work.¹¹⁴

The form in *Words & Data* was a joint work composed of the interdependent form text and bar coding. In reaching its decision, the court included an additional consideration in its joint work determination. The court indicated that if an alleged author's contribution is merely in raw form and is taken and refined into a more sophisticated component of the final work by another author, it is less likely that the work will be considered a joint work. By considering the final form a putative author's contribution takes in the joint work, the *Words & Data* court was clearly focused on an author's level of contribution. The court labeled Sprint's contribution as more than de minimis, and did not require each author's contribution to be separately

¹⁰⁸ *Words & Data*, 765 F. Supp. 570 (W.D. Mo. 1991). See *supra* text accompanying notes 76-82.

¹⁰⁹ *Id.* at 572.

¹¹⁰ *Id.* at 577, 578.

¹¹¹ *Id.* at 572.

¹¹² These cases included *Whelan Assoc. Inc. v. Jaslow Dental Lab., Inc.*, 609 F. Supp. 1307 (D. Pa. 1985), and *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989). See *supra* note 104.

¹¹³ *Id.* at 575.

¹¹⁴ *Id.* at 575-79.

copyrightable.¹¹⁵

IV. A PROPOSED USE FOR THE "SEPARATELY COPYRIGHTABLE" TEST

The foregoing case law exposes the current analysis that must be undertaken to determine whether parties have coauthored a joint work. First, there must be an intent, at the time of creation, that a work will be merged with another work to form a unified whole. Cases such as *Ashton-Tate, Words & Data*, and *Childress* underscore this requirement, although there is no consensus as to what constitutes intent. Secondly, assuming intent exists, a growing number of jurisdictions require the contribution of each author to be copyrightable. The irony of this emerging contribution requirement is that it forces courts to search for a significant measure of independence in components of collaborative works that, by statute, must be merged into a unified whole. It is also ironic that the enhanced contribution requirement requires individual, separable components in joint works, yet these separable components are co-owned by all the authors.

This is not to say that the copyrightable nature of one author's contribution should not be considered in a joint work analysis, but rather that it should not be used as a bright line test for all joint works or to ease evidentiary determinations.¹¹⁶ The separately copyrightable threshold is more valuable as a tool to determine when joint works are based on interdependent, rather than inseparable, contributions.

A "more than de minimis" contribution requirement should be retained, and only if that standard is met by at least two coauthors should a joint work be found, assuming the requisite intent exists. This lower contribution threshold has some support in case law and is embraced by a respected commentator on copyright law.¹¹⁷ The more than de minimis standard fosters creative activity to a greater extent than does the separately copyrightable standard, since under the de minimis test, joint works will be created more easily. Certainly it would appear that the relaxed contribution standard would result in the creation of more joint works composed of inseparable components.¹¹⁸ As such, the de minimis approach furthers one of the often-

¹¹⁵ Many cases hold that forms, in and of themselves are not copyrightable. See, e.g., *M.M. Business Forms Corp. v. Uarco, Inc.*, 472 F.2d 1137 (6th Cir. 1973); *Donald v. Uarco Business Forms, Inc.*, 344 F. Supp. 338 (W.D. Ark. 1972), *aff'd*, 478 F.2d 764 (8th Cir. 1973). But see *Continental Cas. Co., v. Beardsley*, 151 F. Supp. 28 (S.D.N.Y. 1957), *modified on other grounds*, 253 F.2d 702 (2d Cir. 1958), *cert. denied*, 358 U.S. 816 (1958).

¹¹⁶ See *supra* note 13 and accompanying text.

¹¹⁷ *Words & Data*, 765 F. Supp. at 575; Aitken, Hazen, Hoffman, Miller, P.C. v. Empire Construction Co., 542 F. Supp. 252, 259 (D. Neb. 1982); Nimmer § 6.07, at 6-21.

¹¹⁸ For example, two authors might work so intimately on a project that it could

enunciated purposes of copyright,¹¹⁹ and allows the joint work concept to retain vitality.

The separately copyrightable standard, on the other hand, significantly restricts the existence of joint works, particularly those of the inseparable nature. It is more difficult, after all, to find separately copyrightable components in alleged joint works where the efforts are inseparable. Since shared copyright protection would be limited under the more stringent contribution standard, such a view would likely restrict artistic expression.

Assuming a more than *de minimis* contribution requirement for joint works is the better-reasoned choice, courts could then look to any contribution that exceeds that standard as a factor to determine intent. The more substantial one author's contribution to a joint work, the more difficult it becomes for another author to claim there was no intent to create a joint work. For example, in *Childress*, had Taylor actually written a scene or two that was incorporated into the final play, *Childress* would have had more difficulty arguing that the final product was hers alone. Similarly, the court in *Words & Data* could have relied on Sprint's level of contribution to further bolster its determination that intent existed.

At a given point, the components of a joint work will be separately copyrightable. Once this occurs, a determination should be made that the joint work is made up of interdependent components. This approach would recognize that joint works composed of interdependent contributions are distinguishable from those composed of inseparable contributions, since the former involve individual efforts that can stand alone, despite the fact that they are merged with other authors' efforts.

Using the separately copyrightable test in this manner sets the stage for a renewed consideration of co-ownership principles for joint works. Simply put, should the copyright to joint works of both the inseparable and interdependent genre be co-owned by all the authors? In the author's view, co-ownership principles should not be applied to joint works comprised of separately copyrightable contributions.¹²⁰ As has been suggested, co-ownership can lead to unanticipated results. The discussion that follows highlights cases that have dealt with the later appropriation of joint works.

become difficult to demonstrate the separate contributions in the final work. Under the more than *de minimis* approach, a joint work could still exist; under the separately copyrightable test, there could be no such result.

¹¹⁹ See *Stewart v. Abend*, 110 S. Ct. 1750, 1764 (1990).

¹²⁰ Complex issues could arise where more than two authors engage in a collaborative effort where some coauthors create separately copyrightable contributions and another, or others, contribute a lesser effort, but nevertheless more than *de minimis*. In such a case, a joint work should be found and all collaborators should be viewed as coauthors. However, the extent of each author's copyright ownership could conceivably differ.

V. LATER APPROPRIATION OF JOINT WORKS COMPOSED OF INTERDEPENDENT PARTS

If a joint work is created, all co-authors own an undivided interest in the whole work. Each owner has the right to modify, reproduce, or distribute copies of the work.¹²¹ Nimmer points out that joint ownership means that each co-owner may, without the consent of the other owners, "exploit the work himself, or grant a non-exclusive license to third parties."¹²² In so doing, the authorizing coauthor cannot be sued for infringement by another coauthor, since you cannot infringe your own copyright. "The immunity of a joint owner from suit extends to the situation where one co-owner makes unauthorized use of the contribution of another."¹²³ While infringement is not possible, the co-owner who appropriates the work must account to the other co-owners for a rateable share of the profits realized from the use of the work.¹²⁴

These rules relating to the later use of a joint work are logical when the joint work is one that is made up of inseparable components. In *Weissmann v. Freeman*,¹²⁵ two physicians, Drs. Weissmann and Freeman, created a scholarly syllabus based on years of collaborative research and writing. Dr. Weissmann thereafter significantly modified the first syllabus to create her own work. It was not necessary that she obtain Dr. Freeman's permission before she set out to modify the joint work. Her status as a co-owner allowed her to make these revisions on her own. There, the underlying joint work was one that was composed of the inseparable contributions of both doctors. As such, it would have been extremely difficult, if not impossible, to determine which author's portion of the joint work was being utilized in the later work. Further, due to the inseparable nature of the contributions, Dr. Weissmann was using every bit as much of her own work as she was using that of Dr. Freeman when she appropriated the underlying work. There should be no need to seek permission in such a case, and in fact, Dr. Freeman did not question Dr. Weissmann's authority to revise the original syllabus.

Therefore, a co-owner's unauthorized appropriation of a joint work comprised of inseparable parts is warranted by the nature of the work itself. If the revised work is sufficiently original, it will be a derivative work owned by the author who made the modifications. In *Weissmann*, the court identified the revised syllabus as a derivative work, since Dr. Weissmann's revisions were significant enough to satisfy the "modest requirements" of the Copyright Act.¹²⁶ A derivative work can consist of editorial revisions, annota-

¹²¹ S.O.S., Inc., 886 F.2d at 1086; *Pye v. Mitchell*, 574 F.2d at 480.

¹²² Nimmer § 6.10, at 6-26.

¹²³ *Strauss*, 8 U.S.P.Q.2d at 1837.

¹²⁴ *Id.*; see also *Oddo v. Ries*, 743 F.2d 630 (9th Cir. 1984); Nimmer § 6.12, at 6-32.

¹²⁵ 868 F.2d 1313 (2d Cir. 1989).

¹²⁶ *Id.* at 1322-23.

tions, elaborations, or other modifications which, as a whole, represent an original work of authorship . . . ,"¹²⁷ and Dr. Weissmann's additions to the syllabus were held to satisfy this standard. Further, since Dr. Weissmann alone created the derivative work she was the sole owner of the revised syllabus.¹²⁸ The court noted that Dr. Freeman's intent to create the underlying joint work was not relevant in determining whether he was a joint owner of the derivative work, and specifically stated that it was error for the trial court to rule that the joint authorship of an underlying work automatically makes the authors co-owners of a derivative work.¹²⁹ Dr. Weissmann's ownership of the revised syllabus meant that she held rights to that material which she contributed to the derivative work. Her copyright was independent of the copyright in the underlying joint work.¹³⁰

Less logical results may occur when a portion of a joint work that is comprised of interdependent parts is appropriated. Because of copyright's co-ownership principles, "one joint author . . . obtains the right to use or license that portion of the joint work which was the sole creation of the other joint author."¹³¹

Ashton-Tate's dicta stated that the prototype spreadsheet program that had been created by the merger of Wigginton's user interface and Ross' engine could be considered a joint work.¹³² The court did note, relying on *Weissmann*, that even if Ross was a co-owner of the prototype, he would not have been a joint owner of the final Ashton-Tate program, since it was a derivative work.¹³³ The prototype program was a joint work based on separate, but interdependent parts, but would still endow both authors with undivided interests in the whole prototype program. Therefore, each author could adapt or grant a non-exclusive license to any portion of the work without the consent of the other, subject only to a duty to account for profits. Applying this principle to *Ashton-Tate*, Wigginton was within his rights as a co-owner of the spreadsheet program prototype to bring it to Ashton-Tate for further development. In dicta the court recognized that if Wigginton had been the owner of the finalized program, he would have had a duty to account to Ross.¹³⁴ The resulting program would then be a derivative work, to which

¹²⁷ *Id.* at 1321.

¹²⁸ *Id.* at 1318-20. The court specifically looked to the fact that unlike the articles in the underlying joint syllabus, the revised syllabus carried only Dr. Weissmann's name as author. See also *Childress v. Taylor*, 945 F.2d 500, 508 (2d Cir. 1991).

¹²⁹ *Id.* at 1319.

¹³⁰ 17 U.S.C. § 103(b) (1988).

¹³¹ *Nimmer* § 6.06[A], at 6-17.

¹³² *Ashton-Tate*, 916 F.2d at 522.

¹³³ *Id.* at 522.

¹³⁴ *Ashton-Tate*, 916 F.2d at 522. However, since Wigginton had sold his services

Ashton-Tate would own the copyright; however, the co-owned copyright in the underlying interface would remain intact.

That result could seem illogical to someone in Wigginton's position, since any proceeds that would result from the marketing of the finalized program would come from its utilization of his own, not Ross', contribution. However, as *Childress* states, joint works can exist without the authors realizing the legal consequences.¹³⁵ Further, the argument could be made that Wigginton may never have created his interface unless it had been for the joint work project. Despite these arguments, the results of the co-ownership in this instance do not seem as fair as they do in a case such as *Weismann*, where the joint work is based on inseparable components.

Even more unsettling is the prospect that a co-owner may utilize the portion of the joint work which she did not create, and merely have to account to the other owner. Traditional concepts of joint ownership support this result.¹³⁶ For example, in *Words and Data*, the telemarketing form that incorporated a bar code was a joint work composed of interdependent parts.¹³⁷ When Sprint sought to use the form, including the bar code, with another company, it was sued for infringement because it allegedly prepared a derivative work, displayed the work publicly, and submitted the forms to other encoding companies.¹³⁸ However, since the form was a joint work, the court found that an infringement action could not lie.¹³⁹ While the court did not elaborate on this point, its holding meant that Sprint was free to use and modify the form without the authorization of Words & Data. While Sprint would remain liable for a ratable share of profits derived from a new form, the result would arguably seem unfair to Words & Data, which may have preferred that the form not be used with another encoder.

Similarly, Popular Mechanics' later unauthorized use of Strauss' photograph¹⁴⁰ illustrates the inequitable application of co-ownership principles. Strauss may have never wanted his photograph to become part of an advertising campaign, or he might have objected to how it was incorporated into the magazine's insert. Nevertheless, he would have no say in any such later use because of his status as a co-owner of the copyright.

and the use of his interface to Ashton-Tate, Ross at most would be entitled to share in Wigginton's proceeds for the use of the interface.

¹³⁵ *Childress*, 945 F.2d at 508.

¹³⁶ See *Nimmer* § 6.06[A]. Here, *Nimmer* uses the example of a composer, A, who writes the music for a song without any intent that it should be merged with text. Later, B, a lyricist, writes the words. If A chooses to use or license the lyrics unaccompanied by the music, the result should be that A would merely have to account to B.

¹³⁷ 765 F. Supp. at 579.

¹³⁸ *Id.* at 571.

¹³⁹ *Id.*

¹⁴⁰ *Strauss v. The Hearst Corp.*, 8 U.S.P.Q.2d 1832 (S.D.N.Y. 1988).

An analogous result occurred in the case of *Oddo v. Ries*.¹⁴¹ Oddo had authored a number of magazine articles relating to the restoration of Ford pick-up trucks. He and Ries entered into a partnership where Ries agreed to supply the capital and supervise Oddo's authorship and editing of a book on the same subject. Oddo subsequently prepared a manuscript, largely based on the earlier magazine articles. Ries became dissatisfied with Oddo's progress and later hired another writer to complete the manuscript. The book was eventually published, and contained substantial quantities of Oddo's manuscript with additions by the new author.¹⁴² Since Ries was Oddo's partner, he was a co-owner of the partnership assets, which included the manuscript. He therefore had the right to use the manuscript by having another author complete the work. However, he had to account to Oddo for profits.¹⁴³ Importantly, this case was not based on the fact that the manuscript was a work made for hire; it was based on co-ownership principles.¹⁴⁴

Oddo's co-ownership did not arise by virtue of two authors contributing interdependent parts to a joint work; rather, the co-ownership existed because of a state law's view of a partnership agreement. However, the partnership co-ownership is analogous to the copyright co-ownership in that it illustrates that a co-owner who did nothing to create part of a work may thereafter use it subject only to a duty to account.

Artists and authors in these situations may be surprised to see that their work may have a life beyond the immediate project, and that that new life may be dictated by someone other than themselves. Their ignorance of the legal consequences of co-ownership will not shield them from potential adverse results.

VI. CO-OWNERSHIP ILLUSTRATIONS, POLICY, AND EXPECTATIONS

Suppose two composers decide to collaborate on a symphony. Suppose further that, as they work, they work together in such a way that their individual creative efforts are inseparable. As long as each contribution passes the more than de minimis threshold, the result will be a joint work. If thereafter one of the composers decides to rework the symphony into a chamber piece such as a string quartet, that could be accomplished without the permission of the other composer. Further, the string quartet would be a derivative work. The quartet composer would have to account to the other composer for the profits garnered by using the symphony as the underlying work for the derivative piece.

¹⁴¹ 743 F.2d 630 (9th Cir. 1984).

¹⁴² *Id.* at 632.

¹⁴³ *Id.* at 633.

¹⁴⁴ While the court found no infringement of the manuscript, it did find that Ries infringed Oddo's copyright in the magazine articles. *Id.* at 634.

Returning to the example of the mixed media installation, assume the sculptor and composer agree they will each create a work that will be interdependent on the other. The result here will also be a joint work, but distinguishable from the example above since each contribution is separately copyrightable. Nevertheless, the sculptor and composer will co-own the copyright to the entire joint work and may use any portion of the joint work subject to a duty to account to the other. Therefore, the sculptor could use the music in conjunction with another sculptural work without the composer's approval. The new work would be a derivative work to which the sculptor would hold the copyright. Likewise, the composer could compose another sequence of music to be used along with the same sculpture, without the sculptor's approval. Again, the new mixed media piece would be a derivative work owned by the composer.

The author's view is that the symphony/string quartet example is more equitable than the mixed media example for two reasons. First, since the symphony would be comprised of truly inseparable creative efforts, a requirement of requesting the permission of the other co-author before using the work would amount to a requirement of asking yourself permission to use your own work. Such a requirement would needlessly frustrate the purpose of the Copyright Act, which is, in part, to foster creative endeavors.¹⁴⁵ But in the mixed media example, even though a collaborative intent exists, it is inescapable that the creative efforts are separate even though they can be merged into a unified whole. Allowing one co-author to use a component of this type of joint work without the permission of the author of that component may foster creative endeavors, but does so at the expense of the component's author. In fact, the later allowable use of the component by a non-author co-owner frustrates a competing goal of the Copyright Act, which is to allow an artist control over her own work for the duration of its copyright.¹⁴⁶

The Supreme Court has recently stated that the goals of disseminating creative works to the public and artist's control must be balanced.¹⁴⁷ Assuming the coauthor of a joint work has created a copyrightable contribution that is merged with another to form the joint work, the subsequent use and modification of that contribution by another co-author, without permission, seems to frustrate the original author's control rights. In effect, the current status of the law appears to punish those authors who choose to collaborate on a joint work, since it strips them of the control they might otherwise have if the work had been singularly created and was independently copyrighted. Further, the argument that those artists will still be able to enjoy the profits from the later use of their work, by way of the accounting requirement, may not recognize

¹⁴⁵ *Stewart v. Abend*, 110 S. Ct. 1750, 1764 (1990).

¹⁴⁶ *Id.* at 1764.

¹⁴⁷ *Id.*

the true desires of the parties. And, as will be shown below, the remedy of an accounting may afford only limited relief.

V. INFRINGEMENT AND ACCOUNTING ACTIONS

If a cause of action for infringement exists, damages and injunctive relief are available. The right to bring an action is authorized by section 501 of the Copyright Act; an action will lie if any of the exclusive rights of a copyright owner is violated.¹⁴⁸ The Act affords flexible relief to a plaintiff in an infringement action. A court may grant temporary and permanent injunctions against the infringer,¹⁴⁹ the infringing articles may be impounded, destroyed or otherwise disposed,¹⁵⁰ and the court may award either actual damages (and any additional profits of the infringer) or statutory damages.¹⁵¹ Statutory damages may range from \$500 to as much as \$100,000,¹⁵² depending on the nature of the infringement.

Courts will consider statutory damages where profits or damages are difficult to prove.¹⁵³ Difficulty in computing actual damages and profits is not uncommon. For example, difficulty may exist in calculating actual damages where the infringer fails to provide the necessary documentation,¹⁵⁴ or where the plaintiff fails to accurately quantify damages.¹⁵⁵ In any event, the trial court has a great deal of discretion in determining damages, especially statutory damages.¹⁵⁶

These flexible remedial provisions are not, however, available to one author of a joint work whose contribution is appropriated by a fellow author. That damaged party must sue for an accounting. While a thorough review of the scope of an accounting action will not be attempted in this article, a brief discussion is illustrative of its limitations.¹⁵⁷

¹⁴⁸ 17 U.S.C. § 501 (1988).

¹⁴⁹ 17 U.S.C. § 502 (1988).

¹⁵⁰ 17 U.S.C. § 503 (1988).

¹⁵¹ 17 U.S.C. § 504 (1988).

¹⁵² *Id.* The court may determine the amount of liability in a sum not less than \$500 or more than \$20,000 for all infringements involved in the action with respect to any one work. Further, if the infringement was willfully committed, the court has the discretion to increase the statutory damages to no more than \$100,000.

¹⁵³ *United Features Syndicate, Inc. v. Spree, Inc.*, 600 F. Supp. 1242 (E.D. Mich. 1984) *appeal dismissed*, 779 F.2d 53 (6th Cir. 1985); *Lauratex Textile Corp. v. Allton Knitting Mills Inc.*, 519 F. Supp. 730 (S.D.N.Y. 1981); *Lottie Joplin Thomas Trust v. Crown Publishers, Inc.*, 592 F.2d 651 (2d Cir. 1978).

¹⁵⁴ *Cable/Home Communications Corp. v. Network Prod., Inc.*, 902 F.2d 829 (11th Cir. 1990).

¹⁵⁵ *RSO Records, Inc. v. Peri*, 596 F. Supp. 849 (S.D.N.Y. 1984).

¹⁵⁶ *Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010 (7th Cir. 1991), *cert. denied*, 112 S. Ct. 181 (1991).

¹⁵⁷ A search of accounting cases yielded none that arose from a joint work dispute.

Both statutory and equitable accountings are viable causes of action,¹⁵⁸ but in the context of a co-owner who objects to the appropriation of his contribution to a joint work, an equitable accounting appears to be the proper action. In an analogous context, an equitable accounting was permitted where a plaintiff claimed a share of profits based on a number of contractual provisions.¹⁵⁹ Further, equitable accountings are available where the issues are complex.¹⁶⁰ It is likely that a suit brought by an aggrieved co-owner of the copyright in a joint work would fit in this equitable setting. The co-ownership that arises from the relationship between the authors is not unlike a contractual relationship; further, it is likely that a determination of the ratable share of profits due the plaintiff author would involve complicated computations.

Assuming an equitable action is proper, the plaintiff would first be required to demonstrate a right to the accounting.¹⁶¹ Other cases describe this burden as requiring the plaintiff to allege and prove that something is owed to her.¹⁶² Based on the fact that statutory damages are often resorted to in infringement actions because precise damage calculations are difficult to assess, plaintiffs seeking an accounting may have difficulty meeting this burden. In *Strauss v. The Hearst Corp.*, the court stated that Strauss would have difficulty proving the amount due him by way of an accounting, and that he would further have difficulty proving a causal connection between the use of the joint work and the magazine's advertising profits.¹⁶³

In addition, while the court has the power to grant full relief,¹⁶⁴ it also has a great deal of discretion in making its determination.¹⁶⁵ An appeal from an accounting action is also limited; the ultimate decision cannot be overturned unless it is against the manifest weight of the evidence¹⁶⁶ or if there is a facial error of law.¹⁶⁷

It becomes apparent that the flexibility afforded infringement plaintiffs is not enjoyed by plaintiffs in an accounting action. This differing relief exists despite the fact that the sole author of a copyrighted work and an individual author of a joint work who has seen her work appropriated in an offensive

¹⁵⁸ *Harmon Care Centers, Inc. v. Knight*, 340 N.W.2d 872 (Neb. 1983).

¹⁵⁹ *Zichel v. Knell*, 357 Mo. 678, 210 S.W.2d 59 (1948).

¹⁶⁰ *Dairy Queen, Inc. v. Wood*, 369 U.S. 469 (1962).

¹⁶¹ *Goldfarb Novelty Co. v. Vann*, 94 So. 2d 845 (Fla. 1957); *Wood v. Brachett*, 266 So. 2d 398 (Fla. Dist. Ct. App. 1972); *Randolph Foods, Inc. v. McLaughlin*, 253 Iowa 1258, 115 N.W.2d 868 (1962).

¹⁶² *Cimio v. W.A. Piel, Inc.*, 416 N.W.2d 505 (Neb. 1987).

¹⁶³ 8 U.S.P.Q.2d at 1838. Without proof of the causal connection, the court stated that only nominal damages of \$1.00 would be in order. *Id.*

¹⁶⁴ *Dowell v. Dowell*, 316 P.2d 850 (Okla. 1957).

¹⁶⁵ *Cimio*, 416 N.W.2d at 505.

¹⁶⁶ *Id.*

¹⁶⁷ *Appeal of Priestly*, 127 Pa. 420, 17 A. 1084 (1889).

manner have both had their control over their work compromised in much the same way.¹⁶⁸ While an author's intent to create a joint work would logically warrant special copyright treatment of the joint work itself, extending that special treatment through the imposition of co-ownership principles that allow the unauthorized later use of portions of the joint work by a co-owner is not only unwarranted, but inequitable.

VI. SUGGESTED CO-OWNERSHIP ALTERNATIVES

Assuming the unfair treatment of authors in these instances, what alternatives exist to afford more equitable treatment? If the separately copyrightable test is used to distinguish between joint works of the inseparable and interdependent sort, consideration should then be given as to whether and when to apply co-ownership principles to those types of works. Simply put, if each component of a joint work is separately copyrightable, do the existing co-ownership provisions make sense? Applying tenancy-in-common principles in such a case is illogical to the extent that one author could appropriate or authorize the use of another author's work.

One alternative would be to adopt the view of a number of European jurisdictions and refuse to treat works composed of interdependent contributions as joint works. Another possibility would be to treat these works in the same manner as are collective works. In lieu of these alternatives, it is essential that artists protect themselves before entering into collaborations with other authors in order to allow them to control the ultimate destiny of their work.

In a number of European jurisdictions, authors must contribute inseparable components for the resulting work to be considered a joint work. In those countries, it is not enough that the works be merely interdependent.¹⁶⁹ Therefore, the sculpture and sound mixed media piece, as well as a song with lyrics, would not be considered joint works. This view appears to focus more on the separate identity of the components of a collaborative effort than on the intent to create a unified end product. Such an approach works well because it recognizes a distinction between different sorts of collaborative efforts that American law fails to acknowledge.

¹⁶⁸ It could be possible that an equal protection question lurks within this issue. At least an argument exists that the author of an interdependent contribution to a joint work is similarly situated to the sole author of a copyrighted work. This argument gains greater force in light of the trend that requires each author's contribution to be separately copyrightable. In spite of this similarity, the two are treated differently with respect to the remedies available to them in the event of later appropriation of their work. Even applying a rational relationship/lowest level scrutiny analysis, it is arguable that the differing treatment raises a constitutional issue.

¹⁶⁹ Nimmer § 17.07, at 17-46. This view is shared by the United Kingdom, Germany, the Netherlands, and Austria. *Id.* n.2.

Even if a foreign jurisdiction recognizes a collaborative effort as a joint work, that jurisdiction will typically require all the joint owners to consent to license a joint work.¹⁷⁰ Therefore, it appears that even in those foreign jurisdictions that would view a work comprised of interdependent parts as a joint work, the consent of all authors would be required in order to validly license the work. In such a case, the joint work could be disseminated, but not without the agreement of each author. This view reaches a fair balance between recognizing artists' desire for control over their own works, and the competing desire to allow the dissemination of creative works.

The European limited definition of joint work and its licensing restrictions avoid some of the joint work co-ownership problems that currently exist under the Copyright Act. Another, and perhaps more successful, way to address the problem would be to treat a collaborative work made up of interdependent parts as a collective work. Under the proposed use of the separately copyrightable test, this would mean that the owners of any collaborative effort comprised of separately copyrightable components would be treated in this manner.

A collective work is a work such as an encyclopedia or anthology, where separate and independent works are assembled into a collective whole.¹⁷¹ The authors of the separate components of a collective work own the copyright to those components, and the individual who assembles those components into a whole acquires the copyright to the whole.¹⁷² If this concept were applied to the situation where two artists create separately copyrightable works intending them to be merged together, it would mean that each artist would first own the copyright to her individual work, and that both would own the copyright to the assembled piece. Co-ownership principles would apply only to the collaborative work, meaning that either artist could make use of the combined work. However, under this approach only the artist who created any single contribution could exercise the exclusive rights of copyright for that particular contribution. If the other author appropriated that artist's contribution, an infringement action, and all of its relief, would be available to the artist.

Better than the European approach, the collective work approach serves the purposes of copyright law. Such a view would allow authors to control their own copyrightable works, but would also recognize them as co-owners of the collective work. This view would promote the dissemination of artistic works without unnecessarily frustrating the authors' control over their works.

The obvious difficulty with the collective work approach is that under the current Act joint works composed of interdependent parts are co-owned

¹⁷⁰ *Id.* at §§ 17-10[B], at 17-47 and 6.10[C], at 6-29.

¹⁷¹ 17 U.S.C. § 101 (1988).

¹⁷² See *supra* text accompanying note 33.

joint works. The European view is also inapposite to the current statutory definition of joint work. Legislative history also poses problems for the collective work approach, since it states that collective works are typically comprised of a significant number of contributions.¹⁷³ Therefore, without legislative revision, authors with a preconceived design to create a unified work comprised of interdependent and separately copyrightable components will be viewed as the authors and co-owners of a traditional joint work.

Artists who contemplate a collaboration where their contribution is separately copyrightable and something which will have value on its own, must protect themselves by contracting with their co-authors. It is essential that they reserve for themselves the rights to license and use their contributions to joint works or risk seeing them appropriated in a manner that they may find offensive or unwise.

VII. CONCLUSION

As it increases in acceptance, the separately copyrightable contribution requirement will raise questions about traditional notions of joint works. The more each contribution to a joint work is required to stand on its own, the less the concepts of merger and unity can be meaningfully addressed. A better analysis would continue to recognize joint works as long as each contribution meets the *de minimis* standard. Any significant amount of contribution in excess of a *de minimis* level could first be used as a factor in determining whether the parties intended to create a joint work. Once the contributions are separately copyrightable, the joint work could be identified as the interdependent type.

Analyzing individual contributions to joint works in this manner crystallizes the inconsistency inherent in the existing co-ownership principles as they relate to joint works composed of interdependent parts. The possibility that one co-author can freely appropriate work that was exclusively created by another co-author is an unfortunate restriction on an artist's right to control her own work. Artists do not have the luxury of having a crystal ball to see if, how, or when their works may be used in the future. But when their work is combined with another's in a traditional joint work, the current law allows the later use of their work to be placed in another's hands subject only to a duty to account. Artists currently must protect against this possibility by contracting to retain their rights to the use of their work.

More sensible and equitable alternatives exist, either by narrowing the definition of joint work to exclude those works composed of interdependent parts, or by treating joint works made up of interdependent parts as collective works. The ultimate goals should be to allow artists to retain control over their individual works and to co-own the combined work. By restructuring

¹⁷³ See *supra* note 29.

both the analysis of joint work contributions and the resulting scope of co-ownership, the joint work provisions of copyright will better reflect the expectations of authors.

CONFERENCE REPORT***THE COPYRIGHT SOCIETY OF THE USA MID-WINTER MEETING**

5th and 6th February, The Omni Hotel, Charleston, South Carolina

Charleston had certainly known sunnier weeks than the one chosen for the mid-winter meeting of the U.S. Copyright Society, but the grey skies and the occasional showers did not dampen the spirits of the 80 or so delegates assembled at the Omni Hotel for what the Society's President, Roger Zissu, described as the biggest winter meeting the Society had ever had. Whilst speakers addressed a number of subjects, one of the noticeable features of the proceedings was that few of them could talk about the United States in isolation. It was very clear that the majority of today's practitioners have to know what is going on in all parts of the world, as the American copyright industry seeks to continue expanding and in so doing seeks to ensure that its rights are adequately protected; and whilst in some parts of the world it may still be possible to ensure that intellectual property developments are to the liking of the industry, in other places, such as the European Community (EC), it is not. The EC was referred to many times, as was logical given the fact that it represents such a huge market for U.S. copyright industries, and it was not difficult to discern a great deal of unease at some of the directions in which it was perceived the Community was heading.

DAY ONE*Morning Session*

The first talk of the meeting, and one of the most interesting, was entitled "Federal Legislation—Developments and Directions." Bill Patry, Counsel to the House of Representative's Subcommittee on Intellectual Property, and Darrell Panethiere, Minority Counsel to the U.S. Senate Subcommittee on Patents, Copyrights and Trademarks, led the session, outlining their thoughts on various topics and fielding a number of questions from the floor.

Patry and Panethiere, Democrat and Republican respectively, began by assessing what impact the outcome of the November 1992 Presidential election and the concurrent House and Senate elections would have on the substance of copyright legislation. Not much, it was agreed. Rep. Bill Hughes was still chair of the House sub-committee, with Rep. Carlos Moorhead as ranking minority member, and Sen. DeConcini remains chair of the Senate

*© Copyright World 1993. The author would like to acknowledge the help of Brad Smith, Ed Komen and Bruce A. McDonald in producing the report.

sub-committee, Sen. Hatch is the ranking Republican. Both Patry and Panethiere were keen to stress that political point scoring was well down the list of members' priorities when dealing with intellectual property, and a bi-partisan approach to copyright matters had begun to develop in both the House and Senate sub-committees, with those who sat on them keen to iron out as many problems as possible before formal hearings began.

This was demonstrated by the relatively smooth passage granted to the four significant pieces of copyright based legislation which came out of the pre-election 102nd Congress. It was clear that legislators' concerns were based on creating good law, and the general consensus was that they had been successful in this. After naming the four pieces of legislation:

- (1) The Copyright Amendment Act 1992;
- (2) an amendment to Section 107 of title 17, USC, stating that there can be "fair use" of unpublished works if the normal "fair use" criteria are met;
- (3) an amendment to title 18, U.S.C., with respect to criminal penalties for copyright infringement; and
- (4) The Audio Home Recording Act 1992,

the first three were discussed in more detail, with the thinking which lay behind each explained:

- According to Patry, the Copyright Amendment Act, dealing primarily with the process for the renewal of copyrights in the U.S.A. (see *Copyright World*, issue 27, February 1993, pages 38 to 44), was a "great Act," which will, "save a lot of copyrights that were previously lost for mean and pernicious reasons."
- Panethiere conceded that the issue of "fair use" and unpublished works was a complicated one, and, in addition to the amendment to Section 107 of 17 U.S.C., there was a need for case law developments.
- The delegates were told that criminal infringements relating to copyright were amended to take account of the ever growing problem of computer software piracy. By adding software to the other more traditional categories of works protected by copyright, a generic criminal offence of copyright infringement including all forms of copyrightable material has been created. According to Bill Patry, the principle behind the legislation was the feeling that there should be provision to punish those who wilfully infringe any copyrighted work for private advantage or commercial gain.

Having reviewed the 102nd Congress, the two men then peered into the future and gave their opinions as to what the big issues would be over the next two years. One thing was clear, copyright would not have such primacy, more work will be done in the fields of patents (harmonization) and trade-

marks. It was suggested that the following would form the basis of possible copyright legislation in the 103rd Congress:

- Cable companies' obligations to seek either retransmission consent from local TV stations or to guarantee to a station that its signal will be carried on cable (the "must carry provision") (see *Copyright World*, issue 25, November 1992, page 14, and issue 26, December 1992/January 1993, page 16). On the first day of the new Congress Bill HR 12 was introduced into the House of Representatives. The Bill seeks to impose further obligations on cable companies, in that retransmission consent would not only be required from the TV stations who own the signals on which programmes are broadcast, but also from those who hold the copyright in what is actually being broadcast—the programme makers. On the day following HR 12's introduction, HR 190 was tabled. This bill seeks to repeal the need to ask for retransmission consent altogether.
- Video clipping. There is a dispute at the present time in the U.S. between broadcast news services and video clipping companies which record transmissions and then put together videos of "clippings" which focus on subjects of interest to clients, much in the same way as newspaper clipping organizations function. News services claim that the practice infringes on their copyright, the clippings companies deny this—there has been a fair amount of litigation in the area. A Bill, S23, was introduced in the last Congress which would have made video news clipping services a "fair use." It seems, however, that legislation will not be required because the two sides have been involved in talks which it is hoped will lead to a licence agreement permitting video news clipping in return for an annual fee paid to the broadcast companies.
- Legislation on technology transfer has also been introduced. A bill, the "Federal Software Copyrights Under Technology Transfer Improvements Act" (HR 523), which was tabled in the House of Representatives on 21st January 1993, would allow U.S. government agencies to obtain and license copyrights on software produced under co-operative research and development agreements (CRADAS). Federal employees who develop such software would have the right to a share of the royalty fees obtained by the government for the licensing of its copyrights. The Bill has been referred to the House Science, Space and Technology Committee.
- It was forecast that the hardy perennial, industrial design protection, may make an appearance, as it seems to do in every Congress. Fears that such legislation could encourage anti-competitive practices and prejudice the interests of manufacturers of secondary parts, for example, for cars, have tended to diminish support for such measures in Congress in the past. It remains to be seen whether any safeguards which might accompany a new bill would lead to greater success.

- In 1991, Rep. Mrazek introduced the "Film Disclosure Act" which dealt with the issue of film labelling. It would have required that there should be an indication of whether a film has been sold, leased or exhibited "in a materially altered form," and that the "artistic authors" of a film should, "have the right to indicate their objections to any material alterations made to their work." The bill was not adopted, perhaps, amongst other things as a result of concerted lobbying by the Motion Picture Association of America (MPAA). Although Mr. Mrazek is no longer in the Congress it was considered possible that the legislation may be resubmitted. More likely, however, was some kind of voluntary agreement between film producers and directors (see news section, page 18).
- Darrell Panethiere also said that there may be Senate hearings on general issues affecting the computer industry. This in the light of the decision in *Sega v. Accolade* (see *Copyright World*, issue 26, December 1992/January 1993, pages 18 to 22).

Strangely, no mention was made of the Copyright Reform Act (HR 897/5373) submitted to the House by Rep. Hughes and Rep. Frank, and to the Senate by Sen. DeConcini and Sen. Hatch, on 16th February, just over a week after a meeting ended (news section, page 16).

Legislators would also be paying close attention to international developments, the delegates were told. The North American Free Trade Agreement (NAFTA) was very complex, with many copyright implications; and it was anticipated that material emanating from WIPO would also get Congressional attention. Legislators had been receiving much more information than is usual for international matters on the proposed new instrument to the Berne Protocol dealing with performers' rights in sound recordings. Patry explained that the House subcommittee wants to be involved in the decision making process at an early stage. It doesn't want to be presented with a package and then be asked to approve it, the feeling being that Congress should be playing a part in the formulating of policy decisions about changing U.S. legislation.

"Whatever, the European Community does, we have to look at very carefully," said Bill Patry, and the two men went on to list EC developments and potential developments which were of interest to U.S. legislators:

- (1) the Software Directive;
- (2) the Database Directive (which, it was suggested, was based on a misreading of *Feist*);
- (3) the proposal that the length of copyright protection in the EC should be life plus seventy years;
- (4) the feeling that there is a growing movement to legislate for a compulsory

minimum amount of time in an hour that local works should be broadcast on TV stations (thus denying U.S. artists potential revenue); and

- (5) there is also a great worry that the EC is drifting towards reciprocity as opposed to national treatment. That is to say an author will only be given protection if the same protection is available to EC authors in the author's country of origin. This is in direct contravention of the Berne Convention, which guarantees national treatment, i.e., countries guarantee to apply their laws of copyright to any author whose country of first publication is a Berne Convention country.

The morning's proceedings were completed by David Savage, Supreme Court correspondent of the *Los Angeles Times*, who, in a well crafted talk, gave delegates a fascinating insight into how the Supreme Court went about reaching its decisions, who the dominant members were, and what alliances existed between members; it was a Court, he concluded, that would always be very strong on the 1st Amendment. However, it would be fair to say that it was the talk given by Patry and Panethiere which dominated the lunch time conversation.

As delegates digested what had been a substantial meal, and a milky rain drizzled into the patio beyond the dimly lit restaurant's glass walls, the Hon. Ralph Oman, U.S. Register of Copyrights, gave the keynote speech. The Copyright Office, he said, was in good shape and the future looks bright. In 1992, there had been 635,000 claims for copyright registration, and there was a six week pending time for processing. 675,000 copyright registrations had been catalogued. Following the Copyright Renewal Act, it is estimated that there will be 30,000 renewal applications in 1993, as opposed to 50,000 in 1992. Revenue will remain the same, however, because the registration fee has increased from \$12 to \$20.

After his general comments, Mr. Oman chose to look more deeply into two specific controversies of 1992:

- The first was the issue of video clipping (see above). There had been five meetings (up to the week preceding the Charleston conference) between the two sides in the dispute, and there had been good progress. So much so, that Mr. Oman claimed the parties had, "rounded third base heading for home." Although, he added, the Copyright Office would not force the issue.
- The second was the *Atari* case, in which Mr. Oman's decision not to register the Atari computer game "Breakout," on the grounds that it did not show any originality "in either the selection or arrangement of the images or their components," was reversed by Judge Ginsburg. Commenting on the decision, the first case which he has lost, Mr. Oman said that he found it disturbing that the court had been reluctant to defer on a technical mat-

ter to an expert government agency. He said that he will decide how to proceed in this matter over the next few weeks.

Delegates were also told that the Copyright Office will be holding hearings on multi-media in the autumn.

Afternoon Session

The afternoon session on the first day took the form of a discussion on "International Copyright Protection and Enforcement," moderated by Marybeth Peters of the U.S. Copyright Office, with contributions from Eric Smith of the International Intellectual Property Alliance, Jon Baumgarten, of Proskauer, Rose, Goetz & Mendelsohn, and Brad Smith, of Covington & Burling.

The first to talk was Eric Smith, who addressed the problem of protecting the interests of U.S. organizations abroad. The U.S., he said, was the world leader in the production and distribution of copyright goods. Products such as music, motion pictures and software generate almost half their revenue overseas. It is therefore in the interest of the copyright industry that protection afforded by foreign governments is as strong as possible. Pressure from the U.S. government has led to many countries adopting copyright laws and improving enforcement, this has particularly been the case since the introduction of Section 301 of the U.S. Trade Act, which states that failure to afford adequate protection to United States intellectual property will be construed as an unfair trade practice and will open the door to U.S. retaliation (a 100 per cent tariff on a country's key exports to the U.S. for example). Attempts have also been made to incorporate minimum standards of protection and enforcement into GATT—these would be based on Berne, with certain refinements relating to computer programs, databases and rental rights.

Overall, said Mr. Smith, the situation is much brighter than it was ten years ago. He then went on to give a regional guide to the state of copyright protection and enforcement:

- **Asia.** The situation in Asia is generally improving, although there are still some countries where progress could be made. Four countries were singled out for more detailed discussion:
 - (1) Taiwan—there is a lack of political commitment to enforce what is a "pretty decent" copyright law. There have been some successes, but generally things are patchy;
 - (2) Singapore—since the introduction of the 1987 Copyright Law, which is enforced, there has been a reduction in U.S. losses in the country. Software remains a problem;
 - (3) People's Republic of China—the statutory framework in China is in "very good shape," although there are no express criminal penalties

(see *Copyright World*, issue 26, December 1992/January 1993, pages 33 to 35); and

- (4) Thailand—possibly the worst country. There is a decent copyright law, but no manufacturer or distributor of infringing articles has ever been convicted. Only major trade pressure can change the situation, and the U.S. copyright industry is looking to the Clinton Administration to exert this.
- Middle East. Until recently, this area was part of the non-copyright world. Laws are now emerging and the situation is expected to improve.
 - Eastern Europe. The situation is slowly getting better, with the Russians in the process of adopting what is considered to be a Berne compatible law (see *Copyright World*, issue 28, March 1993, pages 11 and 12). Poland is further away and a very high level of piracy remains. The U.S. government has made it clear that full scale trade will not begin until IP problems are solved.

Trade agreements which the U.S. government is making with Republics of the former Soviet Union now stipulate that the Republics must join the Berne Convention.

The judicial system in almost all former iron curtain countries is in disarray. There is a substantial challenge for the U.S. and the EC to help in the establishment of a legal system which can address the problem of economic crime, which is a "disaster," with piracy, "literally beyond belief."

- Latin America. This is an area which has been getting a lot more attention recently as a result of NAFTA. Economies have opened up and liberalized, but existing laws are inadequate to deal with modern copyright trade and enforcement is difficult. There is pressure on Latin American countries to sign IP agreements in return for U.S. aid, debt write offs, and so on. It is expected that things will improve.

Jon Baumgarten followed Mr. Smith and spoke on what he saw as the principal doctrinal trends in copyright, especially in Europe.

On the international scene, emphasizing the point already made by Eric Smith, Baumgarten said that there will be an ever increasing trade based approach to intellectual property negotiations. Trade weapons, such as threats to withhold concessions or impose Section 301 sanctions, will become increasingly useful. He forecast that the Commerce Department under Secretary Brown will become a very significant player in protecting American IP interests, although it may still be the case that more leniency will be shown to friendly regimes situated in generally hostile regions.

The U.S. will have to adapt to new rules as copyright becomes more

internationalized. In particular, the U.S. is going to have to get used to the emergence of the EC.

Delegates were told that the EC is not a confederation, it is an entity, an independent force. EC Commissioners do not take orders from governments, they formulate policies of their own. In the field of copyright, the EC is increasingly taking competence away from member states, and EC Directives are now being seen to have a precedential influence on organizations such as WIPO.

Factors such as a predilection towards a social dimension in all EC legislation and a different concept of copyright in ten of the twelve member states (the UK and the Republic of Ireland being the exceptions), are causing conflict between the EC and the US government and copyright industries. There are, according to Baumgarten, two principal areas of controversy:

- **National treatment and reciprocity.** As was pointed out by Bill Patry and Darrell Panathiere, it seems that the EC is, in many cases, drifting towards reciprocity as opposed to national treatment (the assimilation of foreign works as national works). One way in which this occurs is that works which may be treated as copyrightable in other parts of the world may not find themselves protected as such in the EC. For instance, of the two tiers of protection afforded to databases in the Database Directive, only one is considered copyright and thus liable to national treatment. Moreover, in the future it is possible, said Baumgarten, that even in respect to copyright money, sums will not be distributed to countries which do not share the EC's vision of copyright conventions.
- **Contractual rights.** In the United States, employers are treated as the authors of works created by employees in the normal course of their work. In most of the EC, with the exception of the Software Directive, employers cannot be considered as authors, but they may hold rights. This dichotomy leads to a range of contractual provisions with which U.S. practitioners are not familiar (inalienable rights, untransferable rights, right by right transfers etc.). The question arises, in international contracts which definition of author will apply?

Contentions between the U.S. and the EC are being played out in forums such as GATT and WIPO. Perhaps the EC may be willing to compromise on reciprocity, but it seems immovable on contractual rights.

Brad Smith, who followed Jon Baumgarten, took up where the latter had finished, but concentrated principally on the recent EC Software Directive.

Once it became clear that the EC was planning to legislate on copyright in computer software, there was a huge amount of lobbying, not least by organizations representing the interests of U.S. companies, which lose a huge amount of revenue each year as a consequence of piracy in the EC. An important principle for Community legislators as the Directive was being for-

mulated was to examine copyright law from the position of industrial policy—what would the Directive mean for the future of the computer industry in the EC? Now that it has been issued, it is generally agreed that the industry has been safeguarded. Both software and hardware companies are, in the main, satisfied, and the underlying competitive balance between the two has been preserved.

Up to now five countries, Italy, Denmark, Ireland, Greece and the UK, have actually implemented the Directive, and others are expected to follow suit. Delegates were told that the U.S. Embassy in Rome was very influential in helping to persuade the Italians to implement, whilst it could not be ruled out that the Commission would bring legal action against the UK government in order to force it to change the wording of the Directive as it was incorporated into the UK statute book (see *Copyright World*, issue 27, pages 27 to 32).

What was particularly good about the Directive was the low originality threshold for copyright protection in software programs, this was a great advance on the rules in Germany, for example. Also, courts and national governments follow the Directive very closely when there is litigation in the field, this, in turn, leads to the creation of deterrents. After the first case in Portugal to enforce copyright in software against a major company, sales in software rose by 231 per cent. There are still problems, however; it is procedurally difficult and there is a lack of provisions relating to statutory damages, for example.

Turning to other factors affecting copyright in the EC, Mr. Smith talked of the themes that will be coming to the fore in the future:

- The differences between the British and Irish (as well as U.S.) “common law” approach to copyright, which sees it as a means of protecting economic as well as creative investment in a work, and the continental or “civil law” view which tends only to protect directly those works which enshrine or reflect an author’s personality or creativity. There will remain a potential for disagreement here.
- Becoming central to the copyright debate in the EC is what should the effects of intellectual property rights on secondary markets be, particularly following the *Magill* case? Should an organization be able to use its rights in order to control the market in a secondary product? This issue will continue to be assessed as the EC reviews interoperability and compatibility in software under the Directive’s implementation. In grappling with this issue there are three options open to legislators:
 - (1) not to create a copyright right applicable to a particular act, so that copying for purposes of interoperability or compatibility is not regulated;
 - (2) create a right and then create exceptions to it; or

- (3) create the right, forego the exceptions, and create a very strong anti-trust provision.

The situation in the EC could become more difficult in the future, as there are substantial internal obstacles to harmonization. Agreement between commissioners and member states is often hard to reach, and it remains the case that there is no consensus on underlying industrial policy objectives. However, international copyright principles are more and more influenced by the EC, which, at the same time, is more prepared to go its own way. The United States, Mr. Smith concluded, needs to engage in proactive discussions earlier and more successfully if it is to have influence as future problems arise.

And so the first day ended. Delegates departed with much to exercise their minds.

DAY TWO

Charleston, even in the rain, is a town of many pleasures. Restaurants and bars abound, and whilst your trusty correspondent retired to his bedroom at an early hour, the pallid faces, pained smiles and hands on foreheads he encountered on Saturday morning, indicated that some of the other delegates had not been so wise. Still, solace was near at hand. A few glasses of cold water and a morning of stimulating discussion provided most sufferers, and everybody else, with all the sparkle they needed.

"Some day," said Professor Joe Beard, "actors who have been dead for fifty years will be acting with real actors." He then went on to talk about the work which had been undertaken in various research centres all over the world which may mean that in the future a totally life-like digitalized Humphrey Bogart could appear in *Casablanca 2* talking in a computer generated voice indistinguishable from his own. Delegates were shown a series of videos demonstrating just how far the process had come and were told of the difficulties that still remained. In the end, however, synthetic humans, two dimensional audio-visual representations capable of reacting to human beings, will be a reality. There are many copyright implications to bear in mind as scientists work to create these "homo computerus," amongst which are:

- To create a two dimensional figure on screen it is often the case that photographs will have to be used. If these are not in the public domain, there may be a risk of infringing copyright. If dimensions are merely taken from a photograph there is no problem, but if photographs are input into a computer in order to build up a profile of a character, does this interim copying to make an ultimate image constitute an infringement?
- Generic emotions (happy, sad, etc.) require personalization. In order to get such personalization one has to search through films and sound recordings. You can only know how Bogart smiles if you look at his films. However,

the expression of a film is copyrightable, and part of this expression is in an actor's response to direction, writing etc. Thus, how can you take an actor's facial expressions, voice patterns and so on, without infringing upon a film's copyright?

Changes may not come about for some time, but in the future it is possible that actors will have themselves translated into digital form so that they can sell the rights for use.

The Hollywood studios must be rubbing their hands in anticipation. New films starring synthetic Marilyn Monroes, James Deans, Errol Flynn's, Charlie Chaplins; no big egos to deal with, no crippling salary demands. Maybe the day will come when there won't be living actors in films anymore.

Following Professor Beard, Mort Goldberg of Schwab, Goldberg, Price & Dannay, gave a talk on "Copyright and Computer Software—Developments and Directions" in which he examined recent judicial decisions and their effects on two important software issues:

- (1) what is the scope for protection of non-literal elements in a program?; and
- (2) what is the scope of protection in regard to intermediate copying?

The discussion was based around three cases in particular, *Sega v. Accolade* (see *Copyright World*, issue 26, December 1992/January 1993, pages 18 to 22), *Atari v. Nintendo* (see *Copyright World*, issue 25, November 1992, pages 16 and 17), and *Computer Associates v. Altai*.

The final event of the conference was a fiercely argued debate on cable television and new legislation. Moderated by William Roberts of the U.S. Copyright Office, the three participants were Fritz Attaway of the Motion Picture Association of the America (MPAA), Judith Saffer of Broadcast Music Inc., and Charleen Vanlier of Capitol Cities/ABC Inc. Speakers looked specifically at the controversies surrounding issues such as "must carry," retransmission consent (see above) and compulsory licenses. In the ideal world, it was agreed that compulsory licenses would be scrapped and individual parties would negotiate with each other in the market place. It wasn't going to happen though because there were too many vested interests which (cable and satellite organizations, for example) wanted to maintain the licenses because it gave them an advantage (not having to pay the market rate).

CONCLUSION

So at Saturday lunch time the delegates drifted away. The editor of *Copyright World* was left in an empty conference room to dwell on the fact that copyright really is an international affair. There is a plethora of common concerns and issues, and infringement costs, whether it occurs in the U.S., Europe, Asia, or wherever. Rights can only be protected if people know what

is going on, when and where. A good time to be editor of *Copyright World* he thought to himself.

What is imperative is that practitioners and people in the copyright industries, who live, work and practice in different jurisdictions, meet together, exchange ideas and information, and listen to each other's experiences at regular intervals. The Charleston meeting, well organized, well attended, with an excellent programme, was an ideal place for them to do that. Hopefully the next time the U.S. Copyright Society organizes an event such as this, there will be a few more faces from overseas.

PART II

**LEGISLATIVE AND ADMINISTRATIVE
DEVELOPMENTS***United States*

U.S. COPYRIGHT OFFICE.

37 C.F.R., Part 201. Cable and satellite carrier royalty interest regulations (amendments). Final rule. *Federal Register*, vol. 57, no. 250 (Dec. 29, 1992), pp. 61832-34.

The Office amended its regulations to adopt the Department of Treasury's published interest rates for late and underpaid royalties made pursuant to section 111 and section 119 of the Copyright Act. The Office also made some technical amendments to its rules.

U.S. COPYRIGHT OFFICE.

37 C.F.R., Part 201. Statutory licenses for digital audio recording devices and media: initial notice of distribution. Interim regulation. *Federal Register*, vol. 57, no. 228 (Nov. 25, 1992), pp. 55464-66.

The Copyright Office is adopting interim regulations to implement section 1003 of the Audio Home Recording Act of 1992. The Act creates a new statutory license under the Copyright Act and imposes certain filing and royalty remittance requirements on persons who import and distribute in the U.S., or manufacture and distribute in the U.S., any digital audio recording devices or digital audio recording medium. The regulation is issued on an interim basis to allow persons to invoke the statutory license immediately, while permitting full public comment before the issuance of final regulations.

U.S. COPYRIGHT OFFICE.

37 C.F.R., Parts 201 and 202. Renewal copyright registration. Final regulation. *Federal Register*, vol. 57, no. 245 (Dec. 21, 1992), pp. 60481-84.

The Office amended its regulations governing renewal registration practices and procedures under section 304(a) of the Copyright Act as amended by the Copyright Amendments Act of 1992. The amended renewal registration regulation provides the conditions and requirements for registration of renewal claims during the last year of the original term of copyright or during the renewal term. It also provides for the information and deposit material which must be submitted with a renewal registration claim in those cases where no original registration is made.

U.S. COPYRIGHT OFFICE.

Policy decision: document cover sheet. *Federal Register*, vol. 58, no. 5 (Jan. 8, 1993), pp. 3297-99.

In keeping with its plan to expedite the document recordation process, the Office has adopted a policy which encourages the voluntary submission of documents with a Document Cover Sheet. When the Document Cover Sheet is fully completed, it will contain all of the information required by the Office to complete the recordation procedure on a priority basis. The Office will rely on that information to record the document and will not examine the document itself except for actual signature, when required, and legibility.

U.S. COPYRIGHT ROYALTY TRIBUNAL.

37 C.F.R., Chapter III. Digital Audio Recording Technology Act; implementation. Advance notice of proposed rulemaking. *Federal Register*, vol. 57, 224 (Nov. 19, 1992), p. 54544.

The CRT is in the process of conducting a rulemaking to adopt regulations governing the filing of claims by recording companies, artists, music publishers, and songwriters as mandated by section 1007 of the Audio Home Recording Act. In connection with the rulemaking, the Tribunal published this advance notice inviting the public to comment on and provide information to assist the agency in adopting appropriate regulations.

U.S. COPYRIGHT ROYALTY TRIBUNAL.

37 C.F.R., Part 304. 1992 Adjustment of the public broadcasting royalty rates and terms. Notice of proposed rulemaking. *Federal Register*, vol. 57, no. 228 (Nov. 25, 1992), pp. 55494-500.

The Tribunal is conducting proceedings to establish reasonable terms and rates of royalty payments for certain uses of published nondramatic musical works, and published pictorial, graphic, and sculptural works by public broadcasting entities. Where voluntary agreements were reached, the Tribunal proposed no regulation. Where no agreement was reached, terms and rates proposed by the CRT are set out in this notice and, if adopted, will cover the five-year period from 1993 to 1997.

U.S. COPYRIGHT ROYALTY TRIBUNAL.

Procedural schedule for the consolidated 1989-91 satellite carrier royalty distribution proceeding. Notice . . . *Federal Register*, vol. 57, no. 236 (Dec. 8, 1992), p. 58010.

The Tribunal agreed to bifurcate Phase I of the consolidated 1989-1991 satellite carrier royalty distribution proceeding. In stage 1, the scope of the issues to be considered in Phase I was decided. The Tribunal, with this notice, initiated stage 2 by designating Dec. 29, 1992 as the due date for filing direct cases and Jan. 11, 1993 as the date for commencing the hearing.

U.S. COPYRIGHT ROYALTY TRIBUNAL.

37 C.F.R., Part 304. 1992 Adjustment of the public broadcasting royalty rates and terms. Final rule; notice of final determination. *Federal Register*, vol. 57, no. 246 (Dec. 22, 1992), pp. 60954-58.

The CRT adopted final rules governing the terms and rates of copyright royalty payments for certain uses by public broadcasting entities of published nondramatic musical works and published pictorial, graphic, and sculptural works. The terms and rates apply for the five-year period of 1993-1997.

U.S. COPYRIGHT ROYALTY TRIBUNAL.

Consolidated 1989-91 satellite carrier royalty distribution proceeding. Notice of final determination. *Federal Register*, vol. 57, no. 251 (Dec. 30, 1992), pp. 62422-29.

The Tribunal terminated the consolidated 1989-1991 satellite carrier royalty distribution proceeding based on the fact that the parties reached a global settlement. In making its final determination, the Tribunal also granted the parties' request for total distribution of the royalties.

U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 C.F.R., Part 76. Cable Act of 1992—program distribution and carriage agreements. Proposed rule. *Federal Register*, vol. 58, no. 2 (Jan. 5, 1993), pp. 328-338.

The Commission initiated a notice of proposed rulemaking to seek comments on its adoption of regulations implementing sections 12 and 19 of the Cable Television Consumer Protection and Competition Act of 1992. The provisions addressed in the notice regard unfair and discriminatory practices in the sale of cable programming and carriage agreements between cable systems and the programming services they distribute.

U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 C.F.R., Part 76. Cable television services; list of major television markets. Proposed rule. *Federal Register*, vol. 57, no. 241 (Dec. 15, 1992), pp. 59331-32.

The Commission is seeking comments on its proposal to grant a Petition for Rulemaking to amend FCC rules to change the designation of the Atlanta, Ga., television market to include the community of Rome, Ga., so that TV 14, Inc.'s WTLK may be considered a local station in the Atlanta area under the cable compulsory copyright license. This action is taken to test the proposal for market hyphenation through the record established based on comments filed by interested parties.

U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 C.F.R., Part 76. Cable television services; list of major television

markets. Proposed rule. *Federal Register*, vol. 58, no. 4 (Jan. 7, 1993), pp. 3005-06.

The Commission has proposed to amend its rules to change the designation of the Orlando-Daytona Beach-Melbourne-Cocoa, Florida television market to include the community of Clermont, Florida. The proposal is in response to a petition filed by Press Broadcasting Company, Inc. This action is meant to test market hyphenation through the rulemaking process and through the record established based on comments filed by interested parties.

U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 C.F.R., Part 76. Cable television services; must carry and retransmission consent provisions. Proposed rule. *Federal Register*, vol. 57, no. 229 (Nov. 27, 1992), pp. 56298-304.

This notice sought comments regarding implementation of regulations relating to the mandatory television broadcast carriage for noncommercial and commercial television stations, and retransmission consent requirements of the Cable Television Consumer Protection and Competition Act of 1992. Interested parties were asked to comment not only on the proposed rule but also on possible options to proposals made by the Commission and, for clarification purposes, on various aspects of the must carry and retransmission consent requirements.

U.S. FEDERAL COMMUNICATIONS COMMISSION.

47 C.F.R., Part 76. Implementation of the Cable Television Consumer Protection and Competition Act of 1992; rate regulation. Proposed rule. *Federal Register*, vol. 58, no. 1 (Jan. 4, 1993), pp. 48-68.

The FCC has proposed to amend its rules to implement Sections 623, 612 and 622(c) of the Communications Act of 1934 as amended by the Cable Television Consumer Protection and Competition Act of 1992. The proposed amendments pertain to rate regulation of cable service provided by cable systems not subject to effective competition and leased commercial access offered by cable systems to programmers.

U.S. PATENT AND TRADEMARK OFFICE.

Extension of existing interim orders granting protection under the Semiconductor Chip Protection Act of 1984 for nationals, domiciliaries and sovereign authorities of certain countries to which interim protection has been extended. Notice. *Federal Register*, vol. 57, no. 229 (Nov. 27, 1992), pp. 56327-28.

The PTO determined that Japan, Sweden, Australia, the Member States of the European Community, Canada, Switzerland, Finland and Austria continue to meet the requirements for extension of interim protection under the Semiconductor Chip Protection Act of 1984. Pursuant to this determination,

the Office extended until July 1, 1994, the interim orders issued under section 914 of the Act.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE.

Identification of priority foreign countries; request for public comment. *Federal Register*, vol. 58, no. 3 (Jan. 6, 1993), p. 612.

Section 182 of the Trade Act requires the Trade Representative to identify countries that deny adequate and effective protection of intellectual property rights or deny fair and equitable market access to U.S. persons that rely on intellectual property protection. The Act also requires the office to determine which of those countries identified are priority foreign countries. In this regard, the Trade Representative requests public comment concerning foreign countries whose actions, policies, and practices might warrant their being identified under Section 182.

PART IV

**JUDICIAL DEVELOPMENTS IN LITERARY AND
ARTISTIC PROPERTY****RECENT DEVELOPMENTS IN COPYRIGHT: SELECTED
ANNOTATED CASES**

by DAVID GOLDBERG
SHERI L. ROSENFELD
With WENDY R. LEIBOWITZ
ELIZABETH B. DIXON
LLOYD J. JASSIN*

I. JURISDICTION AND PROCEDURAL ISSUES**A. Jurisdiction and Venue**

Shoenberg v. Shapolsky Publishers, Inc., 971 F.2d 926 (2d Cir. 1992)

Second Circuit remanded and instructed district court to conduct three-part inquiry in order to rule on motion to dismiss for lack of subject matter jurisdiction. Issue here not resolved by landmark *T.B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964), *cert. denied*, 381 U.S. 915 (1965) decision dealing with ownership of copyright. Rather, appropriate analysis for determining whether suit "arises under" Copyright Act when it alleges infringement stemming from breach of contract was enunciated in *Costello Publishing Co. v. Rotelle*, 670 F.2d 1035 (D.C. Cir. 1981). First, district court must ascertain whether infringement claim is only "incidental" to claim seeking determination of ownership or contractual rights. Second, if claim is not merely incidental, court must determine whether complaint alleges breach of condition to, or covenant of, contract licensing or assigning copyright. If breach of condition is alleged, then district court has subject matter jurisdiction; but if complaint merely alleges breach of contractual covenant in agreement, then third step is required, and court must determine whether breach is so material as to create right of rescission in grantor. If breach creates rescission right, then asserted claim arises under Copyright Act. Court may refer to evidence

©1993 Cowan, Liebowitz & Latman, P.C.

*Cowan, Liebowitz & Latman, P.C., New York, NY

These annotations cover cases decided since our report at the Annual Meeting of 1992 and reported through the issue of U.S.P.Q.2d of May 10, 1993 and through LEXIS's Circuit Court database in the COPYRT library through May 10, 1993.

outside pleadings, such as affidavits, in conducting three-part test, and hearing on jurisdiction may be held. Since record on appeal was insufficient for appellate court to conduct proper inquiry, case was remanded.

Corcovado Music Corp. v. Hollis Music, Inc., 981 F.2d 679 (2d Cir. 1993)

Second Circuit reversed district court's decision dismissing action on condition that defendants submit to jurisdiction of Brazilian courts. Forum selection clause in contracts between parties' predecessors in interest did not divest U.S. courts of jurisdiction, where plaintiff sought to vindicate copyright renewal rights and not contract rights. Action, accordingly, was "prototypical" copyright action under Judge Friendly's "formulations" test: "an action 'arises under' the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement." Relying on *Cheever v. Academy Chicago, Ltd.*, 685 F. Supp. 914 (S.D.N.Y. 1988), court held that contracts at issue were only relevant as defense.

Rano v. Sipa Press, Inc., 987 F.2d 570 (9th Cir. 1993)

Individual defendant's knowledge that licensed photographs would appear in magazines distributed in California was not enough to confer "specific jurisdiction" under California's long-arm statute. Individual defendant had not availed himself of benefits or protections of California's laws, and to find personal jurisdiction would set precedent of subjecting foreign owners of art who sell or license their works to publications to personal jurisdiction in every state. Court noted higher jurisdictional barrier when defendant is foreign, rather than citizen of another state.

Herbert v. National Academy of Sciences, 974 F.2d 192 (D.C. Cir. 1992)

Appellate court affirmed dismissal of plaintiff's claim that defendant NAS had infringed plaintiff's rights by publishing materials authored by plaintiff in 10th edition of Recommended Dietary Allowances, on grounds that complaint was required to be brought in Court of Claims under 28 U.S.C. § 1498(b). NAS, a private, not-for-profit company, had contract to prepare 10th set of RDAs for National Institutes of Health (NIH) agency. Plaintiff had been member of volunteer committee established by NAS to compile and process scientific information for RDAs. However, NAS discharged committee and refused to adopt its work, after dispute over particular allowances. Plaintiff subsequently registered in his own name portions of committee's draft which he had authored. Court found governmental authorization of alleged infringement in fact that NIH had given NAS option of producing committee's draft as one means of remedying its breach of contract, where NIH was already aware of plaintiff's claimed authorship of materials included in draft. Although noting that question of whether

§ 1498(b) is only affirmative defense that does not divest district courts of jurisdiction "is not itself free from doubt," court declined to consider it since plaintiff had raised it for first time in appellate reply brief.

Considine v. Penguin U.S.A., 24 U.S.P.Q.2d 1947 (S.D.N.Y. 1992)

Action by author against publisher for allowing magazine to publish first serial excerpts of manuscript without author's prior right of approval. Pursuant to publishing agreement, plaintiff granted publisher first serial rights "[w]ith approval of proprietor if selection is edited, condensed, altered or excerpted out of sequence." Based on reasoning of *United States Naval Inst. v. Charter Communications, Inc.*, 936 F.2d 692 (2d Cir. 1991), court held that while defendant, as exclusive owner of first serial rights, breached publishing agreement, no copyright claim existed. In granting defendants' motion for summary judgment, court concluded that publisher, as exclusive owner of first serial rights, did not violate condition which created copyright interest even though it violated covenant in contract. Court added, even if breach was material, giving rise to author's right of rescission, plaintiff could only bring infringement action for acts subsequent to breach and none had been charged.

Biblical Archaeology Society v. Qimron, Copyright L. Rep. (CCH) ¶ 27,065 (E.D. Pa. 1993)

Court denied defendant's motion to dismiss in declaratory judgment action, ruling that it had jurisdiction to consider question of whether plaintiffs had infringed any copyright rights of defendant by publishing portion of "Dead Sea Scrolls" reconstructed by defendant. While Israeli court had granted defendant's request for temporary restraining order in ongoing suit for injunction and monetary damages, court here stated that executive order, legislative act or final judicial decree is implicit in concept of comity. Relying on district court case holdings, court held that appropriate procedure is to permit both actions to proceed with any decision of one becoming *res judicata* of other, when such related cases are before two sovereigns. Defendant's motion to dismiss on grounds of *forum non conveniens* also denied under three-prong Third Circuit test. First, plaintiff's forum selection was entitled to respect where plaintiffs were U.S. citizens and defendant, though Israeli citizen, was resident in district while working at Annenberg Research Institute. Second, private interest factors favored U.S. forum since key witnesses also resided in U.S. And, third, although court assumed for purposes of motion that Israeli court was adequate alternative forum, public interest favored U.S. jurisdiction since allegedly infringing publication occurred in U.S., and U.S. law would be applied. (Israeli court in recent decision following trial also decided that U.S. copyright law controlled because allegedly infringing publi-

cation occurred in U.S.; however, it applied Israeli law, assuming it to be same as U.S. law, because parties had not put on any proof of U.S. law.)

Lambert v. City of Kenner, No. 92-2287, 1993 U.S. Dist. LEXIS 4294 (E.D. La. Mar. 31, 1993)

Applying "definitive jurisdictional test" set forth in *T.B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964), *cert. denied*, 381 U.S. 915 (1965), court held that plaintiff's claim alleging that defendant had infringed his copyright rights by copying, in contravention of parties' agreement, construction plans prepared by plaintiff for tunnel, "arose under Copyright Act." "[A]ction arises under the Copyright Act only when the complaint asks for a remedy expressly granted by the Act, asserts a claim requiring construction of the Act, or presents a case where a distinctive policy of the Act requires that federal principles control."

Milwaukee Concrete Studios, Ltd. v. Field Mfg. Co., 782 F. Supp. 1314 (E.D. Wis. 1991)

Court granted motion to dismiss for improper venue, finding that defendants, a North Dakota corporation and its principal, could not be "found" in Eastern District of Wisconsin where their only contact with State was their delivery of an allegedly infringing birdbath to mold manufacturer located in Western District of Wisconsin. In order to be "found" for venue purposes under 28 U.S.C. § 1400(a), non-resident defendants must be amenable to personal jurisdiction in *district*, not state.

B. Appellate Jurisdiction

Goodman v. Lee, 988 F.2d 619 (5th Cir. 1993)

District court issued judgment in favor of plaintiff, finding plaintiff was co-author of copyrighted musical composition and entitled to one-half of past, as well as future, royalties. Fifth Circuit dismissed appeal on basis that judgment was not final, since amount of damages was not fixed. Citing *Parks v. Pavkovic*, 753 F.2d 1397 (7th Cir. 1985), court held that more remained than mere "ministerial" or "mechanical" determination of damages. Fact that plaintiff admittedly was unable to identify paying parties and amounts involved made determination of ultimate award uncertain; therefore judgment was neither final nor appealable.

gad, Inc. v. ALN Assocs., Inc., 974 F.2d 834 (7th Cir. 1992)

Seventh Circuit held that it lacked pendent appellate jurisdiction over non-final order granting summary judgment to defendants on plaintiffs' copyright infringement claim. Unappealable order was not "so entwined with" court's review of decision dissolving preliminary injunction "that separate consideration would involve sheer duplication of effort" by court and parties,

where plaintiffs' misrepresentations to trial judge constituted independent basis for dissolving injunction. "Any laxer approach [from that followed by court] would allow the doctrine of pendent appellate jurisdiction to swallow up the final-judgment rule."

C. Pleading

Mid American Title Co. v. Kirk, 26 U.S.P.Q.2d 1538 (7th Cir. 1993)

Plaintiff title insurance company sued defendant for misappropriation of its copyrighted title search report, alleging that its report consisted of "text and a compilation of data created through substantial expenditures of time and effort." In addition, it pleaded that work was an original copyrightable compilation of facts. Seventh Circuit reversed district court's dismissal of plaintiff's copyright infringement suit for failure to state a claim. In rejecting defendant's argument that plaintiff's complaint failed to put defendant on notice of specific elements of originality that were infringed, appellate court held that decision in *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991) imposed no special pleading requirements with regard to compilations. Court added that while complaint suggested reliance on "sweat of the brow" theory of protection rejected by *Feist*, it clearly stated that claim was for protection of compilation. Thus, under liberal pleading scheme of Fed. R. Civ. P. 8(a)(2), complaint was sufficient since it consisted of "short and plain statement of the claim showing the pleader [was] entitled to relief." Details could be identified through discovery process. Court added that complaint need not identify legal theory, and specifying an incorrect legal theory was not fatal. Questions of lack of originality and other issues of copyrightability remained to be addressed later.

D. Discovery

Quackenbush Music, Ltd. v. Alana, Inc., Copyright L. Rep. (CCH) ¶ 27,019 (D. Mass. 1992)

In action alleging defendant infringed plaintiffs' copyrights in songs by playing them in retail store, court granted plaintiffs' motion to compel production of defendant's federal income tax returns. Under Fed. R. Civ. P. 26(b)(1), party may discover information relevant to subject matter of action. In addition, court has discretion to order production of corporate federal income tax returns. Defendant's returns relevant to issue of damages under § 504(c)(1) because court will look to expenses saved and profits made due to infringement in determining award of damages. If necessary to protect defendant's privacy, counsel may agree to produce tax returns under seal.

E. Jury Trial

Wood v. Crosby Arboretum Found., 793 F. Supp. 716 (S.D. Miss. 1992)

Defendant's motion to deny jury trial on plaintiff's claim for statutory damages granted. While there is split in circuits with First, Second, Fifth, Ninth and Eleventh denying right to jury, and Fourth and Seventh granting right, binding Fifth Circuit case holds that statutory damages are equitable inasmuch as they are remedial and that determination of amount is matter of court's discretion. Fact that injunction was not sought did not change equitable nature of claim.

F. Miscellaneous

Motion Picture Ass'n of Am. v. Oman, 969 F.2d 1154 (D.C. Cir. 1992)

Court upheld Copyright Office regulation requiring interest charges on all future cable royalty payments, but refused to apply rule retroactively. By asking for rulemaking on underpayments of interest due on royalties from cable operators, plaintiff MPAA had "doomed itself from the beginning," as administrative agencies lack authority to promulgate retroactive rules unless expressly provided for by statute, and Copyright Act is silent on retroactivity. Citing *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204 (1988), and expressly finding that *Retail, Wholesale & Dep't Store Union v. NLRB*, 466 F.2d 380 (D.C. Cir. 1972) does not apply, court held that Copyright Office rules can only be applied prospectively. Plaintiff argued that Copyright Office had not engaged in rulemaking, but rather had adjudicated dispute, but court found that Office did not decide any individual case, but merely ruled that it would be inequitable to impose interest retroactively. Although past transactions are affected by fact that rule does not apply to them, that did not transform rulemaking into adjudication. Second argument, based on federal common law rule that court should award prejudgment interest if statute is silent, also was inapposite, as common law does not amount to principle of statutory construction. Court further held that there is no statutory presumption in favor of awarding interest; interest is subject to discretion of court and equitable considerations.

Bourne Co. v. Hunter Country Club, Inc., 26 U.S.P.Q.2d 1454 (7th Cir. 1993)

District court granted summary judgment, holding country club liable for infringement by orchestra playing unlicensed music at club. On appeal, defendant did not dispute infringement, but argued that ASCAP should have been joined as party under Fed. R. Civ. P. 19(a), and that plaintiffs were estopped because ASCAP allegedly violated earlier consent decree. Court affirmed finding that complete relief could be awarded without joinder of ASCAP. Copyright action may be brought only by legal or beneficial owner,

and joinder is limited to those who have interest in copyright. ASCAP, as licensing agent, has neither ownership nor other interest in copyright. Moreover, any dispute concerning consent decree should be resolved in Southern District of New York based on principles of comity and express provision of decree.

Denker v. Uhry, 26 U.S.P.Q.2d 1756 (S.D.N.Y. 1992)

Defendants moved for summary judgment in action alleging that defendants' play "Driving Miss Daisy" infringed plaintiff's novel and play entitled "Horowitz and Mrs. Washington." Defendants conceded ownership and actual copying, so only issue was improper appropriation, *i.e.*, substantial similarity. Court rejected plaintiff's proffer of expert testimony as irrelevant, since substantial similarity is determined by ordinary lay observer's spontaneous reaction. Expert testimony appropriate on issue of copying, which was conceded. Nor was expert testimony offered to gauge lay reader's response or to deal with esoteric material targeted to specialized audience. In addition, plaintiff relied on *Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946) to argue that summary judgment on issue of improper appropriation is inappropriate if there is "slightest doubt as to facts." Court stated that Second Circuit has repudiated this test and summary judgment may be avoided only if material facts are disputed and there is evidence to allow rational trier of fact to find for non-moving party.

Pytko v. Van Alen, Copyright L. Rep. (CCH) ¶ 26,984 (E.D. Pa. 1992)

After revising screenplay owned by defendants, plaintiff-director granted defendants all rights in revised work. However, plaintiff later brought action against defendants including copyright infringement claim. Defendants counterclaimed, alleging that plaintiff had infringed defendants' copyright. On plaintiff's motion under Fed. R. Civ. P. 12(b)(6), plaintiff argued that defendants had failed properly to plead elements of copyright infringement by omitting statement that plaintiff "copied" defendants' protected materials. Citing *Gee v. CBS, Inc.*, 471 F. Supp. 600 (E.D. Pa.), *aff'd without op.*, 612 F.2d 572 (3d Cir. 1979), court held that Fed. R. Civ. P. 8 simply requires short and plain statement of claim giving defendant fair notice. Compliance with Rule 8 does not require that "copying" be specifically alleged in either complaint or counterclaim. Plaintiff's motion accordingly, denied.

Somerset Songs Publishing v. Bertson, 24 U.S.P.Q.2d 1634 (N.D. Ill. 1992)

Court denied defendant's motion to vacate default judgment of copyright infringement. Court may vacate default judgment only if movant shows good cause for default, quick action to correct it, and meritorious claim or defense in underlying action. Defendant failed to show good cause because he did not

justify his "inadvertence" in responding to complaint. Furthermore, court found defendant's assertion that he did not own restaurant in which infringement occurred did not constitute meritorious defense. Defendant did not assert that he did not control performances in restaurant, and copyright liability extends to one who can control infringing acts.

II. COPYRIGHTABILITY

A. Fact-Based Works

Arica Inst. Inc. v. Palmer, 970 F.2d 1067 (2d Cir. 1992)

Second Circuit affirmed summary judgment dismissing plaintiff's infringement claim and state claims of unfair competition and palming off when author used plaintiff's nine-pointed figures, "enneagrams," in her book, *The Enneagram*. Plaintiff could not demonstrate similarity of copyrightable elements, as scientific subject matter was product of discovery, not creativity, and thus was not copyrightable. Nine chapters of defendant's book tracking plaintiff's nine-pointed figure deemed to be natural sequence, similar to color spectrum, and thus also was unoriginal and uncopyrightable. As plaintiff had withheld circulation of original ideas from general public, defendant had obtained access only to published materials concerning plaintiff's work. Unlike *Salinger v. Random House, Inc.*, 811 F.2d 90 (2d Cir.), cert. denied, 484 U.S. 890 (1987), alleged copying was mainly limited to short phrases which did not exhibit minimal creativity required for copyright protection.

Caratzas v. Time, Inc., Copyright L. Rep. (CCH) ¶ 27,012 (S.D.N.Y. 1992)

Plaintiffs brought preliminary injunction action alleging that defendant's book on Pompeii infringed plaintiffs' copyright in one of its books by appropriating thesis and structure. Plaintiffs further alleged that defendant's paraphrasing of certain passages of plaintiffs' two books constituted infringement. Thesis in plaintiffs' book dealt with role of nature in inhabitants' lives and Pompeii's environment by studying area's gardens. Court held that, although thesis of plaintiffs' book was original, it was based on historical facts and one's interpretation of historical facts is not copyrightable. Law, by balancing need for free flow of information against society's interest in protecting authors, prefers permitting commentary, publication and development of historical theories. Court also held that infringement of work's structure, which is given limited protection, is proven only when plaintiff shows direct copying. Plaintiffs here, however, failed to make requisite showing since there was no substantial similarity between books. Finally, court held that defendant's paraphrasing did not constitute infringement. Copyright protection is rare when facts allow only limited variety of expression. When works concern historical facts, particularly, plaintiffs need to show more than "random duplications of phrases and sequences of events." Based on comparison of

passages, court found plaintiffs had failed to show that any alleged copying of sequences was actionable.

Nester's Map & Guide Corp. v. Hagstrom Map Co. Inc., 796 F. Supp. 729 (E.D.N.Y. 1992)

Plaintiff claimed defendant's publication of *New York City Taxi & Limousine Drivers Guide* infringed its *Official New York Taxi Driver's Guide*. On cross-motions for summary judgment, court permanently enjoined defendant from copying one section of plaintiff's guide to street addresses in New York, and dismissed all state law claims. Defendant's use of selected cross streets combined with building addresses infringed plaintiff's guide, as defendant conceded it was copied therefrom. Even if only portion of it was copied, plaintiff's choice of destinations was based on its knowledge of New York and judgment of information's usefulness to cab drivers, and selection was thus copyrightable, though calculations of particular distances were not. Plaintiff had shown sufficient creativity in assigning approximate numbers to building addresses at selected intersections to warrant copyright protection, but arbitrary numbers, selected both to make them easy to remember and to detect copying, could not be treated as copyrightable "fictions," but must be considered facts, even if they were false. Obvious selection of main avenues and their ordering was not copyrightable. Defendant's mileage rate, destinations and fare rates were independently selected and thus non-infringing.

B. *Compilations*

Mason v. Montgomery Data, Inc., 967 F.2d 135 (5th Cir. 1992)

Fifth Circuit reversed grant of summary judgment to defendant who copied plaintiff's land maps made from raw title data. District court held that maps were uncopyrightable merger of idea (raw data) and expression (maps) because only one pictorial expression could result from accurate translation of raw data into maps. Appellate court held that district court erred in applying merger doctrine which requires "focus on whether the idea is capable of various modes of expression." Court must "first identify the idea" and then "attempt to distinguish that idea from the author's expression of it." Here, idea was to depict compilation of boundaries, landmarks and ownership, and expression was map. Fact that plaintiff's competitors produced different maps from same ideas shows that data can be expressed in variety of ways. Map makers use discretion in selection and interpretation of data, reconciliation of conflicting data and data depiction. Court also found that plaintiff's maps are original and possess sufficient creativity to merit protection.

Bellsouth Advertising & Publishing Corp. v. Donnelly Inf. Publishing, Inc., 977 F.2d 1435 (11th Cir. 1992)

Eleventh Circuit vacated its 1991 decision granting summary judgment of infringement of plaintiff's yellow pages directory, and ordered that case be reheard *en banc*.

Vacated opinion, 933 F.2d 952, held that plaintiff's business guide contained original format meriting protection, as opposed to alphabetical listing of *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991), and that defendant's keying of listings and coded business and advertising information into computer database constituted act of copying which infringed plaintiff's copyright. Vacated opinion also found that fair use defense was inapplicable since defendant's use was commercial.

Sinai v. California Bureau of Automotive Repair, 25 U.S.P.Q.2d 1809 (N.D. Cal. 1992)

Court granted summary judgment to defendant, finding plaintiff author's "Corvette Emissions Systems" manual consisted of uncopyrightable facts which could not be infringed by defendant Bureau of Automotive Repair's chart. Both plaintiff's manual and defendant's chart presented information in form of columnar grid, and some headings were identical. Copyright protection for facts in manual themselves was barred as matter of law under *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991). Court additionally found that plaintiff's selection and arrangement of facts did not meet even low standard of originality set by *Feist*, as manuals other than plaintiff's displayed information using chart format. Although plaintiffs had invested significant effort in gathering information, "sweat of the brow" theory was rejected by *Feist*, and manual could not gain protection on that basis.

Coates-Freeman Assocs. Inc. v. Polaroid Corp., 792 F. Supp. 879 (D. Mass. 1992)

Court granted judgment as matter of law for defendant, holding that plaintiff's one-page chart consisting of two axes and a grid used to teach participative management was not sufficiently creative to constitute copyrightable expression. Plaintiff acknowledged that seven decision-making styles along horizontal axis were drawn from 1973 published article and five steps along vertical axis were commonly known in field. Court defined idea expressed in plaintiff's chart as presentation of "seven leadership styles." "Selection" of all seven leadership styles and "arrangement" of problem-solving steps according to well-known method was not protected by copyright, as there was no creative expression in compiling items which had already been published and then arranging them in standard order. Even assuming that other models involving other steps were available to choose from, choice was from limited number of models, not from infinite (or very numerous) universe

of steps. Merger between idea of exploring problem-solving method and natural expression of that idea occurred because only limited number of methods of problem solving exist. Using probability theory, court distinguished *Kregos v. Associated Press*, 937 F.2d 700 (2d Cir. 1991), where nine elements selected from twenty precluded judgment as matter of law as to creativity of selection, by noting that court's calculation in *Kregos* was based on assumption that selection of each element was independent of selection of any other. Plaintiff's choice of five steps comprised a single method, and entire method was selected, not individual steps which necessarily followed one from another in natural order. Whether plaintiff or defendant copied well known method remained question for finder of fact, but plaintiff's expression of idea was not copyrightable. "To conclude otherwise would allow plaintiff to monopolize the idea simply by copyrighting a small sheaf of pages stating and illustrating it." Finally, decision to use "garden-variety" grid to juxtapose problem-solving steps with decisionmaking styles was not creative expression distinct from idea.

Micro House Int'l, Inc. v. Octagon Micro Devices Inc., 23 U.S.P.Q.2d 1400 (M.D. Fla. 1992)

Court denied preliminary injunction for failure to demonstrate that effort in compiling *Hard Disk Technical Guide* met originality standard of *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282, 1295 (1991). "Although originality is not a stringent standard, it does exist." Factual compilation, to merit copyright protection, must be one in which facts were selected, coordinated, or arranged in original way. Plaintiff argued that not all hard disks were included in guide, and only some of disks' many features were listed. Plaintiff presented evidence that it had labored to assemble facts contained in its guide, but did not address manner or process of selecting, coordinating or arranging collected data. Without such evidence, plaintiff was unlikely to succeed on merits of infringement claim, and preliminary injunction, accordingly, was denied.

Bellsouth Advertising & Publishing Corp. v. American Business Lists, Inc., Copyright L. Rep. (CCH) ¶ 27,017 (N.D. Ga. 1992)

Plaintiff, publisher of yellow pages, sued defendant, publisher and seller of business directories with addresses and telephone numbers, for copyright infringement. On motion for summary judgment, defendants argued, under *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991), that plaintiff's yellow pages are not copyrightable because there was no more selection, arrangement and coordination to meet "originality" requirement for copyrightability than under *Feist*. Court, however, found under *Bellsouth Advertising & Publishing Corp. v. Donnelly Inf. Publishing, Inc.*, 933 F.2d 952 (11th Cir. 1991) (subsequently vacated by 977 F.2d 1435 (11th Cir. 1992))

that there was sufficient selection, coordination and arrangement to preclude finding as matter of law that plaintiff's yellow pages are not copyrightable.

Warren Publishing Co. v. Microdos Data Corp., Copyright Law Rep. (CCH) ¶ 26,928 (N.D. Ga. 1992)

On cross motions for summary judgment, district court granted summary judgment to plaintiff, holding that publisher's cable television directory exhibits more than *de minimis* level of originality to create copyrightable compilation. Although arrangement of communities in directory was insufficiently original to merit copyright protection, unique selection of communities was copyrightable where publisher identified principal community served by particular cable system, and then listed other communities alphabetically within that system. High correlation of communities between cable guides supported finding of infringement, and no evidence existed that defendant had arrived at its selection of communities independently. Rather, evidence showed that defendant had copied plaintiff's selection and attempted to mask copying by making minor alterations. Court also determined that although selection of data fields was obvious to those in cable industry and thus not copyrightable, creative sequencing and arrangement of those data fields in three-tier format constituted original, copyrightable expression. However, as defendant's arrangement was not substantially similar to plaintiff's, no infringement of data field format occurred.

C. Pictorial, Graphic and Sculptural Works

Meade v. United States, 25 U.S.P.Q.2d 1844 (Ct. Fed. Cl. 1992)

On cross-motions for summary judgment, Court of Federal Claims (formerly U.S. Claims Court) granted defendant's motion and dismissed complaint, finding that defendant's postage stamp featuring heart-shaped picture of earth above word LOVE shared only unprotectable subject matter with *pro se* plaintiff's copyrighted design consisting of word "MOTHERLOVERS" or "MOM" printed beneath heart-shaped picture of earth. Respective works shared two elements: depiction of earth in heartshaped form and placement and view of continents in roughly geographically correct positions. Court found that heart-shaped picture of earth is abstract, uncopyrightable idea. Even assuming that depicting earth in heart shape is actually specific, protectible expression of broader idea of world peace, court declined to draw line at such high level of abstraction. Expression also was uncopyrightable, because in public domain: maps depicting earth in heart shape have existed since 16th century. Further, depiction of continents in their geographically correct positions is indispensable and standard to any rendering of earth, thus uncopyrightable. Even if court considered certain selections and arrangements of continents to the copyrightable, two-dimensional renderings have

fallen into public domain. Court found no further similarities between expressive features of two weeks.

Caratzas v. Time Life, Inc., Copyright L. Rep. (CCH) ¶ 27,012 (S.D.N.Y. 1992)

Plaintiffs, book publishers, brought preliminary injunction action alleging that defendant's "reshot" photographs of historic sites infringed plaintiffs' copyright in book on Pompeii. Although court found that plaintiffs did not prove ownership of copyrights in photographs, court stated that, even if plaintiffs did, their infringement claims were meritless. Photographs of same public sites will not constitute copyright infringement unless defendant copied original aspects of plaintiffs' works. Court found that plaintiffs failed to show that similarity in photographs was result of copying.

Value Group Inc. v. Mendham Lake Estates L.P., 800 F. Supp. 1228 (D.N.J. 1992)

Court held in favor of plaintiff, rejecting defendant's arguments that plaintiff's architectural plans lack originality. Plaintiff, architectural firm, prepared plans in connection with job designing homesite for New Jersey developer. Defendant photocopied plaintiff's plans and related brochure for single-family home, which it attached to sales contract between itself and home buyers. Court stated that even where valid copyright certificate exists, as in case at bar, architectural plans must exhibit modicum of creativity. Citing *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991), court found that plaintiff's plans and general external appearance of its copyrighted home possessed requisite "minimal degree of creativity" to warrant protection.

D. Originality of Authorship

Los Angeles News Serv. v. Tullo, 973 F.2d 791 (9th Cir. 1992)

Ninth Circuit affirmed district court's judgment for plaintiff news service, finding copyright infringement in use of plaintiff's copyrighted videotape of train wreck by "news clipping" service which monitored and recorded television news program and sold copies of tapes. Raw, unedited videotapes, not combined with narrative, interview excerpts or graphics, were sufficiently original to merit copyright protection due to choice of subject matter, selections of camera lenses, angles and exposures, choices of heights and directions from which to tape and what portions of events to film and for how long. Court of Appeals specifically noted that time and effort invested ("sweat of the brow" doctrine) were not considered in deciding that videotapes were copyrightable. Citing *Feist Publications, Inc. v. Rural Tel. Serv. Co., Inc.*, 111 S. Ct. 1282 (1991) and series of decisions regarding copyrightability of photographs, court noted that, whether or not all videotapes or photographs would

be sufficiently original to merit copyright protection, level of originality required for such protection is extremely low and tape at issue met test.

North Coast Indus. v. Jason Maxwell Inc., 972 F.2d 1031 (9th Cir. 1992)

Ninth Circuit reversed summary judgment in favor of defendant and remanded, holding that plaintiff was entitled to have factfinder determine issue of originality of plaintiff's color block sweater design. District court had applied correct infringement test of access and substantial similarity in deciding that plaintiff's sweater design was not protectible because it differed in only trivial respects from work of painter Piet Mondrian and fashion designer/Mondrian interpreter Yves St. Laurent. However, district court had erred by failing to recognize critical distinction between idea and expression: "[i]f we were to accept the view that, as a matter of law the differences in the placement of geometric shapes should be regarded as trivial, we would be forced to conclude that Mondrian's creativity with geometric shapes ended with his first painting, and that he went on to paint the same painting a thousand times. This is not the judgment of art history, and it cannot be the correct judgment of a court as a matter of law." Ninth Circuit nonetheless pointed out that "intrinsic test" of similarity of expression does not foreclose summary judgment, which is appropriate where no reasonable trier of fact could find substantial similarity or where even trivial differences between works cannot be detected.

Takeall v. Pepsico, Inc., 809 F. Supp. 19 (D. Md. 1992)

Court declined to hold, on summary judgment, that phrase "you got the right one, Baby, uh-huh!" so lacks originality as to be uncopyrightable. Noting "sound authority" for proposition that simple and/or commonplace expressions are not copyrightable, court nevertheless found that phrase is not commonly heard among either cultured or non-cultured speakers of American dialect of English language.

E. Miscellaneous

Atari Games Corp. v. Oman, 979 F.2d 242 (D.C. Cir. 1992)

Court held that Register's refusal to register video game BREAKOUT was an abuse of discretion, in "replay of match refereed by . . . court." (In *Atari I* (888 F.2d 878 (1989)), D.C. Circuit reversed district court's grant of summary judgment that Register's refusal to register was not abuse of discretion and remanded because it could not determine what standard of copyrightability Copyright Office had applied; after remand, Register issued letter ruling denying registration and district court again entered summary judgment in Register's favor; present appeal followed).

D.C. Circuit ruled that "rejection of BREAKOUT was unreasonable

when measured against the Supreme Court's instruction that 'the requisite level of creativity [for copyrightability] is extremely low,' " citing *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991). While accepting Register's assertion that individual graphic elements of BREAKOUT—"simple geometric shapes and coloring" representing a wall, square ball and paddle—do not evince sufficient creativity, court concluded that Register had erred by focusing on individual screens rather than on sequential arrangement of screens and accompanying sound effects. Reaffirming decision in *Readers Digest Ass'n v. Conservative Digest, Inc.*, 821 F.2d 800 (D.C. Cir. 1987), court further pointed out that arrangement need not be "distinctive" or "unique" to be protectible, as Register had apparently believed; it need only be "distinguishable variation" from standard or obvious arrangements. Court noted that Register's letter ruling did not even mention nonstandard feature of ball's motion, which does not follow laws of physics but rather depends on section of paddle hit by ball in play. Nor were abstract, rather than detailed, representations of symbols used in video game, coordination of square ball and rectangular shrinking paddle, color combinations, changes in speed, and synchronized sounds and graphics "obvious" or "inevitable." Court left open question of whether all video games are copyrightable, stating "[w]e are mindful, however, of the teaching of *Feist* that 'the vast majority of works make the [copyright] grade quite easily.'" Court mentioned in footnote, however, that finding of copyrightability does not mean that holder necessarily will prevail against all copiers or producers of similar works; scope of protection, which is separate inquiry, may be "thin." Case remanded to Register for renewed consideration.

Nikas v. Vietnam Veterans of Am., Inc., Copyright L. Rep. (CCH) ¶ 27,031 (D.D.C. 1992)

Plaintiff's registered copyright in executive summary of ideas and plans for "Standing Tall—Together" campaign to honor Vietnam Veterans on 10th anniversary of Vietnam Veterans Memorial did not entitle him to temporary restraining order against defendant's use of "Standing Tall—Together" slogan. Court relief on longstanding rule that titles do not qualify for copyright protection. Court also rejected plaintiff's argument that slogan should be protected as "significant fragment" of copyrighted work, finding that slogan was neither qualitatively nor quantitatively significant feature of executive summary. Plaintiff's claim for infringement of registered trademark failed, since registration had not issued as of TRO hearing date.

III. OWNERSHIP

A. Work for Hire

Aymes v. Bonelli, 980 F.2d 857 (2d Cir. 1992)

Second Circuit reversed district court's dismissal of *pro se* plaintiff's

copyright claim. Plaintiff computer programmer, who was not provided with health or insurance benefits, paid his own social security taxes, and did not have federal or state taxes withheld from his salary, was not employee for purpose of work for hire doctrine and thus was owner of copyright in computer program he created for defendant. Absent written agreement assigning ownership of copyright in program, Second Circuit applied nine-factor work for hire test of *CCNV v. Reid*, 490 U.S. 730 (1989), and ruled that test does not consist merely of tallying factors, but in weighing each factor according to its significance. Probative factors in virtually every situation, and which should be given more weight, include: (1) hiring party's right to control manner and means of creation; (2) skill required; (3) provision of employee benefits; (4) tax treatment of hired party; and (5) whether hiring party has right to assign additional projects to hired party.

First factor, right to control, weighed heavily for defendant, as plaintiff received significant input from defendant and worked under programming limitations. Second factor, level of skill, favored plaintiff, whose work required considerable skill; district court erred in relying on plaintiff's relative youth and inexperience. Third and fourth factors, employee benefits and tax treatment, were virtually dispositive for plaintiff. Defendant benefited from treating plaintiff as independent contractor in not providing health, unemployment or life insurance benefits, and in not paying plaintiff's social security. Second Circuit noted that every case since *CCNV v. Reid* found hiring party to be independent contractor where no benefits extended and no social security taxes paid. Fifth factor, right to assign other projects, favored employee status, but this factor was given less weight because delegation of additional projects was consistent with finding that plaintiff was independent "trouble shooter" asked to intervene as problems arose. Remaining factors were insignificant. Method of payment was inconclusive—plaintiff was sometimes paid hourly wages and sometimes flat fees for specific tasks. Whether plaintiff's work was within scope of defendant's regular business favored plaintiff, but this factor carried little weight, as many businesses hire support personnel for different tasks. Duration of relationship was inconclusive, as there were gaps in employment over two-year period. Location of work and source of equipment also were accorded negligible weight, because nature of work required programming to be done on defendant's equipment. Finally, authority to hire assistants was meaningless as hired party did not need assistants. Finding plaintiff was independent contractor, and owned copyright as author of program, case nevertheless remanded to determine whether copyright was infringed, and whether defendant was joint author due to his contribution to program's development.

Forward v. Thorogood, 985 F.2d 604 (1st Cir. 1993)

Plaintiff appealed from district court's holding that defendant band

owned copyright in "demo" tape recordings from band's earlier recording sessions arranged by plaintiff. Plaintiff argued that tapes, which were created at plaintiff's "instance and expense," were commissioned works and, therefore, works for hire. Court affirmed district court's holding that tapes were not works for hire. Although plaintiff arranged and paid for studio time, he did not employ band members or commission works. Nor did plaintiff pay or agree to pay band members, which, although not conclusive, was further evidence that tapes were not prepared for plaintiff's use or benefit.

Marco v. Accent Publishing Co., 969 F.2d 1547 (3d Cir. 1992)

Appellate court vacated decision denying plaintiff photographer preliminary injunction against defendant magazine's continued use of photographs, holding that district court had erred in finding that photographer was magazine's employee when he took photographs and that photographs consequently were works for hire. District court had recognized only two factors supporting conclusion that photographer was independent contractor: photographer used his own equipment and paid his own taxes. Appellate court additionally found that photographer was member of distinct skilled occupation, worked in his own studio, had discretion over his work hours and supplies, was paid per job and received no employee benefits from magazine. While magazine controlled subject matter and composition of photographed images, court stated that control was no greater than that exercised by charity over sculptor in *CCNV v. Reid*, 490 U.S. 730 (1989). Court cautioned district courts to keep this factor in perspective in order to avoid making it dispositive. Appellate court remanded for consideration of magazine's joint authorship and licensed use defenses not previously reached by district court.

Schiller & Schmidt, Inc. v. Nordisco Corp., 969 F.2d 410 (7th Cir. 1992)

Mail order office supply company's claim for infringement of photographs used in its catalog failed, because company could not establish ownership of photographs. While photographs fell within enumerated categories of § 101(2) of Act defining works made for hire, and were specially commissioned, signed statement by photographer "agree[ing] that [plaintiff] has owned the copyright [in the photographs], and I hereby assign any remaining copyright which I may own in any photographs which I took for [plaintiff] and any right to maintain actions, now or hereafter existing for alleged infringement thereof" held insufficient to confer work for hire status. First, statement was not signed by plaintiff, as required under § 101(2). Second, statement, signed after suit was brought, was too late. Citing *CCNV v. Reid*, 490 U.S. 730, 750 (1989) and Professor Goldstein's treatise, court explained that writing must precede creation of work in order to serve purpose of rendering works for hire readily marketable by clearly identifying owner from

inception; writing requirement not only statute of frauds intended to prevent false claims of oral agreements. Statement also did not amount to valid assignment, since court found that photographer previously had transferred copyrights as part of sale of his entire business.

Autoskill v. National Educ. Support Sys., Inc., 1993 U.S. App. LEXIS 11506 (10th Cir. May 19, 1993)

Plaintiff filed copyright application in 1986, listing software program as "work for hire," even though independent contractors may have developed program, not plaintiff's employees. On appeal of preliminary injunction, defendants argued that district judge erred in holding that *CCNV v. Reid*, 490 U.S. 730 (1989) should not be applied retroactively. Citing *James B. Beam Distilling Co. v. Georgia*, 111 S. Ct. 2439, 2447-48 (1991), Tenth Circuit held that prior *CCNV* ruling applied retroactively to present claim arising out of facts predating that decision. Nevertheless, court rejected defendant's attempt to invalidate plaintiff's registration, stating that defendant had burden of rebutting statutory presumption of plaintiff's ownership of copyright.

Respect Inc. v. Committee on the Status of Women, 815 F. Supp. 1112 (N.D. Ill. 1993)

Court granted summary judgment to plaintiff, applying work for hire test of *CCNV v. Reid*, 490 U.S. 830 (1989) to find that plaintiff writer/researcher was independent contractor and thus owned copyrights to sex education materials she prepared for government agency for use in schools. Parties never agreed in writing that product would be work made for hire; plaintiff worked under oral personal services agreement (later held invalid under Illinois law). First *CCNV* factor, right to control, weighed for plaintiff, since although defendant did have limited input and suggested revisions, plaintiff was responsible for books' content, flavor, and layout. Plaintiff worked from her own home and office, which were not close enough to Committee to permit control over how and when plaintiff worked. Second factor, skill required, also favored plaintiff, who was experienced teacher at forefront of abstinence education. Indeed, court determined that Committee was not a business in normal commercial sense of term, but rather Committee regenerated itself in part because of opportunity to commission plaintiff. Plaintiff acted as entrepreneur, dealing with defendant Committee on her own behalf in prior litigation concerning disputes over price and assignment of copyrights. Third and fourth factors—employee benefits and tax treatment of hired party—also weighed for plaintiff, since although defendant argued that plaintiff received salary from which taxes were withheld, mode of payment to plaintiff was wholly consistent with payment for commissioned works. Plaintiff did not receive employee benefits and explained that parties who retain her as consultant or lecturer often withhold her taxes. Remaining factors also

favored plaintiff, who testified without contradiction that she produced and published works for others during period at issue. Minor disputes over ownership of tools and control of staff—plaintiff selected typewriter and Committee reimbursed here; plaintiff selected typists without Committee approval, but Committee reimbursed her for typing costs—could not outweigh fact that plaintiff worked from her own research materials, and maintained her own supplies and files. As Committee was not joint author, copyright rights belonged to plaintiff.

Avtec Sys., Inc. v. Peiffer, 805 F. Supp. 1312 (E.D. Va. 1992)

Plaintiff sued former employee programmer for copyright infringement. Action was brought after discovering that employee was marketing and selling upgraded stand-alone version of plaintiff's software demonstration program. Since defendant was admittedly employee of plaintiff, inquiry turned on second *CCNV v. Reid*, 490 U.S. 730 (1989) factor, *i.e.*, whether program was created during "scope of his employment." In analyzing "scope of employment," court looked at common law agency criteria listed in *CCNV* and concluded work was not owned by plaintiff as work for hire. Court determined that plaintiff failed to prove defendant produced upgrade within authorized time and space limits of employment, or that he was motivated, at least in part, by purpose to serve employer. First, court found upgrades were made on defendant's own time, using his own computer equipment, and in pursuit of his own hobby. Second, although defendant worked on earlier version for plaintiff, upgrade was different product with different application, created without plaintiff's input. Consequently, Court held upgrade was not developed with goal of serving former employer. Court also rejected plaintiff's claim of joint authorship, citing scant evidence of collaboration, and no evidence of intent to merge separate efforts into unitary whole.

Miller v. CP Chemicals, Inc., 808 F. Supp. 1238 (D.S.C. 1992)

Court granted defendant's motion for summary judgment where plaintiff had failed to register his claim to copyright in computer programs and court found that, even if programs had been properly registered, they constituted works for hire. While plaintiff, former supervisor of defendant's quality control lab, worked at home in creating programs that perform complex mathematical calculations used in making product adjustments, and never requested additional or overtime pay for such work although he was an hourly employee, court determined that programs were created within scope of plaintiff's employment. Plaintiff worked for defendant on full-time basis, so plaintiff was employee not independent contractor. Since Supreme Court held in *CCNV v. Reid*, 490 U.S. 730 (1989) that "term 'employee' should be understood in light of the general common law of agency," court also applied such principles in deciding that plaintiff had created programs within "scope

of employment." Noting that normally work done by hourly employee on his own time would not be within scope of employment, court nevertheless found that programs were created within scope of employment since "driving force" behind them directly related to specific product of employer and employee's job responsibilities, and primarily benefited employer. "Miller was not hired primarily for the development of computer programs. However, as supervisor of the quality control laboratory, he was responsible for the organization and updating of the laboratory. Thus, the development of the computer programs was at least incidental to his job responsibilities because it was 'within the ultimate objective of the principal and an act which it is not unlikely that such a servant might do.'" Plaintiff failed to overcome statutory presumption granting copyright in work for hire to employer, since only writing concerning issue was signed by plaintiff but not defendant.

Relational Design & Technology, Inc. v. Data Team Corp., 23
U.S.P.Q.2d 1074 (D. Kan. 1992)

On cross-motions for summary judgment, court refused judgment to either party. Plaintiff was hired by defendant to modify defendant's existing program to produce version for use in dental offices. Contract stated that defendant would own all rights to completed program, but source code would belong to plaintiff. Defendant returned physical source code to plaintiff, but parties disagree as to who owned copyright in entire program. Dispute arose when defendant reproduced and sold copies of program. If program was work for hire, then party for whom work was made would be considered author and copyright owner unless parties expressly contracted otherwise. Contract at issue did not specifically state that plaintiff's entire dental management system was work for hire, but plaintiff's certificate of copyright registration stated that defendant's contribution to program was work for hire. Court found this insufficient to justify legal conclusion that program was work for hire. Additionally, as computer program was never completed, factual issue remained as to whether rights to copyright were transferred. Disputed facts also concerned original authorship of software program; whether defendant copied plaintiff's code or created original code; and whether defendant was authorized to use plaintiff's code.

Johannsen v. Brown, 797 F. Supp. 835 (D. Or. 1992)

Artist who created illustration in his own studio away from direct supervision of commissioning party, used his own tools and materials, was free to employ his own assistants, had absolute control over length of time he worked, was never under duty to furnish illustration, and did not receive employee benefits or have payroll or social security taxes withheld for him was independent contractor as matter of law. Accordingly, illustration, take-off on Grant Wood painting "American Gothic" substituting skeletons for farm-

ing couple and guitar for pitch fork, used for cover design of magazine targeted to fans of musical group "Grateful Dead," was not work for hire.

B. *Transfer of Ownership*

Forward v. Thorogood, 985 F.2d 604 (1st Cir. 1993)

Plaintiff appealed from district court's holding that defendant band owned copyright in tape recordings. Band had conveyed to plaintiff "demo" tapes from band's earlier recording sessions arranged by plaintiff. Common law of copyright governed ownership of tapes which were unpublished and recorded before effective date of 1976 Act. Plaintiff argued that ownership of work results in ownership of copyright or, alternatively, band transferred copyright along with tapes. Court held that, at most, transfer of tapes established presumption that plaintiff owned copyright, but issue ultimately turned on intent. Court affirmed district court's finding that band never conveyed or agreed to convey copyright. Fact that record company gave plaintiff check for \$500.00 with notation "advance option" did not change result. Court held that district court reasonably found option was for physical tapes and not admission of plaintiff's ownership of copyright.

Saxon v. Blann, 968 F.2d 676 (8th Cir. 1992)

Defendant cross-appealed, arguing district court had erred in finding that plaintiff author retained copyright interest in survivalist's guide, when, under default provision of loan guarantee, plaintiff agreed that "ownership rights" to guide would belong to defendant in event of default. Eighth Circuit affirmed, holding that transfer of "ownership rights" to book does not convey copyright interest in book, absent writing specifically providing that parties intend to transfer copyright.

Greenwich Film Prods. S.A. v. DRG Records, Inc., 25 U.S.P.Q.2d 1435 (S.D.N.Y. 1992)

On cross-motions for summary judgment, court denied defendant's motion for summary judgment, finding that plaintiff established both ownership and unlawful copying. In 1982, plaintiff film producer, a French entity, granted defendant an exclusive five-year right to manufacture and distribute soundtrack to film "Diva." When license expired, defendant failed to surrender master recording and continued to exploit soundtrack. Plaintiff registered its copyright in 1991 and filed suit. Court rejected plaintiff's first claim of ownership, based on work for hire theory, finding that there was no written agreement between it and composer designating work as work for hire. Court declined to decide whether French law should govern ownership as plaintiff was French entity asserting copyright ownership in work commissioned in France for French film. Rather, court upheld plaintiff's alternate ground of ownership based on transfer of rights by means of exclusive license from com-

poser to exploit compositions and soundtrack of film. Plaintiff conceded that it had neither registered its rights in compositions at issue (it only registered its copyright in entire soundtrack to film, not in any underlying compositions), nor recorded any transfer of rights from composer. Registration was necessary to prevail on copyright claim as foreign work was published before March 1, 1989. As courts have consistently allowed plaintiffs to correct such jurisdictional defects, court allowed plaintiff to file supplemental pleading upon registering and recording transfer of rights.

Pamfiloff v. Giant Records, Inc., 794 F. Supp. 933 (N.D. Cal. 1992)

Defendants' motion to dismiss plaintiff's claim granted. Recording agreement did not qualify as written transfer of ownership required by § 204(a) of Act. Section is analogous to Statute of Frauds, and as such, writing must: (1) identify subject matter of agreement; (2) indicate parties have agreement; and (3) state with reasonable certainty essential terms of agreement. Here, recording agreement failed to identify subject matter in that it did not refer to publishing rights or rights in musical compositions. Nor did it state with certainty essential terms of agreement. Plaintiff's alternative argument based on equitable estoppel failed because Congress did not intend § 204(a) to be equitable defense. Plaintiff's claim of infringement of sound recordings, however, was upheld. Defendants' contention that sound recording copyright is invalid because plaintiff did not own musical composition copyright rejected. Though recording agreement was insufficient to transfer ownership of copyright in music, it was sufficient as implied non-exclusive license to use musical compositions to create recordings and thus give plaintiff copyright in derivative sound recording.

Cassway v. Chelsea Historic Properties, 26 U.S.P.Q.2d 1791 (E.D. Pa. 1993)

Court denied defendants' motion for summary judgment, ruling that plaintiff architect who created numerous drawings for completion of historic buildings did not cede copyright rights by agreeing that drawings would become property of defendants. In dispute over defendants' right to utilize drawings to complete project and to make copies available to successor architects, court refused to construe contract as transferring all ownership interests, including copyright, to defendants, as that construction of state law would be contrary to federal copyright policy. In order to transfer ownership interests in copyright, Act requires that author sign written agreement memorializing transfer. Where ambiguity exists as to whether copyright interest itself was transferred, court is bound to construe contract in favor of author retaining copyright. As contract at issue did not specifically state that copyright interests in drawings were being transferred, and § 202 of Act distinguishes between ownership of property and ownership of copyright, question

remained as to whether copyright rights in drawings had been transferred, precluding summary judgment.

N & D E Co. v. Gustings, 23 U.S.P.Q.2d 1049 (E.D. La. 1992)

Written instrument of assignment to plaintiff withstood summary judgment, with court reserving for trial issue of assignment's compliance with state law. Court, however, rejected argument by plaintiff that state law cannot make requirements for transfers more onerous than those imposed by Copyright Act, stating "[o]nly when state law is contrary to a 'distinctive national policy' may a court justify application of a federal common law of contracts." Fuller factual record was needed to determine whether transfer was donation, in which case instrument of assignment had to be notarized and witnessed, pursuant to Louisiana law. Later assignment from transferee to corporation controlled by her also was valid at summary judgment stage, even though corporation was not incorporated until two days after such transfer was made. Court cited fact that transfer conveyed benefit, rather than imposed obligation, on corporation, and pointed to relationship between transferee and corporation and "unique nature of close corporations," in upholding second transfer.

Great Southern Homes Inc. v. Johnson & Thompson Realtors, 797 F. Supp. 609 (M.D. Tenn. 1992)

Designer orally licensed corporate plaintiff to market houses based on designer's copyrighted designs. After contract terminated between designer and licensee, they together sued realtor, alleging that it had made unauthorized copies of architectural drawings to construct new homes. Citing *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27 (2d Cir. 1982) and *Kenbrooke Fabrics, Inc. v. Soho Fashions, Inc.*, 690 F. Supp. 298 (S.D.N.Y. 1988), court decided that licensee was "owner" of plans' copyright even though its agreement with designer was, at time of alleged infringement, merely oral. Section § 204(a) is analogous to Statute of Frauds, and writing requirement is not intended to benefit third party infringers who would be liable were it not for informality in contract—a contract to which defendant was not a party. Copyright Act's purpose would be disserved if alleged infringer were allowed to benefit from informality of license when both owner and transferee joined as plaintiffs in same lawsuit. Shortly after defendants moved for summary judgment, plaintiffs signed writing memorializing their agreement which, court held, validated oral grant *ab initio*. Plaintiffs' cross-motion for summary judgment, accordingly, granted.

C. Joint Works and Co-Ownership

Forward v. Thorogood, 985 F.2d 604 (1st Cir. 1993)

Plaintiff appealed from district court's decision holding that defendant

band owned copyright in "demo" tape recordings from band's earlier recording sessions arranged by plaintiff. Defendant argued that, as joint author of recordings, he was at least co-owner of copyright. Court affirmed district court's finding that plaintiff had made no musical or artistic contribution to tapes and, therefore, was not joint author. Plaintiff did not engineer or direct recording sessions. Although plaintiff did request certain songs, band played songs as it always did. Court acknowledged statement in legislative history of 1976 Act that usually record producer will be considered joint author of sound recordings. Court ruled, however, that "producer," as used in House Report, means one who supervises and edits, which plaintiff did not do.

Respect Inc. v. Committee on the Status of Women, 815 F. Supp. 1112 (N.D. Ill. 1993)

District court granted summary judgment to plaintiff writer/researcher, as Committee which commissioned plaintiff's sex educational materials could not be considered joint author. Defendant Committee, which did not contribute anything beyond suggested revisions to plaintiff's work, failed to show that its contribution was sufficiently original to constitute joint authorship, even under low standard of originality set forth in *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991). Determinative factor was plaintiff's lack of intent, at time contribution was made, to be joint author with defendant. Court noted that editors and research assistants may contribute copyrightable expression to final work, but what distinguishes writer-editor or writer-researcher relationship from true joint authorship is lack of intent by both participants to regard themselves as joint authors. Plaintiff, whose books bore her name only as author and copyright holder, owned copyrights in all of her books.

Konigsberg Int'l, Inc. v. Rice, 22 U.S.P.Q.2d 1876 (C.D. Cal. 1992)

Plaintiff alleged that it and defendant had orally agreed to develop story based on defendant's idea. Court granted motion to dismiss copyright claim because plaintiff was neither co-author nor co-owner of work. To be co-author, plaintiff must have made copyrightable contribution to work, which was not alleged here. Nor was plaintiff considered co-owner because no written transfer of copyright interest occurred. Finally, plaintiff's state law breach of contract action dismissed because Copyright Act preempts claims for breach of oral contracts involving copyrighted materials.

Johannsen v. Brown, 797 F. Supp. 835 (D. Or. 1992)

Individual who received of idea of substituting skeletons for farming couple and guitar for pitch fork and specified all other details to create take-off of Grant Wood painting "American Gothic" for cover design of magazine targeted to fans of musical group "Grateful Dead" was not joint author of such work. Relying on *Ashton-Tate Corp. v. Ross*, 916 F.2d 516, 521 (9th Cir.

1990), court stated that each joint author must make independently copy-rightable contribution.

D. *Contracts and Licenses*

Corcovado Music Corp. v. Hollis Music, Inc., 981 F.2d 679 (2d Cir. 1993)

Contracts written in Portuguese and governed by 1909 Act did not, as matter of law, convey renewal rights in five songs to defendants in action for infringement of such rights. Court noted "strong presumption against the conveyance of renewal rights." In absence of any language in contracts expressly referring to renewal term copyrights, author retained such rights and could validly assign them to plaintiff. *Siegel v. National Periodical Publications, Inc.*, 508 F.2d 909, 913-14 (2d Cir. 1974), cited by defendants for proposition that "general words of assignment can include renewal rights if the parties . . . so intended," was distinguishable, since there, contract language contained words "forever" and "hereafter." Court also declined to apply foreign law to interpretation of contracts at issue. Factors relevant to court's decision to apply U.S. law included vital U.S. policy underlying copyright renewal scheme, U.S. place of performance of contracts and U.S. forum of case.

Subafilms, Ltd. v. MGM-Pathe Communications Co., Nos. 91-56248, 91-56379, 91-56289, 1993 U.S. App. LEXIS 4068 (9th Cir. Feb. 17, 1993)

Ninth Circuit affirmed that "future technology clause" in 1967 agreement, granting defendants "the right to project, exhibit, reproduce, transmit and perform the [Beatles' film "Yellow Submarine"] and prints and trailers thereof by television and by any other technological, mechanical or electronic means, method or device now known or hereafter conceived or created," did not encompass right to distribute film in videocassettes. While appellate court acknowledged that two district courts had held that similar future technology clauses were broad enough to include home video rights, such cases were distinguishable since contracts at issue there were not limited to theatrical and television rights, as was agreement at bar. Ninth Circuit, similarly, noted that *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851 (9th Cir. 1988)—holding that in absence of future technology clause, "television" rights do not encompass home video rights—does not address factual situation of future technology clause in agreement limiting original rights to theatrical and television rights. Finding of copyright infringement, and award of damages, attorney's fees and injunctive relief, upheld.

Rey v. Lafferty, 26 U.S.P.Q.2d 1339 (1st Cir. 1993)

First Circuit affirmed damages award to author of "Curious George"

series of children's books and reversed damages award to former licensee. Parties' relationship was governed by two agreements: Revised Rey License (RRL) and Ancillary Products Agreement (APA). Under RRL, plaintiff granted defendants right to produce 104 four minute films based on "Curious George" character "solely for broadcast on television," in return for 10% royalty after recoupment of expenses by defendants' investors. Under APA, plaintiff granted defendants general right to license "Curious George" in spin-off products, in return for 33% royalty. In addition, plaintiff acquired right of approval under APA. Following plaintiff's rejection of two proposed products, plaintiff terminated APA. Later, plaintiff sued, *inter alia*, to recover unpaid royalties on "Curious George" books and videos, and defendants counterclaimed contending that plaintiff had withheld approval of products unreasonably when APA was in force. First Circuit affirmed district court's holding that defendants' withholding of royalties on book sales was wrongful and that plaintiff was entitled to 33% royalty on book sales and video sales. Accepting uncontested district court finding that video technology was not in existence when parties entered into RRL in 1979, court utilized "preferred method" to determine whether videos were licensed under RRL, as defendants argued, or under APA as claimed by plaintiff. Court cited *Bartsch v. MGM, Inc.*, 391 F.2d 150 (2d Cir.), *cert. denied*, 393 U.S. 826 (1968) in explaining that under preferred method, risk of drafting license is apportioned equally between licensor and licensee; if words of license are broad enough to cover new use, burden of negotiating and framing exception should fall on grantor. Here, although question was "extremely close," court concluded that right under RRL to produce 104 four minute "Curious George" films did not encompass right to distribute films in videocassette form. First, RRL contained no general grant of rights in future technologies. And, while RRL did not have "specific limiting language," court found that such limitation was "reasonably inferable" from parties' "situation" and from agreement itself. Second, "as properly noted in *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851 (9th Cir. 1988)], 'television viewing' and 'videocassette viewing' are not coextensive terms." In particular, court noted prevalent use of videocassette recorders for "time-shifting," and that standard television set capable of receiving television broadcast signals is not required for videocassette viewing—only monitor is. First Circuit also contrasted preferred method with "alternative interpretive method" exemplified in *Bourne Co. v. Walt Disney Co.*, Copyright L. Rep. (CCH) ¶ 26,934 (S.D.N.Y. 1992) (*rev'd* by 976 F.2d 99), where court stated that "if the disputed use was not invented when the parties signed their agreement, that use is not permitted under the contract." Appellate court noted that alternative method may be less appropriate in cases involving sophisticated parties in arm's length transactions. Damages award to defendants was reversed, since court interpreted language in APA as entitling plaintiff to reject products for reasons other than her

unhappiness with particular rendition of "Curious George" character and found that plaintiff "reasonably" had communicated basis for her rejections within reasonable time and in reasonable manner. Court rejected defendants' argument that licensor's duty to control quality is less stringent where involved goods are unrelated to licensor's main property.

Respect Inc. v. Committee on the Status of Women, 815 F. Supp. 1112 (N.D. Ill. 1993)

Court found that government regulation did not permit agency to authorize copying by third parties, and granted summary judgment to plaintiff author. Under government regulation, 45 C.F.R. 74.145(c), Department of Health and Human Services (HHS) claimed unrestricted non-exclusive right and license to reproduce, publish and otherwise use copyrighted material developed under grant: "HHS shall have a royalty-free, nonexclusive and irrevocable right to reproduce, publish or otherwise use, and authorize others to use, the work for Federal government purposes." Plaintiff author of sex education manuals contracted with defendant Committee to develop materials for use in schools. Plaintiff worked as independent contractor, not under auspices of federal grant, and was determined by court to be sole author and copyright holder of works which defendant obtained directly from (HHS). HHS claimed right under regulation to reprint and distribute plaintiff's works without restriction. Court declined to consider validity of government regulation since United States was not party to suit. At issue was nature of HHS's claimed copyright grant. Court found that most logical reading of regulation was not that of expansive license tantamount to patent-like grant to government, but that of license to use work—not to reproduce or publish work. Any broader reading of regulation would permit government, even as mere non-exclusive licensee, to put others into business in direct competition with copyright owner on royalty-free basis.

E. Miscellaneous

Stone v. Williams, 970 F.2d 1043 (2d Cir. 1992), *cert. denied*, 1993 U.S. LEXIS 3198 (1993)

Second Circuit held that born out of wedlock child of Hank Williams, Sr. is entitled to share renewals of his songs under both 1909 and 1976 Acts. Court applied Alabama intestacy law to answer question of whether illegitimate child is entitled to renewals, pursuant to holding of *De Sylva v. Ballentine*, 351 U.S. 570 (1956). With respect to 1909 Act renewals, defendants argued that Alabama law in effect as of January 1, 1978, that would have barred relief, should be applied. However, Second Circuit applied present law under which plaintiff, as natural child of Williams, Sr. not "adopted out" at time of Williams, Sr.'s death, could inherit. First, as general rule, court must apply law as it exists when case is decided. Second, not until 1979,

when present Alabama intestacy statute became effective, could plaintiff's entitlement to statutory share be considered, because of fraud perpetrated on plaintiff by defendants. Third, application of existing law was consonant with approach of Alabama Supreme Court, which had determined that plaintiff was Williams, Sr.'s natural child. With respect to 1976 Act renewals, Second Circuit rejected defendants' arguments that application of Alabama intestacy law was supplanted by definition of "children" in § 101 of present Act and that, in light of purpose of renewals—*i.e.*, support for author's dependents—plaintiff, as later adopted out child, should not be entitled to renewals. Second Circuit relied on legislative history of 1976 Act in ruling that § 101 definition of children was intended to apply to terminations of transfers under § 203(a)(2), and "does not command a uniform definition . . . for renewal purposes." Case remanded for determination of plaintiff's proportionate share of renewal royalties.

Caratzas v. Time Life, Inc., Copyright L. Rep. (CCH) ¶ 27,012 (S.D.N.Y. 1992)

Plaintiffs, book publishers, brought preliminary injunction motion alleging that defendant's use of photographs infringed plaintiffs' copyright in book on Pompeii. Although plaintiffs owned copyright in book, court found that plaintiffs did not own copyright in photographs appearing in book. Because plaintiffs could not establish photographs were "works for hire" or that ownership was transferred to plaintiffs, court held that plaintiffs had at most non-exclusive right to publish photographs and, therefore, defendant's use of photographs was not infringing.

IV. FORMALITIES

A. Notice

Schiller & Schmidt, Inc. v. Nordisco Corp., 969 F.2d 410 (7th Cir. 1992)

Only features that were used for first time in plaintiff's 1981 catalog published without copyright notice fell into public domain, where plaintiff's previous and later catalogs bore proper notice.

Pinkham v. Sara Lee Corp., 983 F.2d 824 (8th Cir. 1992)

On defendant's motion for summary judgment, as well as on appeal, defendant argued that plaintiff's copyright notice incorrectly listed "Mary Ellen Enterprises" not "Pearl Higginbotham d/b/a/ Mary Ellen Enterprises" as registrant. Defendant also argued that placement of notice on page preceding title page in 1976 edition of plaintiff's book was improper under 1909 Act. Court dismissed defendant's "highly technical" notice arguments, commenting that it was "unwilling to allow a bare-faced infringer to invoke an inno-

cent deviation from the letter that could not in the slightest degree have prejudiced him or the public.”

Howard v. Sterchi, 974 F.2d 1272 (11th Cir. 1992)

Eleventh Circuit affirmed district court's decision holding that plaintiff's architectural designs, published without copyright notice, had passed into public domain and thus were not infringed by defendant, who had copied designs in advertising and constructing log homes. Plaintiff designer had never sought to protect individual floor plans, but instead had registered copyright in 1978 compilation titled "Country Plans by Natalie." Thus, majority of plans previously were published without copyright protection and entered public domain. Notice of copyright affixed to entire plan books, which included new plans and old plans already in public domain, did not protect allegedly infringed old plans.

Greenwich Film Prods. S.A. v. DRG Records, Inc., 25 U.S.P.Q.2d 1435 (S.D.N.Y. 1992)

Court denied defendant's summary judgment motion, but dismissed portion of claim based on works which it determined had entered public domain. Defendant, who continued to manufacture and distribute copies of recordings to soundtrack of movie "Diva" after license to do so had expired, contended that entire soundtrack entered public domain because over 1,000 copies of single containing two selections from movie soundtrack were distributed in France without notice required by § 405(a) before effective date of Berne Convention Implementation Act. None of cure provisions was applicable, and recording of these two selections fell into public domain. However, citing *Mifflin v. Dutton*, 190 U.S. 265 (1903), which dealt with publication without notice of first 29 chapters of Harriet Beecher Stowe novel, court ruled that publication of "single" did not place entire soundtrack into public domain, and infringement claim for balance of work allowed to stand after jurisdictional defects cured.

Kakizaki v. Riedel, 811 F. Supp. 129 (S.D.N.Y. 1992)

Court granted summary judgment to defendant, finding that authorized distribution of plaintiff's copyrighted photograph, without copyright notice, on invitations for opening of clothing store placed work in public domain. Plaintiff photographer took picture of defendant for use as graphic for invitations to opening of clothing store, but sued for infringement when photograph was used in subsequent mailings. Plaintiff asserted that he licensed defendant to use photo for only one occasion; defendant claimed photo was given as unconditional gift. Plaintiff asked for and received credit for use of photograph on invitations to store opening, which bore phrase, "Photo by Seiji Kakizaki" but lacked any notice of copyright. Since work was published after 1978 effective date of Act, but before 1989 effective date of Berne Con-

vention Implementation Act, copyright which automatically attached to photo was divested by general publication of photo without proper notice. Under facts here, only possible exception to divestiture—if notice had been omitted from no more than relatively small number of copies—was not proven. Plaintiff asserted that he authorized defendant to mail photo to “a few” friends, but conceded that it was reasonable that defendant mailed photo to at least 100 guests. Plaintiff testified that he sent out 100 photos with copyright notice. Since 50% of total copies mailed with author’s permission omitted notice, more than relative few were distributed without notice.

Kepner-Tregoe, Inc. v. Leadership Software, Inc., 22 U.S.P.Q.2d 1788 (S.D. Tex. 1992)

Court awarded damages, including attorney’s fees, and issued permanent injunction enjoining defendants from producing, distributing and/or selling executive training program which infringed plaintiff’s copyrighted materials, “Leadership and Decision Making Cases and Manuals for Use in Leadership Training.” Publication of work without copyright notice in 1971 journal did not place work in public domain, since under 1909 Act inadvertent failure to provide notice did not invalidate copyright or prevent recovery for infringement against defendants who had actual notice of copyright. As defendants had read and signed licensing agreement with plaintiff for use of its program, defendants’ knowledge of copyright was not in dispute.

B. Registration

Atkins v. Publications Int’l, Ltd., Copyright L. Rep. (CCH) ¶ 27,011 (S.D.N.Y. 1992)

Court denied defendant’s motion to dismiss, and granted plaintiff’s motion to amend complaint to allege infringement of registered copyright in her manuscript “American Quilts” which plaintiff obtained after action was commenced. In absence of any cited authority to contrary, court concluded that it was “in the interest of justice to grant plaintiff’s motion to amend the copyright infringement claim, because plaintiff may have a viable claim that should not be barred because of her lawyer’s lack of diligence.” Court reserved on question of Rule 11 sanctions for failure to discover facts including registration requirement for copyright infringement claim, stating that it would grant defendant’s motion for sanctions unless plaintiff’s counsel submitted satisfactory affidavit explaining why his investigation had not disclosed such facts.

Gates Rubber Co. v. Bando American, Inc., 798 F. Supp. 1499 (D. Colo. 1992)

Court granted permanent injunction, where defendant had not overcome

presumption of ownership and validity established by plaintiff's copyright registration for computer software program Design Flex 4.0. Contrary to defendant's position, fact that some customers and distributors had seen Design Flex program did not mean program had been "published," and even if publication had occurred, it was limited publication to select group without attendant rights of reproduction, distribution of sale. Defendant also argued that plaintiff had misrepresented material facts in registration form and had violated "duty of candor" toward Copyright Office in not disclosing that previous versions of Design Flex existed. However, existence of previous versions did not define Design Flex as derivative work, and publication of Design Flex 4.0 did not "revive" preexisting version in public domain. Plaintiff's failure to refer to "derivative works" in the TX form did not constitute misrepresentation or unclean hands which would disallow enforcement of copyright presumptively valid under 17 U.S.C. § 410(c). Court found "duty of candor" toward Copyright Office to be vague and speculative argument. Plaintiff thus sustained burden of proof establishing ownership of enforceable copyright. After finding access and substantial similarity, permanent injunction issued.

C. *Renewal and Termination*

Bourne Co. v. Walt Disney Co., 25 U.S.P.Q.2d 1975 (S.D.N.Y. 1992)

District court denied defendants' motion for summary judgment, finding that although plaintiff renewed its copyrights under name of previously dissolved corporation "Bourne, Inc." rather than its present name "Bourne Co.," copyrights were nonetheless valid and enforceable. Plaintiff alleged that defendant infringed its copyrights in musical compositions from movies "Snow White and the Seven Dwarfs" and "Pinocchio." Following Second Circuit reversal of preliminary injunction on grounds that years of unlimited use of Disney's songs rebutted presumption of harm from new use in video ads, defendants moved for summary judgment on ground of copyright invalidity. Defendants did not show that they were prejudiced by error or that public was misled as to true owner of copyrights. Absent prejudice or fraud, copyrights should not be invalidated by minor defects in registration certificates.

V. *INFRINGEMENT*

A. *Access and Copying*

Schiller & Schmidt, Inc. v. Nordisco Corp., 969 F.2d 410 (7th Cir. 1992)

It was "merely damaging, and not conclusive, evidence of copying that [defendant] told its printer that the format of its catalog would be 'exactly like' [plaintiff's] catalog," where defendant formerly had worked for plaintiff

and, in fact, had created plaintiff's catalog. "[O]ne is . . . more likely to duplicate one's own work without copying than another person would be to do so," and arrangement used in mail order office supply catalog was found to be "rather standardized." Appellate court affirmed judgment that compilation was not infringed, but remanded case on issue of infringement of individual ads in catalogs.

Moore v. Columbia Pictures Indus., Inc., 972 F.2d 939 (8th Cir. 1992)

Plaintiff attempted to sell his copyrighted song to MCA, whose employees had professional and personal contacts with authors of defendant's allegedly infringing song. Supervisor of MCA employees to whom song was originally sent ultimately helped in production of allegedly infringing song. On these facts, Eighth Circuit found reasonable possibility of access and overturned grant of summary judgment on that ground, but ultimately held for defendant because no substantial similarity was shown under extrinsic test of infringement.

Gund, Inc. v. Applause, Inc., 809 F. Supp. 304 (S.D.N.Y. 1993)

Court denied plaintiff's motions to enjoin defendant's manufacturing, selling or advertising of stuffed toy dog and to recall toy dog which plaintiff claimed infringed its own. Court found toy dogs were not substantially similar. Court did find, however, that defendant had access to plaintiff's toy dog. Defendant conceded its designer was given a sample of plaintiff's toy dog and plaintiff's toy dog had been top seller since introduction in 1986. Furthermore, plaintiff's toy dog had appeared in plaintiff's catalog since 1986, in several advertisements, and on national television and store posters.

Morgan Creek Prods., Inc. v. Capital Cities/ABC, 22 U.S.P.Q.2d 1881 (C.D. Cal. 1991)

Court denied defendants' motion for summary judgment, finding issues of fact remained as to defendants' claim of independent creation of television series which was subject of plaintiff's infringement claim. Plaintiff produced 1988 motion pictures entitled YOUNG GUNS, a western drama about six teenage gunfighters who fight for justice in Old West, and defendants' work was 1989 weekly television program called THE YOUNG RIDERS, a western drama about six teenage Pony Express riders who fight for justice in Old West. Access not disputed, but defendants claimed independent creation. Court found that much of contents of pilot episode of THE YOUNG RIDERS was created over 10 years before film and television show was created, but treatment for television show was not purchased or produced until after successful release of film YOUNG GUNS. Copyright would not protect basic story idea involving teenagers in Old West, but court ruled that jury could find that unlawful similarities were created in television series after release of successful film.

Penelope v. Brown, 792 F. Supp. 132 (D. Mass. 1992)

Summary judgment granted to defendant who used excerpts from plaintiff scholar's published essay "The Stylistics of Belief" in defendant's book "Starting from Scratch: A Different Kind of Writers' Manual." Defendant conceded access. Court's examination of two works revealed considerable similarity, supporting finding that defendant copied portions of essay. Plaintiff faced heavy burden to show that defendant copied explanations of linguistic principles, rather than ideas which are not copyrightable; court ruled that defendant's simplification of plaintiff's complex explanations did not constitute copying.

However, verbatim copying of examples of grammatical use, which were not acknowledged as plaintiff's, in hardback version of book, did constitute copying, even though examples consisted of statements by third parties and therefore were arguably not plaintiff's original work. Citing *Feist Publications*, 111 S. Ct. 1282 (1991), court found copyrightability in plaintiff's selection and arrangement of examples. Defendant's use of identical examples to convey same ideas was copying of plaintiff's original expression, but upheld as fair use.

Takeall v. Pepsico, Inc., 809 F. Supp. 19 (D. Md. 1992)

Court held that there was no triable issue of fact as to defendant's access to slogan "You got the right one, Baby, uh-huh!", and granted summary judgment to defendant. While plaintiff submitted evidence that he had used jingle in his ventriloquist act since 1964, court concluded that plaintiff had not met burden of showing by preponderance that reasonable factfinder would decide access issue for plaintiff. Composers of Pepsi jingle both testified that they had never heard of plaintiff or his act. Court also ruled as matter of law that plaintiff's act was not so widely disseminated as to support reasonable factfinder's conclusion that defendant's creative people had access, where plaintiff's performances were mostly in connection with crusade against drugs and took place in limited market before limited audiences such as schools and Job Corps centers. Plaintiff's evidence of third party access—through proposals submitted to Pepsi affiliates Kentucky Fried Chicken and Pizza Hut to gain corporate sponsorship of his "Just Say No to Drugs" tour—also rejected, since in one case there was no proof that materials even referred to phrase in issue, and in another, recipient testified that he had no recollection of receiving plaintiff's proposal and that he never forwarded it to Pepsi. Court also commented that, although there is "some support" for theory of third party access, such claims are viewed with skepticism. While acknowledging that reasonable factfinder could find striking similarity from performance tapes and expert testimony in record, court concluded that taking into account all circumstances, there was no more than suspicion that defendant had copied plaintiff's work, which was insufficient to warrant trial.

Bellsouth Advertising & Publishing Corp. v. American Business Lists, Inc., Copyright L. Rep. (CCH) ¶ 27,017 (N.D. Ga. 1992)

Plaintiff publisher of yellow pages sued defendant publisher and seller of business directories with addresses and telephone numbers. Plaintiff alleged that defendant's "keying" of plaintiff's yellow pages into defendant's computer databases constituted copying. In *Bellsouth Advertising & Publishing Corp. v. Donnelly Inf. Publishing, Inc.*, 933 F.2d 952 (11th Cir. 1991) (subsequently vacated by 977 F.2d 1435 (11th Cir. 1992)), court found "keying" is copying, but only constitutes infringement if defendant substantially appropriates format's constituent elements, *i.e.*, if defendant keeps tools necessary to reconstitute compilation. Court found that, due to conflicting evidence on this point, court could not dispose of issue on summary judgment motion.

N & D E Co. v. Gustings, 23 U.S.P.Q.2d 1049 (E.D. La. 1992)

Court granted partial summary judgment to defendants of noninfringement of certain posters, where plaintiff had submitted no evidence that defendants copied posters. Plaintiff's "vague reference" to outstanding requests for admissions propounded in defendants, in absence of supporting affidavit or Fed. R. Civ. P. 56(f) affidavit, held insufficient to defeat defendants' motion, where discovery period in case had closed.

B. Substantial Similarity

Howard v. Sterchi, 974 F.2d 1272 (11th Cir. 1992)

Eleventh Circuit affirmed district court's finding of no infringement where minor, but significant, dissimilarities in defendant's architectural plans rendered plans not substantially similar to plaintiff's. Defendant, who marketed, manufactured and erected log homes, referred to plaintiff designer's floor plans in advertising and constructing country style and log homes. Deliberate copying of some of plaintiff's designs was proven by defendant's repetition of inadvertent errors. However, copied designs had been published without notice and had passed into public domain. Assuming valid copyright in one plan, court determined that copying had not constituted infringement. Although two plans were visually similar and layout generally identical, dissimilarities were significant, particularly roof lines, added bay window and overall dimensions. Court noted that in log and country style frame houses, which dictate that only square angles be used, similarities can occur innocently, as variety of ways a rectangle can be divided is finite. Thus, modest dissimilarities in works of this type are more significant than in other works of applied art, and end products were not substantially similar.

Gund, Inc. v. Applause, Inc., 809 F. Supp. 304 (S.D.N.Y. 1993)

Court denied plaintiff's motions to enjoin defendant's manufacturing, selling or advertising of stuffed toy dog and to recall toy dog which plaintiff

claimed infringed its own. Finding no substantial similarity between “essential ‘expression’” of toy dogs, court explained that essential expression of toy dogs flows from design of features producing total look. Using “ordinary observer” test, court found numerous differences between toy dogs in addition to overall look, including degrees of floppiness, faces, ears and positions of legs.

Kregos v. Associated Press, 795 F. Supp. 1325 (S.D.N.Y. 1992)

On remand from Second Circuit, district court granted summary judgment to defendants, finding that although plaintiff’s baseball form, a compilation of nationally available statistics on pitchers, was sufficiently creative to be copyrightable, only a limited number of ways of expressing statistics existed, and fifty percent overlap between categories on plaintiff’s and defendant’s forms was insufficient similarity to find infringement. Plaintiff had invented one statistical category which had never before been used; defendants’ chart modified that one original category and added five others; plaintiff’s form contained six categories not found on any earlier chart. Court found that degree of additional creativity which entitled plaintiff’s form to copyright protection differed little from additional creativity which shielded defendants’ chart from infringement claim.

Denker v. Uhry, 26 U.S.P.Q.2d 1756 (S.D.N.Y. 1992)

Defendant moved for summary judgment in action alleging that defendants’ play and movie “Driving Miss Daisy” infringed plaintiff’s novel and play entitled “Horowitz and Mrs. Washington.” Court granted defendant’s motion due to lack of improper appropriation, which was only issue in case, and held that defendant’s play was not substantially similar to plaintiff’s work. Although there were certain similarities between works dealing with elderly Jewish person hiring minority person, these shared characteristics were not copyrightable. Similar characteristics included generalized plot devices, themes or ideas, and scènes à faire. Specifically, court found that expression of themes such as racism, works’ total concept and feel, and plots differed. Furthermore, court stated that characters, which are afforded only limited protection, will be infringed only when defendant has appropriated plaintiff’s expression. Court ruled that due to dissimilarity of characters beyond broad outlines, there was no infringement.

Green v. Lindsay, Copyright L. Rep. (CCH) ¶ 27,038 (S.D.N.Y. 1992)

Court determined that defendant’s book *Warrior’s Woman* was not substantially similar to plaintiff’s book *The Warrior Within* and granted summary judgment to defendant. Access was conceded and court assumed for purposes of motion that there were sufficient similarities to raise inference of copying, relying in part on dedication in defendant’s book “To Sharon [plaintiff’s first name], for inspiration” However, court rejected plaintiff’s

argument that in such circumstances lesser quantum of probative similarity should suffice to find infringement, noting that "inverse-ratio" rule was rejected by Second Circuit in *Arc Music Corp. v. Lee*, 296 F.2d 186 (2d Cir. 1961) and was criticized in *Aliotti v. R. Dakin & Co.*, 831 F.2d 898 (9th Cir. 1987) by Ninth Circuit that previously had originated it. Even if dedication referred to plaintiff, it was irrelevant because balance reflected in Copyright Act is designed to prevent authors from monopolizing ideas to extent of inhibiting "inspiration." Court considered total concept and feel of two works in addition to theme, plot, pace, setting, characters and style. It was conceded that mood and tone of two works was different, with plaintiff's book "a serious and somber action-filled science-fiction novel, with a tendency toward the sado-masochistic," and defendant's "a light-hearted romance filled with consensual and seemingly enjoyable sex, as well as with bantering and humorous (if not exactly funny) dialogue." Relying on *Bevan v. Columbia Broadcasting Sys., Inc.*, 329 F. Supp. 601 (S.D.N.Y. 1971), court noted that differences in mood and tone have been recognized as "critical" to substantial similarity determination. Broad "warrior woman" theme was not copyrightable under Judge Hand's abstractions test, and defendant concededly had not appropriated plaintiff's "core theme" that women are not "naturally" servile to men. While there were commonalities in plot, court found that similarities pertained to stock science fiction and romance/captor elements and either constituted unprotectible scènes à faire or defendant's expression differed markedly from plaintiff's. Setting and pace—protagonists' one month period of servitude—were given differing expression in two works. Similarly, personalities of protagonists shared no similarities beyond fact that they were both strong willed females having elite statuses arising from their given talents, while male characters were stock "Conan" type he-men. Court also rejected plaintiff's argument that defendant had appropriated her dialogue and speech patterns, finding some alleged similarities resulted from hackneyed treatment of warrior-hero theme.

Shaw v. Lindheim, 809 F. Supp. 1393 (C.D. Cal. 1992)

On remand from Ninth Circuit to determine whether defendants' pilot episode of "The Equalizer" infringed plaintiff author's "Equalizer" television script, district court granted defendants' motion for judgment as matter of law and conditionally granted defendants' motion for new trial. Court held that there was insufficient evidence to support jury's verdict that plaintiff's script and defendants' television episode were substantially similar or that author of allegedly infringing work had access to plaintiff's script or had copied it. Court had originally granted summary judgment for defendants, finding as matter of law that protectible expression in two works was not substantially similar under intrinsic or subjective test of *Sid & Mary Krofft Television Prods. Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977).

Ninth Circuit reversed and remanded, deciding plaintiff had satisfied extrinsic or subjective test for copyright infringement of literary works and therefore presented triable issue of fact regarding substantial similarity of protected expression. On motion for judgment following jury verdict for plaintiff, district court found that any similarities between works consisted of unprotectible ideas, stock scenes and aspects of characters and concepts flowing naturally from genre. Defendants had read plaintiff's script, and thereafter had orally instructed another writer on preparing pilot episode. But material taken by defendants consisted of uncopyrightable ideas and title, which plaintiff had given defendants right to use. Court found no evidence of striking similarity which would bespeak copying and preclude possibility that defendant Sloan independently created his own script involving lone man working for justice and helping underprivileged persons who face insurmountable odds.

Imperial Toy Corp. v. Ja-Ru, Inc., Copyright L. Rep. (CCH) ¶ 26,992 (C.D. Cal. 1992)

Court preliminarily enjoined defendant's sales of lip gloss in packaging it found "remarkably similar" to plaintiff's packaging for "Fun Flavors Lip Gloss" under Ninth Circuit extrinsic/intrinsic test. Packaging was substantially similar under extrinsic test in view of common fruit shapes and depiction of little girl touching her lip with splayed hand on packaging. Intrinsic test also was met since packages "look[ed] the same." (There was no dispute as to access.) Court rejected defendant's argument that, to infringe, its packaging would have to be identical to plaintiff's because idea of fruit flavored lip gloss in fruit shaped container merged with its expression. Instead, relying on exhibits placed before it, court concluded that "there are a variety of non-infringing ways to sell such items." Injunction also issued based on plaintiff's trade dress claim.

Morgan Creek Prods., Inc. v. Capital Cities/ABC, 22 U.S.P.Q.2d 1881 (C.D. Cal. 1991)

Citing Ninth Circuit's "policy against summary judgment in intellectual property cases," court denied motion for summary judgment, declining to rule as matter of law that there was lack of substantial similarity between plaintiff's work, a 1988 motion picture entitled YOUNG GUNS about six teenage gunfighters who fight for justice in Old West, and defendants' work, a 1989 weekly television program called THE YOUNG RIDERS, a western drama about six teenage Pony Express riders who fight for justice in Old West. Using two-part extrinsic/intrinsic test (or objective/subjective test) for substantial similarity, court relied on *Shaw v. Lindheim*, 908 F.2d 531 (9th Cir. 1990) to hold that intrinsic test should not be resolved on summary judgment, as it concerns subjective, layperson's judgment as to whether two works are similar. Court limited analysis to whether works were substan-

tially similar under extrinsic test and analytically examined specific similarities between plot, theme, dialogue, mood, setting, pace, characters and sequence of events. Under extrinsic test, copyright protects concrete elements that make up total sequence of events and relationships between characters. While noting dissimilarities between works—essential theme of *YOUNG GUNS* was revenge, while theme of *THE YOUNG RIDERS*, one of whom was a woman, was adventure—and difficulty of comparing feature film and television series, court found that many story lines and subplots from *YOUNG GUNS* were duplicated in *THE YOUNG RIDERS*. For example, in both works a mixed race Native American attempted to break away from group only to rejoin them later; both works contained appearances by actor Brian Keith playing featured character. These similarities were more than random lists of similarities which would fail to prove substantial similarity under extrinsic test, and, unlike *Olson v. NBC*, 855 F.2d 1446 (9th Cir. 1988), similarities, were more than “concatenation of scènes à faire.” Conceding that “this is not an easy one,” court denied summary judgment.

Lisa Frank, Inc. v. Impact Int'l, Inc., 799 F. Supp. 980 (D. Ariz. 1992)

Court granted motion to preliminarily enjoin defendants' distribution of certain products which allegedly infringed plaintiffs' copyrights in stationery products. Court found that plaintiffs had presented strong evidence of actual copying by admissions of defendant, numerous similarities in products and proof of access. Using extrinsic test to find similarity of ideas in objective details of products, court rejected defense that ideas and expression of products were indistinguishable. Court used subjective, intrinsic test to test response of “ordinary reasonable person.” Under this step, court found substantial similarity in total concept and feel of products. Products were so similar that possibility of independent creation was precluded.

Little Souls Inc. v. Les Petits, 789 F. Supp. 56 (D. Mass. 1992)

Plaintiff manufactured high priced collector's quality dolls using unique designs to accommodate plaintiff's manufacturing technique. Defendant copied plaintiff's design and manufacturing technique to produce lower priced toy dolls for children. In addition, defendant intentionally copied plaintiff's dolls' hair, body and facial structure although defendant did not intend to copy nor did it in fact achieve look and feel of plaintiff's dolls. After trial, judgment was granted for defendant. Although court found copying, it did not constitute unlawful appropriation. Using “ordinary observer test,” court found no substantial similarity in that defendant's dolls did not share look and feel of plaintiff's dolls, even though look and feel of defendant's dolls was achieved by copying construction techniques and materials from plaintiff.

National Risk Management, Inc. v. Bramwell, 1993 U.S. Dist. LEXIS 5230 (E.D. Pa. Mar. 31, 1993)

Court found for defendants in case involving alleged infringement of commercial insurance forms. While court found that commercial documents such as insurance forms could arguably sustain copyright, court concluded that scope of protection was limited to "appropriation in the exact form" or substantially same form. With respect to similarities between plaintiff's forms and defendants' allegedly infringing forms, court concluded that similarities were function of their nature as commercial documents. Court reasoned that any other rule would give copyright owner impermissible monopoly over ideas.

Beal v. Paramount Pictures, 806 F. Supp. 963 (N.D. Ga. 1992)

Court granted defendants' motion for summary judgment in action alleging that movie "Coming to America" infringed plaintiff's copyright in book *The Arab Heart*. Defendants conceded material issues of fact existed with respect to validity of plaintiff's copyright and defendants' access to book. Defendants argued, however, that no genuine issue of material fact existed as to issue of substantial similarity. To establish substantial similarity, plaintiff must show average lay observer would find alleged copy was appropriated from copyrighted work. Only similarities which existed were as to non-copy-rightable elements such as idea of prince coming to America and scènes à faire, e.g., arranged marriages. Court, however, found sufficient differences as to plots, nature and development of relationships between characters, protagonists' "romantic goals," characterizations of protagonists, and moods and settings. Furthermore, "Coming to America" contained only one theme while *The Arab Heart* contained more.

Warren Publishing Co. v. Microdos Data Corp., Copyright L. Rep. (CCH) ¶ 26,928 (N.D. Ga. 1992)

Court granted summary judgment to publisher of cable television guide, although stating that protection afforded compilations is narrow. Test for substantial similarity in cases involving factual compilations, as set forth in *Key Publications v. Chinatown Today Publishing Ents.*, 945 F.2d 509, 514 (2d Cir. 1991), is not to compare works as whole, but only to look at original elements which make work protectible in first place. Copyrightable portion of guide was its unique format which uses a "principal community" system to select and arrange cable systems by lead communities served by each system. Defendant's list of communities was identical to principal communities selected by plaintiff; 80 communities not listed by plaintiff were also omitted by defendant. Therefore, there was virtually no evidence that defendant had used any independent criteria to arrive at substantially similar results. In visual comparison between guides, court also found that plaintiff's coordina-

tion and creative arrangement of data fields was copyrightable, but it had not been infringed.

Financial Control Assocs., Inc. v. Equity Builders, Inc., 799 F. Supp. 1103 (D. Kan. 1992)

Court denied plaintiff's motion for preliminary injunction, holding that plaintiff's mortgage pre-payment kit did not evince sufficient originality or creativity to be protected. Relying on merger and blank forms doctrines, court concluded that similarities between plaintiff's kit and that marketed by defendants, some of whom were former salesmen of plaintiff's product, arose from their common function.

C. Importation

Parfums Givenchy, Inc. v. Drug Emporium, Inc., No. CV-92-4206 MRP, 1992 U.S. Dist. LEXIS 18328 (C.D. Cal. Nov. 23, 1992)

Court granted summary judgment in favor of plaintiff, exclusive U.S. distributor of Givenchy perfumes including "Amarige" and U.S. copyright owner of "Amarige" perfume box design, based on importation of "Amarige" perfume in reproduction "Amarige" perfume boxes. Defendant's sales of perfume in reproduction boxes violated § 602(a) of Act providing that "importation into the United States, without the authority of the owner of the copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies . . . under section 106, actionable under section 501." Nor was defendant's violation excused under "first sale doctrine" of § 109(a) of Act.

D. Computer Works

Computer Assocs. Int'l, Inc. v. Altai, Inc., 982 F.2d 693 (2d Cir. 1992)

Second Circuit affirmed dismissal of plaintiff's infringement action, after determining that defendant's computer program, OSCAR 3.5, was not substantially similar to portion of plaintiff's program called ADAPTER. Plaintiff's former employee had copied approximately 30% of plaintiff's work to create program for defendant called OSCAR 3.4. Sued by plaintiff, defendant rewrote program to delete copied segments of code and entitled new version OSCAR 3.5. Defendant did not appeal from district court's finding of liability and award of damages for prior infringing program, OSCAR 3.4, but plaintiff appealed from ruling that OSCAR 3.5 did not infringe plaintiff's work.

Court confronted issue of first impression in Second Circuit: to what extent are "non-literal" aspects of computer program (aspects not reduced to written code) protected by copyright? Noting its dissatisfaction with approaches of other circuits, Second Circuit developed its own three-step test for determining scope of copyright, substantial similarity and infringement of

computer works. Court first determined that although software programs' processes were not copyrightable, copyright protection extends beyond strictly textual materials to include non-literal, structural elements of program, such as flow charts, organization of inter-modular relationship, parameters, and "macros." Court applied *scènes à faire* doctrine, which precludes copyright protection for standard literary devices to computer programs, as it is impossible to perform certain functions without employing standard techniques. Therefore, structural content of allegedly infringed computer program was examined for elements dictated by external factors, such as mechanical specifications of computer on which program was to be run, compatibility requirement of other programs, demands of industry serviced, and accepted practices within industry. Rejecting approach of *Whelan Assocs., Inc. v. Jaslow Dental Labs., Inc.*, 797 F.2d 1222 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031 (1987), which used terms "structure, sequence and organization" synonymously and whose separation of idea and expression was based on "somewhat outdated appreciation of computer science," court devised its own three-step abstraction-filtration-comparison test to filter unprotectible ideas from protectible expression in computer programs. First, allegedly infringed program was broken into its constituent structural parts. Second, non-protectible ideas were filtered from protectible expression by separating ideas, expression that was necessarily incidental to program's ideas, and elements taken from public domain. Final step involved comparing allegedly infringing program to core of protectible expression in allegedly infringed program. Test resulted in narrower protection for non-literal elements of computer programs; previous tests were more likely to inhibit creativity by enabling first comers to "lock up" basic programming techniques.

Due to technical nature of works, expert testimony, usually limited in Second Circuit, was used to determine scope of copyright and to compare two works in their entireties. But once copying had been established, factfinder determined, by applying ordinary lay observer standard, whether copying was "illicit." Court concluded that only few of programs' lists and macros were similar. Others were dictated by functional demands and thus did not qualify for copyright protection. Remaining elements of program did not warrant finding of infringement given their relative contribution to overall work.

Sega Enters. Ltd. v. Accolade, 977 F.2d 1510 (9th Cir. 1993)

Ninth Circuit reversed district court's preliminary injunction for plaintiff Sega Enterprises, holding, on public policy grounds, that entertainment software developer may not enjoin competitors from disassembling copyrighted computer program code to gain understanding of program's unprotectible functional elements. In order to make its game cartridges compatible with plaintiff's "Genesis" console, defendant reverse engineered plaintiff's

programs and disassembled code. Court of Appeals rejected three of defendant's four defenses. First, intermediate copying of computer object code infringed exclusive rights granted to copyright owner even if final product was not substantially similar to copyrighted work, as intermediate copying fits statutory description of copying. Further, disassembly of object code to gain understanding of ideas and functional concepts it embodies is not lawful under § 102(b) of Act, which exempts ideas and functional concepts from copyright protection, as object code is entitled to full copyright protection as original work. Disassembly also was not authorized by § 117, which allows adaptation or copying as essential step of computer program when copyrighted program is loaded into computer's memory. Disassembly of object code also goes beyond use contemplated by § 117. Ninth Circuit, however, upheld copying as fair use, as disassembly was necessary step to examine unprotected ideas and functional concepts, and was thus privileged under § 107 of Act.

Three of four statutory fair use factors weighed in favor of defendant. While use was commercial, and thus presumptively disfavored under first factor, commercial exploitation was indirect consequence of true purpose of disassembly—to discover uncopyrightable functional requirements for compatibility with competing product. No other method of studying those requirements was available. Although alleged infringer stood to gain commercially, public benefit resulting from particular use outweighed commercial interest. Identification of functional requirement led to increase in number of independently designed programs, a growth in creative expression intended by Act. Presumption of unfairness in commercial use thus was overcome. Second factor, nature of copyrighted work, was problematic. As in all computer cases, many aspects of design were utilitarian, and idea/expression distinction was blurred. Disassembly of copyrighted object code was wholesale copying—but as object code cannot be read by humans, it must be disassembled, either by hand or by machine, to be translated into legible source code. If disassembly of object code was *per se* unfair use, then owner of copyright would gain *de facto* monopoly over functional aspects of work expressly unprotected by copyright law. Thus, second factor also weighed in favor of defendant. Third factor, extent of copying, weighed against defendant, as programs were disassembled in their entirety. However, where ultimate use of copied material was as limited as here, factor accorded little weight. Fourth factor, effect on potential market for copyrighted work, favored defendant since defendant did not “scoop” or usurp plaintiff's market, but sought to become legitimate competitor. Competition did affect plaintiff's market—defendant was first lawful entry that was not plaintiff's licensee. But commercial market success is determined by characteristics of game programs as experienced by user, and defendant did not copy any of those ele-

ments. Court noted that consumer typically purchases more than one game, and defendant's and plaintiff's games were not substantially similar.

Atari Games Corp. v. Nintendo of Am., Inc., 975 F.2d 832 (Fed. Cir. 1992)

Federal Circuit disagreed with district court's finding that all reverse engineering (intermediate copying) by Atari of Nintendo's security computer program that disabled unauthorized game cartridges from playing on Nintendo system constitutes infringement. Atari did not infringe Nintendo's copyright in program by decompressing computer chips in Atari's lawful possession, since Atari could lawfully reverse engineer Nintendo's program to distinguish its unprotected ideas and processes from protected features; any copying beyond that necessary to understand Nintendo's program, however, would be unlawful.

No fair use found, since Atari's intermediate copying was facilitated by its illicit acquisition of source code of Nintendo's program. Atari had obtained Nintendo's source code by falsely representing to Copyright Office that it needed source code in defense of infringement claim by Nintendo, in violation of Copyright Office regulation § 201.2(d)(2).

MAI Sys. Corp. v. Peak Computer, Inc., 26 U.S.P.Q.2d 1458 (9th Cir. 1993)

District court granted preliminary injunction and, following grant of partial summary judgment, entered permanent injunction. Plaintiff, manufacturer and designer of computer software, sued defendant, which maintains plaintiff's computer systems for numerous third party customers. Claimed infringements arose from defendant's running of plaintiff's software licensed to defendant's customers, but not to defendant; defendant's use at its headquarters of unlicensed software; and defendant's loaning plaintiff's computers and software to customers. Because plaintiff's licenses to its customers do not allow use or copying by third parties, court found that any "copying" done by defendant exceeded license's scope and constituted infringement. On appeal, court affirmed district court's finding that "copying" occurs when computer program is transferred from permanent storage device into computer's random access memory (RAM), which occurs when computer is turned on. Under Act, copies are defined as material objects, in which work is fixed and from which work can be perceived, reproduced or otherwise communicated. Act further provides that work is "fixed" when its embodiment is sufficiently permanent or stable to permit it to be perceived, reproduced or otherwise communicated. Court found fact that defendant loads software into RAM and then can view system error log to diagnose problem shows that representation in RAM is "fixed." Though no case specifically holds that copying software into RAM creates "copy," court so finds because copy created can

be "perceived, reproduced or otherwise communicated." On second issue, court found that defendant had several of plaintiff's computers with plaintiff's software running at defendant's headquarters. Because defendant only had license to use software to operate one system and because, as found, copyright violation occurs by loading software into RAM, court affirmed district court's finding that defendant violated plaintiff's copyright through unlicensed use at its own headquarters. Finally, court found that if defendant loaned plaintiff's computers and software to customers, that also would constitute infringement because only copyright owner may distribute copies. Although court found that there was no actual evidence that defendant had loaned plaintiff's computers and software to its customers, court found that there was sufficient threat of copyright violation to affirm district court's permanent injunction on this issue.

Autoskill v. National Educ. Support Sys., Inc., 1993 U.S. App. LEXIS 11506 (10th Cir. May 19, 1993)

Tenth Circuit affirmed grant of preliminary injunction, holding that district judge had not erred in finding substantial similarity between competing computer software programs used to train students with reading deficiencies. Plaintiff claimed copying of program's sequence, structure and organization, and urged court to follow *Whelan Assocs. Inc. v. Jaslow Dental Labs., Inc.*, 797 F.2d 1222 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031 (1987). Defendant argued that as a functional work, program did not warrant protection under § 102(b). To determine which, if any, portions of plaintiff's program were protectible, district court rejected *Whelan* as "simplistic" and used three-step method of analysis recommended in 3 *Nimmer on Copyright* at 13.03[F]. First, using "abstractions" test articulated in *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir. 1930), *cert. denied*, 282 U.S. 902 (1931), district judge held that testing, diagnosing and teaching reading skills were too abstract to warrant protection, but manner in which plaintiff utilized certain of those ideas and communicated them were protectible. Second, district court eliminated non-protectible elements commonly used in reading programs, and/or dictated by teaching reading, from substantial similarity analysis. Finally, after "filtering" out nonprotectible elements, district court compared works, determining substantial similarity existed between them. Focusing on district court's findings and conclusions, and its resulting ruling on protectible areas of expression, rather than precise method of analysis employed, Tenth Circuit held record amply supported judge's conclusion that, for purposes of preliminary injunction, defendant impermissibly copied plaintiff's program. Court ruled that district court had used permissible method of analysis. Choice of precise test awaits appeal requiring that choice.

Apple Computer, Inc. v. Microsoft Corp., 799 F. Supp. 1006 (N.D. Cal. 1992)

On defendants' motion for summary judgment, court declined to extend protection to visual displays of Apple's computer programs under "look and feel" theory. Stating that "look and feel" test of substantial similarity should only be applied once protectible expression has been identified, court found that visual display containing "desktop metaphor" was functional in same way as visual display of car dashboard is functional. Court rejected as "too facile" *Whelan* court's (*Whelan Assocs. v. Jaslow Dental Labs, Inc.*, 797 F.2d 1222 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031 (1987)) ruling that purpose of utilitarian work such as computer program is its idea and that everything else constitutes protectible expression, citing *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 23 U.S.P.Q.2d 1241 (2d Cir.), *vacated in part, remanded*, 982 F.2d 693 (2d Cir. 1992). If "desktop metaphor" is to have any meaning in context of traditional copyright analysis, stated court, it refers to ideas embodied in user interface devoted to utilitarian purposes of program. Court also found support for its conclusion that visual displays constitute mere idea, based on "market factors" (*i.e.*, because particular features are in widespread use), citing *Plains Cotton Co-Op Ass'n v. Goodpasture Computer Serv.*, 807 F.2d 1256, 1262 (5th Cir.), *cert. denied*, 484 U.S. 821 (1987).

Court distinguished holding of *Shaw v. Lindheim*, 919 F.2d 1353 (9th Cir. 1990) requiring that factfinder perform intrinsic (subjective) prong of Ninth Circuit substantial similarity analysis, once determination has been made under extrinsic (objective) prong that ideas of works in issue are same. Court pointed out that *Shaw* rule is confined to literary works and does not apply to visual displays. Moreover, intrinsic prong entails comparison of copyrightable portions of plaintiffs' works. Even if common ideas are found under extrinsic test, court stated that intrinsic test would only be reached if court determined that common ideas relate to protectible features. As alternative ground, court restricted protection to identical copying of particular visual displays under merger and *scènes à faire* doctrines. There remained triable issues of material fact, however, as to two of fifty-four visual display features used in defendants' programs—zooming rectangles feature and dimming feature.

Apple Computer, Inc. v. Microsoft Corp., Copyright L. Rep. (CCH) ¶ 26,903 (N.D. Cal. 1993)

In order clarifying earlier opinion reported at 24 U.S.P.Q.2d 1081 (see *infra*), as well as addressing some new issues, court held that unresolved question of infringement of Apple's user interface as a whole by Microsoft's Windows user interface and Hewlett-Packard's NewWave user interface should be judged under "virtual identity" standard. Court relied on and quoted Ninth Circuit in *Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197,

205 (9th Cir. 1989): “[C]ompilations that consist largely of uncopyrightable elements receive only limited protection. As with factual compilations, copyright infringement of compilations consisting largely of uncopyrightable elements should not be found in the absence of ‘bodily appropriation of expression.’ Bodily appropriation occurs only if there is ‘copying or unauthorized use of substantially the entire item.’” Court also reasoned that because “individual elements protectible under the substantial similarity standard constituted such a small and isolated part of the entire work . . . substantial similarity should not engulf the much larger number of unprotectible items by providing the appropriate standard for the entire work.” However, determining that application of virtual identity standard involved questions of fact not appropriate for resolution on summary judgment, court set issue down for trial.

Computer Assocs. Int'l, Inc. v. State Street Bank and Trust Co., 789 F. Supp. 470 (D. Mass. 1992)

District court granted motion for preliminary injunction, prohibiting plaintiff software developer from terminating maintenance support contract for software products on defendant's computers. Plaintiff had leased “Datacom,” a data management software program, to defendant bank. Defendant developed program called “Horizon,” which was dependent upon Datacom. Relying on Datacom, Horizon allowed all of defendant's customers off-site access to mutual fund information on bank's computers. Plaintiff sued, alleging that such access constituted copyright infringement, and threatened to terminate all maintenance support for Datacom. Defendant moved for preliminary injunction to enjoin plaintiff from removing maintenance support. Court ruled that defendant was likely to suffer irreparable injury, losing business and business reputation, if maintenance ceased, and Datacom's functionality and reliability were likely to erode absent plaintiff's services. Further, defendant was likely to prevail on its defense that it had not broken contract by allowing its customers to use software programs which bank was licensed to use. Access to plaintiff's software was lawful, and no unauthorized copies were being made. Though copyright infringement is presumptively irreparable injury, alleged infringement would not cease if injunction ensued, nor would it be prevented by denying injunction, as subject of injunction was termination of maintenance support, not infringement of program. Customer use did not result in loss of trade secrets or proprietary information, as customers did not have access either to source or object code of program. Finally, injunction was in public interest, as defendant managed billions of dollars and stability of assets was key consideration.

Data General Corp. v. Grumman Sys. Support Corp., 803 F. Supp. 487 (D. Mass. 1992)

Court denied defendant's motion to dismiss because, contrary to defendant's contention, plaintiff did not need to produce original source code to prove copyright infringement of software program. Defendants, who admitted that they copied and used various versions of plaintiff's ADEX programs, and even maintained ADEX library, posited that without producing original source code of ADEX program, plaintiff could not establish link between copied object code and source code registered with Copyright Office. Court held that plaintiff could show infringement of its program by proving defendant copied either source or object code representation of program. Court distinguished between registered work and medium in which it is fixed. Plaintiff's copyright protected intangible versions of software regardless of tangible medium in which program was registered or expressed. Citing *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (3d Cir. 1983), cert. dismissed, 464 U.S. 1033 (1984) ("computer program, whether in object code or source code, is a 'literary work' and is protected from unauthorized copying, whether from its object or source code version"), court found that software program itself was protected work, not any particular representation of program, such as source code version thereof. Thus, plaintiff did not need to prove line-for-line correspondence between object code and source code when defendant clearly infringed program's copyright.

Defendant also argued that *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 23 U.S.P.Q.2d 1241, vacated in part, remanded, 982 F.2d 693 (2d Cir. 1992) required court to analyze source code to determine whether defendant had infringed registered material and whether expression embodied in program is subject to copyright protection. Court ruled that this "impermissibly attempts to stretch the holding of *Computer Associates* to apply to this action." Complex test of *Computer Associates* and detailed examination of code did not apply to this case, as defendant admitted taking copies of ADEX and reproducing and using them without modification. When direct copying was conceded, there was no need to confront more difficult issue of evaluating "non-literal" elements of program.

Lotus Development Corp. v. Borland Int'l, Inc., 799 F. Supp. 203 (D. Mass. 1992)

On cross-motions for summary judgment, district court denied defendant's motion and granted plaintiff's motion in part, holding that defendant copied set of "functional relationships" of Lotus 1-2-3 by intentionally incorporating plaintiff's 1-2-3 menu commands and menu command hierarchy into its Quattro program, and that these elements were copyrightable and not trivial. Plaintiff's user interface, which revolutionized spreadsheet market, was system of menus, each menu consisting of less than dozen commands ar-

ranged hierarchically. Copyrightability of elements was legal issue to be decided by court rather than by jury. Court applied its own three-step test which it stated was compatible with abstraction-filtration-comparison test of *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992). Court first determined copyrightability by distinguishing ideas from expression. Next it separated essential expression from non-essential expression, and finally focused on whether appropriated expressive elements, taken together, were substantial part of copyrighted work.

Citing *Brandir Int'l, Inc. v. Cascade Pac. Lumber Co.*, 834 F.2d 1142 (2d Cir. 1987), court analogized computer program—formally classified as literary work—to pictorial or graphic work whose functional components are not copyrightable. As only some sub-elements of menu command hierarchy are functionally dictated, functional aspects, such as command words chosen, are separable from expressive aspects. While defendant did not copy whole of Lotus 1-2-3 user interface, court found that defendant had infringed 1-2-3 interface in substantial part, by copying expressive, copyrighted aspects of macros and keystroke sequences that were not necessary to copy their functionality. Irrelevant that defendant added functional and expressive elements that did not exist in 1-2-3. Programs were dissimilar in “look,” but “feel” was identical, as programs both depended on entering same keystroke sequences to perform spreadsheet. Even without “look and feel” test, court concluded programs were substantially similar, and copied elements were not trivial. Although menu command could not be perceived in its entirety on one screen, it was copyrightable subject matter, just as plot of novel cannot be perceived from viewing one page. Jury issue remained as to whether one element—“the long prompts,” consisting of English language descriptions of menu commands—had been copied when employee did not duplicate plaintiff's 1-2-3 prompts, but admitted to looking at 1-2-3 to verify that she understood commands.

Defendant asserted that it had copied from third party sources, rather than from plaintiff. This would excuse copying if third party had independently created menu structure which “happened” to duplicate plaintiff's, but as defendant was aware that these sources deliberately imitated 1-2-3, with or without permission, and as defendant admittedly “verified” third party sources by comparing their programs to plaintiff's, copying was not excused. Court found defense of waiver to be without merit. Evidence relating to laches and estoppel not decided on summary judgment. Jury trial necessary to decide scope of infringement and nature of remedy.

CMA/Cleveland, Inc. v. UCR, Inc., 804 F. Supp. 337 (M.D. Ga. 1992)

Court rejected *Whelan* test (*Whelan Assocs. v. Jaslow Dental Labs, Inc.*, 797 F.2d 1222 (3d Cir. 1986)) and applied *Computer Associates* test (*Com-*

puter Assocs. Int'l, Inc. v. Altai, Inc., 982 F.2d 693 (2d Cir. 1992)) in holding that non-literal elements of computer program of plaintiff's former licensee infringed plaintiff's program. In court's view, rationale underlying *Whelan*—of protecting non-literal elements to encourage programmer creativity—was “emphatically rejected” by Supreme Court in *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991) as “sweat of the brow” doctrine. Court also agreed with Second Circuit in *Computer Associates* that *Whelan* test is inadequate to address complexity of computer programs.

Since file names and sequence of field names within each file were neither standard nor dictated by industry convention, they constituted protectible expression under “filtration” prong of three-part “abstractions” test approved in *Computer Associates*. Likewise, transaction codes which instruct computer to perform particular series of steps were not dictated by efficiency and were unique to plaintiff's program prior to being copied in defendant's program. Arrangement of data fields in screens also represented protectible expression. Since all of such features were copied in defendant's program, infringement was established. Court found particularly compelling evidence of copying in fact that “hit list” in plaintiff's program, which defendant had never used when it was licensee, also appeared in defendant's program. Court rejected defense that file structures were merely unprotectible blank forms, relying on *Digital Communications Assocs., Inc. v. Sofitclone Distrib. Corp.*, 659 F. Supp. 449 (N.D. Ga. 1987) for proposition that they are sufficiently informative to merit protection. Similarly, defense that it would not “make sense” to change transaction codes because employees were already familiar with plaintiff's transaction codes was unavailing, since this was not “an external factor which would negate copyrightability.” Defendant's § 117 defense also failed since (1) defendant did not own, but only licensed, plaintiff's program, (2) defendant did not copy program for archival purposes but to exploit it, and (3) defendant did not destroy copies when it ceased to have lawful right to use plaintiff's program.

Engineering Dynamics, Inc. v. Structural Software, Inc., 25 U.S.P.Q.2d 1299 (E.D. La. 1992)

Following decision in plaintiff's favor holding that defendant's StruCAD*3D User's Manual infringed plaintiff's SACS User's Manual, court ordered parties to cooperate in fashioning non-infringing StruCAD*3D manual. Matter was referred to Special Master after plaintiff refused to approve defendant's new manual. Court adopted Special Master's recommendations, findings of fact and conclusions of law in holding that new manual was noninfringing. Ideas and expressions of ideas in four out of five chapters in defendant's new StruCAD*3D manual were not identical or substantially similar to ideas and expression in plaintiff's manuals. While ideas in chapter five in defendant's new manual were identical or substantially similar to ideas

in section four of plaintiff's SACS III manual, expression of those ideas in defendant's manual either was different or pertained to noncopyrightable material. Abbreviation of terms such as MEMB (member), SECT (section), HYDRO (hydrostatic) and OPT (options) were standard in offshore construction industry in which parties' computer programs were used or amounted to natural abbreviations. Input formats—organization and configuration of information fed into programs ("boxes with legends in them")—also were not copyrightable, under Fifth Circuit precedent. Nor was selection and arrangement of factual data included in input formats protectible, as selection was dictated by functional considerations and arrangement in parties' manuals was not substantially similar. Court, accordingly, ordered that previous injunction did not apply to defendant's StruCAD*3D manual and that plaintiff pay Special Master's fees and expenses.

Gates Rubber Co. v. Bando American, Inc., 798 F. Supp. 1499 (D. Colo. 1992)

Court granted permanent injunction after determining, with significant reliance on expert testimony, that plaintiff's with defendant's software programs designed to aid selection of industrial machinery, are substantially similar. Court first noted difficulty of distinguishing copyrightable elements from noncopyrightable elements in computer cases. Guidance of *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 U.S. 1282 (1991), which deals with fact-based compilations, is of little use in illuminating how ideas are separated from expression in computer programs, which are not "automated catalogs" or fact-based compilations although they may contain scientific facts. After discussing alternative methods, court took "middle ground" between broad protection offered to all but program's core idea in *Whelan Assocs. v. Jaslow Dental Labs, Inc.*, 797 F.2d 1222 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031 (1987), which applies "look and feel" test, and approach of *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 775 F. Supp. 544 (E.D.N.Y. 1991), *aff'd*, 23 U.S.P.Q.2d 1241, *vacated in part, remanded*, 982 F.2d 593 (2d Cir. 1992) which rejected *Whelan* and held that design aspects, or non-literal elements, are functional and merge into program's ideas, becoming uncopyrightable.

Court favored test of *Dawson v. Hinshaw Music Inc.*, 905 F.2d 731 (4th Cir. 1990), music copyright case which applied extrinsic-intrinsic test to sift copyrightable from non-copyrightable elements. Extrinsic test examines, with aid of expert testimony, whether there is sufficient similarity to conclude that second user used copyrighted work; intrinsic test asks whether lay observer, without expert testimony, would find unlawful copying. Expert valued by court isolated six relevant comparative considerations: identity of programmer, whether material was unpublished, relationship between concepts and constants, population of similar programs, derivability of portions of program, and range, space and alternative designs. Court concluded that

only explanation for programs' identical constants, verbatim install files, similar menus and presentation, formulas, data flow, and behavior in performing fundamental tasks, was that defendant's program was copied from plaintiff's. Intrinsic test found substantial similarity based on content and method of proceeding through calculations, though appearance of screens was dissimilar. After finding substantial similarity, court sifted copyrightable from uncopyrightable elements using "abstractions" test laid down by Judge Learned Hand in *Nichols v. Universal Pictures*, 45 F.2d 119, 121 (2d Cir. 1930), *cert. denied*, 282 U.S. 902 (1931). Data and control flow of program amounted to expression of how task is performed rather than idea of using computer program to calculate life of industrial equipment. Behavior of calculation modules was also copyrightable expression, and substantially similar between two programs. Design modules, which used algorithms, functioned similarly. Contrary to defendant's position that only patent law could extend protection here, court held that behavior of modules could be protected by copyright. Similarities in misbehavior of programs were weak evidence of similarity, as they were common errors. Court excluded "look and feel" of programs from consideration, as too close to idea end of idea-expression continuum. Source and object codes, protected by copyright, had not been copied. Defendant novice programmer testified that he had invented program independently, asserting that since program was improvement over plaintiff's, any resemblance was unavoidable. Plaintiff's expert noted that defendant seemed unfamiliar with some techniques employed, and substantial similarity between programs' breakdown of modules, tasks performed and sorting criteria supported finding of infringement. Permanent injunction issued. Remaining issues set for jury trial.

E. Contributory or Vicarious Infringement

Pinkham v. Sara Lee Corp., 983 F.2d 824 (8th Cir. 1992)

Plaintiff sued corporate promoter, its president and sole shareholder, as well as its principal agent, for unauthorized reprint and sale to Sara Lee of 300,000 additional copies of plaintiff's book for use in consumer promotion after plaintiff agreed to initial sale of 13,000 copies for test market. On motion for summary judgment, district court found corporation, as well as two individuals associated with it, violated plaintiff's copyright by exceeding scope of authorized grant. Eighth Circuit affirmed decision of district court, finding two individuals vicariously liable. In affirming, Eighth Circuit noted that president and sole shareholder had ability to supervise sale, and had financial interest in infringing acts. Likewise, commissioned agent, who initiated and supervised Sara Lee sale, had financial interest.

R & R Recreation Prods., Inc. v. Joan Cook, Inc., 25 U.S.P.Q.2d 1781 (S.D.N.Y. 1992)

Material issues of fact existed, precluding summary judgment that defendant was not contributory infringer. It was for jury to determine whether defendant "with actual or constructive knowledge induce[d], cause[d] or materially contribute[d] to the infringing conduct of another," where defendant, in absence of any written agreement, had received \$500,000 fee from direct infringer for identifying plaintiff's watches as most popular item in defendant's catalog.

F. Criminal Infringement

United States v. Davis, 978 F.2d 415 (8th Cir. 1992) (*en banc*)

Defendant was convicted under § 506 of Act, under 1986 Wiretap Act, 18 U.S.C. § 2511, and under Communications Act of 1934, for manufacture and sale of satellite descrambler. Defendant cloned legitimate device which descrambled or decrypted satellite signals to cable television subscribers. Defendant's modifications made it possible to descramble satellite programming without knowledge of cable companies, and individuals using them were required to do so in surreptitious manner. On appeal of convictions under Wiretap Act and Communications Act, Eighth Circuit affirmed. Without specifically discussing copyright infringement, court found that defendant's conduct constituted video piracy, as unauthorized descrambling required accessing and removing protected microprocessor chip, and replacing it with new chip containing modified software. Scrambling or encrypting satellite signal was intended to prevent unauthorized viewing; evidence of defendant's criminal intent was clear because receiving and unscrambling satellite signal takes significant effort and thus was not inadvertent act.

United States v. Splawn, 982 F.2d 414 (10th Cir. 1992) (*en banc*), *cert. denied*, 1993 U.S. LEXIS 3376 (1993)

Tenth Circuit held that defendant's cloning of computer chips which descramble premium channel television broadcasts, and sale of unauthorized descrambling devices, was properly charged under criminal statute proscribing assembling, possessing and selling surreptitious interception device, 18 U.S.C. § 2512(1)(b). (Court had granted defendant's motion for rehearing *en banc* in light of contrary decision reached by Eleventh Circuit in *U.S. v. Herring*, 933 F.2d 932 (11th Cir. 1991), which had been vacated as of writing of instant opinion, 977 F.2d 1435 (11th Cir. 1992)). Fact that unauthorized descramblers were identical to authorized descramblers did not preclude finding that they were "design[ed] primarily . . . for the purpose of the surreptitious interception of . . . electronic communications." Since court concluded that cloned satellite descramblers fit within plain meaning of devices prohibited under statute, it was not persuaded that omission of any reference to

satellite pay television industry in legislative history of statute mandated contrary result. Court also noted that when Congress had intended to except certain conduct that would otherwise fit within plain meaning of statutory language, it had done so unambiguously. Thus, while defendant's conduct was specifically prohibited under 47 U.S.C. § 605, formerly a misdemeanor statute, government was free to prosecute under more severe felony statute of 18 U.S.C. § 2512(1)(b).

VI. DEFENSES/EXEMPTIONS

A. Fair Use

Arica Inst. Inc. v. Palmer, 970 F.2d 1067 (2d Cir. 1992)

Second Circuit affirmed summary judgment for defendant, finding all four fair use factors satisfied when defendant included aspects of plaintiff's copyrighted work on "enneagrams"—nine-pointed figures which purport to explain human personalities—in defendant's book "The Enneagram." Scientific, scholarly purpose of defendant's book established strong presumption in favor of finding fair use; furthermore, defendant quoted only from published passages available to general public, and only insubstantial amount. Finally, though defendant stood to profit from sales of book, Act does not preclude creation of competing work, and effect on market for plaintiff's work would be negligible.

Norse v. Henry Holt and Co., 26 U.S.P.Q.2d 1468 (9th Cir. 1993)

Ninth Circuit remanded to district court to determine whether copying from plaintiff was substantial enough to overcome fair use defense. Plaintiff poet and colleague of writer William Burroughs charged defendant publisher with copyright infringement when biography of Burroughs contained phrases copied from plaintiff's unpublished letters. Defendant conceded copying, but asserted that copied phrases were so insignificant as not to be actionable. District Court, relying on *Narell v. Freeman*, 872 F.2d 907 (9th Cir. 1989), found that no protected expression had been copied and that works were not substantially similar; thus summary judgment granted to defendants. Court of Appeals found *Narell* inapposite, as phrases at issue in that case were stock literary devices. Factual issue remained to whether copied phrases were original; if so, even small taking could be actionable, but might be excused by fair use.

Los Angeles News Serv. v. Tullo, 973 F.2d 791 (9th Cir. 1992)

Ninth Circuit affirmed that fair use doctrine does not protect copying of plaintiff news service's videotapes of train wreck and plane crash by defendant "news clipping" service. Plaintiff licensed its raw video footage to news programs, and defendant sold edited news stories, including plaintiff's footage, taped from television news programs. Of fair use factors delineated in

§ 107, only one supported defendant. First fair use factor—purpose and character of use—weighed against defendant. Reliance on *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) misplaced. Unlike *Sony*, where fair use protected videotaping programs at home for non-commercial viewing later, defendant here taped programs and sold them to others, an “unabashedly commercial” purpose. Merely because subject of taped matter was news reporting did not support finding of fair use *per se*, as defendant was not news reporter any more than copier of publicly broadcast movie is filmmaker. Second factor, nature of copyrighted work, weighed in defendant’s favor; videotapes of newsworthy events should be broadly disseminated. Third factor weighed against defendant because, although defendant copied only small portion of plaintiff’s footage—“clips” included in television newscasts—these were most valuable and illustrative shots, *i.e.*, “heart.” Final and most important factor, effect of use on potential market for or value of copyrighted work, also weighed against defendant. Although markets were not identical, there was potential overlap between markets. Some of defendant’s customers, who purchased edited material, might have been interested in buying plaintiff’s raw material if defendant had not copied it and made it available. As work was sufficiently original to be copyrightable, and neither fair use nor First Amendment protected defendant’s copying, court found for plaintiff.

Religious Technology Ctr. v. Wollersheim, 971 F.2d 364 (9th Cir. 1992)

Ninth Circuit affirmed district court decision dismissing plaintiff’s copyright infringement claim against individuals who had brought state tort action against Church of Scientology. Plaintiff, Church of Scientology affiliate, alleged that unauthorized copying of stolen church documents by individuals and law firm to prepare expert witnesses in state tort action constituted infringement. In affirming dismissal, Ninth Circuit held that use of documents under these circumstances was fair use and noted that documents were sealed, marketed “Confidential” and never offered into evidence. Citing 3 *Nimmer on Copyright*, § 13.05[D] at 13-91 (1991), court held that it was “inconceivable” that reproduction of documents in context of judicial proceeding would constitute infringement. Court also noted that plaintiff had failed to establish any adverse impact on market for, or value of, its copyrighted work.

McGowan v. Cross, Nos. 92-1480, 92-1584, 1993 U.S. App. LEXIS 9134 (4th Cir. Apr. 22, 1993)

Fourth Circuit affirmed summary judgment for defendants, but denied defendant’s motion for sanctions, costs, and attorney’s fees, where defendants had used plaintiff’s copyrighted house plan to complete construction of house begun by plaintiffs on disputed parcel of land. After property was conveyed

to defendants by court order, defendant landscape architect made several copies of plans in order to obtain required permits and complete building home commenced by plaintiff before court-ordered conveyance. Plaintiff had not yet received registration certificate for plan, and no notice was on file that copyright was claimed. Plaintiff asserted that original plan was for private use and was unpublished. Court found fair use doctrine entitled defendants to use plan without violating copyright laws. Purpose of copying had not been commercial, but solely for private purpose of completing house, and thus first fair use factor weighed for defendants. Nature of copyrighted work was factual, and thus also weighed for defendant. Although defendant made some modifications in plan, such as replacing windows and substituting materials, court found plan was copied in its entirety, and thus third factor, amount of copyrighted work used, weighed for plaintiff. Fourth and most dispositive factor also weighed for defendant, as plaintiff did not intend to market plan.

Acuff-Rose Music Inc. v. Campbell, 972 F.2d 1429 (6th Cir. 1992), cert. granted, 113 S. Ct. 1642 (1993)

Defendants, rap group 2 Live Crew, copied plaintiff's copyrighted song "Oh, Pretty Woman" in creating alleged parody version entitled "Pretty Woman." District court sustained fair use defense based on parody. On plaintiff's appeal of summary judgment, majority reversed. Court distinguished commonly understood usage of parody from notion of legal parody. "Plain language" reading of § 107 requires that legal parody be "criticism" or "comment." Consequently, not all parodies are legal parodies. Court nevertheless accepted district court finding of parody and proceeded to examine four fair use factors. Although purpose of use was to parody original, character of use as commercial made it presumptively unfair. On nature of copyrighted work, court found plaintiff's creative expression weighed against finding fair use. Portion used prong also favored plaintiff because court found defendants' taking was substantial: defendants took "heart" of plaintiff's work. Lastly, on effect on potential market, court rejected lower court finding that intended audience and market for two songs differs, and instead focused on harm to plaintiff's potential to produce derivative works. Given commercial purpose of use, court further presumed future harm to plaintiff. Dissent noted that four fair use factors are ill-suited to analysis of parody and accordingly suggested fifth factor: "social value of parody as criticism."

Lish v. Harper's Magazine Found., 807 F. Supp. 1090 (S.D.N.Y. 1993)

Plaintiff, well-known literary editor, writer and creative writing instructor, brought action against *Harper's Magazine* which, without permission, had published excerpts of unpublished letter sent to 49 prospective writing students. On copyright claim, court rejected defendant's fair use defense. As

to first fair use factor, court found that while Lish was indeed newsworthy figure, what was taken captured essence of Lish's expression. Rejecting defendant's argument that manner in which author expressed himself was newsworthy and justified taking, court found that *Harper's* far exceeded amount necessary to report factual information fairly and accurately or to achieve limited right to copy expression. Moreover, defendant's non-profit status did not preclude finding "commercial use." Noting that defendant's objective was to sell magazines, court stated that "non-profit organizations enjoy no special immunity from determinations of copyright infringement." On second fair use factor, court found that letter was "predominantly creative and expressive"—as opposed to factual—as well as unpublished, since it was sent to limited number of individuals with "implicit restrictions" against further dissemination. In deciding third factor, amount taken by defendant, court noted that both in qualitative and quantitative terms, defendant had exceeded scope of permissible appropriation, having taken 1200 words or 52% of original letter. While fourth factor favored defendant, *i.e.*, Lish was unable to prove publication of letter would undermine sales of a hypothetical future book of his collected letters, court, on balance, sustained plaintiff's copyright infringement claim.

American Geophysical Union v. Texaco, Inc., 802 F. Supp. 1 (S.D.N.Y. 1992)

Court found no fair use in oil company scientists' photocopying of technical articles, rejecting arguments that research purpose was presumptively determinative of fair use. In class action suit on behalf of publishers of scientific and technical journals registered with Copyright Clearance Center, court traced two-track pattern of fair use defense in history. First, fair use protects material "transformed," or used for new purpose, rather than superseding or substituting for original work. Second, fair use protects work used for non-commercial, socially beneficial purpose. Under either branch, Texaco's photocopying did not pass muster. Acknowledging that photocopying was necessary and important for scientists, court found that when three journal subscriptions served needs of hundreds of researchers, principal feature of photocopying was not legitimately transformative, but rather was overshadowed by defendant's profit motive and adverse impact on potential market for plaintiffs' work.

Using four-pronged fair use test, court found that first factor—purpose and character of use—favored plaintiffs. Unlike *Williams v. Wilkins Co. v. U.S.*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd*, 420 U.S. 376 (1975), where photocopying by scientists at government-owned National Institute of Health was found to be fair use, defendant's research was undertaken for commercial gain, to improve competitiveness and profitability. Second factor—nature of copyrighted work—favored defendants, as work was factual and scope of fair

use for factual works is greater than for non-factual works. However, third fair use factor—amount and substantiality of portion used—clearly favored plaintiffs, as articles were routinely copied in their entirety. Fourth factor—effect on potential market for plaintiff's work—was dispositive for plaintiffs. Even if injunction against unauthorized photocopying would not cause Texaco to increase number of subscriptions substantially, court found some new subscriptions would result and compensation to copyright owners under reasonably priced, administratively feasible licensing agreements of Copyright Clearance Center would ensue.

Caratzas v. Time Life, Inc., Copyright L. Rep. (CCH) ¶ 27,012 (S.D.N.Y. 1992)

Plaintiffs brought preliminary injunction action alleging that defendant's book that directly quoted plaintiffs' books on Pompeii infringed plaintiffs' copyrights. Court held that any copying was *de minimis*. Even if it were not, defendant presented strong argument that copying was fair use. Court found that defendant's work was scholarly in that its historical treatment was more accessible to public than other more academic works; plaintiffs' works were published and available; portion copied constituted less than one percent of plaintiffs' works and consisted of insignificant descriptions; defendant's book targeted to popular market, did not threaten sales of plaintiffs' works which were more academic; and, finally, public would benefit from wide dissemination of historical information.

Mathieson v. Associated Press, 23 U.S.P.Q.2d 1685 (S.D.N.Y. 1992)

On cross-motions for summary judgment, court granted defendant's motion, holding that Associated Press, a not-for-profit news cooperative, could fairly use two copyrighted photographs that appeared on cover of sales brochure for "body armor" marketed by Oliver North, in news report describing involvement of North in such sales. First fair use factor was virtually dispositive. As photograph was used in conjunction with news report, notion of theft or piracy which characterizes infringement was dispelled, and due to permissible use category of news reporting, court "must lean decidedly in the direction of finding fair use even as it looks at the other three factors." Second factor was split between two photos: larger photograph, a composite, merited more protection as it was more imaginative and creative than factual; smaller photograph, headshot of Oliver North, was, despite plaintiff's efforts to create aesthetically attractive portrait, factual in nature and merited less protection. Both photos had been publicly released, which favored defendant. As to third factor, court sided with defendant, citing *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*, 626 F.2d 1171 (5th Cir. 1980) as non-binding but persuasive precedent to prevent plaintiff from asserting new standard of protection for copyrighted material (photos) within copy-

righted material (sales brochure). Factor four favored defendant, as plaintiff, who speculated about booming market for Oliver North photographs, failed to show existence of any market for particular photographs at issue. Court refused to find bad faith passing off based on AP's use of its own copyright notice, as AP identified photos as part of sales brochure. Failure to obtain plaintiff's permission was irrelevant given finding of fair use.

Sinai v. California Bureau of Automotive Repair, 25 U.S.P.Q.2d 1809 (N.D. Cal. 1992)

District court granted summary judgment to defendants, finding that defendant Bureau of Automotive Repair's use of plaintiff's "Corvette Emissions Systems" manual was fair use. After deciding that plaintiff's compilation of facts was uncopyrightable under *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282 (1991), court assumed *arguendo* that defendant's use of chart did infringe, but even so, all four fair use factors favored defendant. First, defendant's use of information was for public purpose; its chart was distributed free of charge to field offices to assist smog check stations and consumers to comply with California's emission laws. Second, factual nature of plaintiff's work favored defendant. Third factor, amount of work copied, also weighed for defendant, as plaintiff author could identify only handful of elements which were substantially similar between its work and defendant's. Although both works contained identical information, plaintiff's manual and defendant's chart looked very dissimilar. Finally, defendant's distribution of chart had only slight effect on market for plaintiff's work, because defendant distributed chart to only limited group—its field offices and smog check stations, and to any consumer who specifically requested copy—and defendant explicitly informed all potential users of chart that factual information also was available from plaintiff's publication.

Coates-Freeman Assocs. Inc. v. Polaroid Corp., 792 F. Supp. 879 (D. Mass. 1992)

Fair use doctrine protected defendant's use of plaintiff's chart for teaching participative management styles, and court granted judgment as a matter of law to defendant. Court assumed copying occurred, as labels along vertical axes of defendant's charts were identical to plaintiff's. First fair use factor under § 107, purpose and character of use, favored defendant, which did not disseminate chart and used it only as prototype to develop later version of its own chart. Second factor, nature of copyrighted work, was not explicitly addressed in fair use analysis, although court had previously determined that work was factual compilation of previously published material. Third factor, amount and substantiality of portion used, also favored defendant, as taking was limited in scope and nature. Finally, as defendant did not sell or even show plaintiff's work outside its own walls, court could not find any effect on

market for plaintiff's work. Indeed, because defendant was given chart, and could not otherwise have bought copy, its limited internal use did not deprive plaintiff of even sale to defendant, let alone to third party.

Penelope v. Brown, 792 F. Supp. 132 (D. Mass. 1992)

District court granted defendant's motion for summary judgment and upheld as fair use utilization of portions of plaintiff scholar's published essay "The Stylistics of Belief" in defendant author's book "Starting from Scratch: A Different Kind of Writers' Manual." First fair use factor favored defendant, as scholarly purpose and character of defendant's book as productive. Productive use was defined as one which results "in some added benefit to the public beyond that produced by the first author's work." Defendant's productivity consisted of expression of complex material in far simpler terms. Even erroneous use of plaintiff's examples was productive, as marginal benefit to public is sufficient to satisfy first factor. Furthermore, defendant arguably did not realize that few scattered lines in section on passive voice required permission from plaintiff, and thus character of defendant's conduct did not weigh against her. Second fair use factor, nature of copyrighted work, also favored defendant, as scholarly work copied from was not widely available, and public benefited from defendant's copying. Portion used was not large section of defendant's work, nor did it embody "heart" of plaintiff's work, and thus third fair use factor favored defendant as well. Finally, there was no evidence that defendant's use would adversely affect market for plaintiff's work, given distinct markets to which works were addressed.

Hi-Tech Video Prods., inc. v. Capital Cities/ABC, 804 F. Supp. 950 (W.D. Mich. 1992)

Plaintiff, Michigan-based producer of travel videos, brought infringement action against television network for airing 38 second video excerpt from plaintiff's eighteen-minute travelogue video on defendant's "Good Morning America" news program. Rejecting defendant's fair use defense, court noted that: (a) commercial nature of use outweighed fact video was used in news context; (b) work was creative, imaginative and original, as opposed to factual, and therefore entitled to broad scope of copyright protection; (c) while defendant took only 3.5 percent of video, taking was qualitatively substantial; and (d) despite failure to prove infringement's adverse effect on potential market, future economic harm presumed where nature of unauthorized use commercial. However, court added, even if use was non-commercial, plaintiff's loss of license fees weighed against finding fair use. While court concluded that defendant's copying was not done in bad faith, all § 107 factors favored plaintiff. Accordingly, plaintiff awarded statutory damages, attorney's fees and costs.

Kepner-Tregoe, Inc. v. Leadership Software, Inc., 22 U.S.P.Q.2d 1788 (S.D. Tex. 1992)

Court issued permanent injunction and awarded damages, including attorney's fees, to plaintiff, finding no fair use when defendant incorporated plaintiff's work in executive training computer program. Although plaintiff's theory was widely taught, infringed work contained copyrighted expression of decision-making method. Defendants' use was commercial in nature and thus presumptively unfair under *Sony Corp. v. Universal City Studios Inc.*, 464 U.S. 417 (1984); plaintiff's work was creative and merited high level of protection; works were substantially, indeed strikingly, similar; and likelihood of future harm to market value of plaintiffs' work could be assumed. Even after defendant modified computer program to avoid infringement, infringement still found, as modified program contained definitions and exercises which constituted "heart and soul" of plaintiff's work.

B. Statute of Limitations, Laches, etc.

Bourne Co. v. Tower Records, Inc., 976 F.2d 99 (2d Cir. 1992)

Second Circuit reversed preliminary injunction issued against Disney's use of songs from movie "Pinocchio" on videocassette trailer advertisements, holding that Bourne had failed as matter of law to demonstrate irreparable harm. Bourne, as copyright owner of songs which Disney had assigned to it, claimed unlicensed use by Disney was infringement. Disney claimed assignment did not prevent use of songs without license. Since Disney had used songs for decades in wide variety of media, district court erred in ruling that use of songs in videocassette trailers had amounted to "new use . . . to which Bourne had promptly objected." Relying on *Citibank, N.A. v. Citytrust*, 756 F.2d 273 (2d Cir. 1985), and adopting holding of *Gear, Inc. v. L.A. Gear Cal., Inc.*, 637 F. Supp. 1323 (S.D.N.Y. 1986), Second Circuit explained that "perceived harm from the new use must be so qualitatively different from the harm flowing from the prior uncontested use that the injured party could not reasonably foresee the new harm," to entitle injured party to preliminary injunction. In case at bar, where Disney's conduct over decades had clearly signaled its intention to use songs for multitude of purposes in new media as technology developed, "[w]hatever presumption [of irreparable harm] Bourne might have enjoyed over a generation ago [was] long gone."

Stone v. Williams, 970 F.2d 1043 (2d Cir. 1992), *cert. denied*, 1993 U.S. LEXIS 3198 (1993)

In third time before Second Circuit, court reversed ruling that suit begun in 1985 by born out of wedlock daughter of Hank Williams, Sr., seeking a declaration of her status as "child" of Williams, Sr. and entitlement to renewals, was barred by three-year statute of limitations of § 507(b) of Act. Appellate court accepted district court's determination that plaintiff's cause of

action accrued in 1979 when she, at age 26, learned she was Williams, Sr.'s child. However, district court erred by applying, in renewal context of case, continuous wrong doctrine that is disfavored in infringement actions. "Each time the holder of a copyright renewal is deprived of his or her statutory entitlement, for example, by non-payment of royalties, a distinct harm is done Stone's failure to seek relief promptly for violations of her entitlement to renewal copyrights does not make defendants immune from suit for later violations." Defendants' argument that infringement cases are distinguishable because there copyright ownership is established within limitations period rejected as "an overly technical approach [that] has not carried the day in other [copyright] contexts." Compliance with limitations period not part of substantive right, only procedural—statute of limitations bars remedy, but not rights. Alternative claim for imposition of constructive trust also timely with respect to income earned from renewals within three years of suit.

Bourne Co. v. Hunter Country Club, Inc., 26 U.S.P.Q.2d 1454 (7th Cir. 1993)

District court granted summary judgment holding country club liable for infringement by orchestra playing unlicensed music at club. On appeal, defendant argued that plaintiffs were estopped because ASCAP allegedly had violated earlier consent decree. Court affirmed, holding that estoppel applies only if copyright owner is aware of infringing conduct but acts in way that reasonably induces infringer to rely on owner's act to infringer's detriment. Copyright owners, who had no contact with defendant until suit, did nothing to mislead defendant. Defendant's alleged reliance was on actions of ASCAP which was not party to suit. Even if ASCAP were deemed plaintiffs' agent, court held that there would be no estoppel because ASCAP did nothing to mislead defendant but, instead, warned that performance of copyrighted works constitutes infringement.

Saxon v. Blann, 968 F.2d 676 (8th Cir. 1992)

On appeal, Eighth Circuit affirmed district court's holding that plaintiff author was barred by "unclean hands" from enforcing copyright in his survivalist's guide. Under loan guarantee, plaintiff agreed to transfer "ownership rights" to defendants in event he defaulted on loan obligation. District court found author retained copyright in guide, despite transfer of "ownership rights" to defendants, and that defendants subsequently infringed copyright by publishing work with improper notice. However, plaintiff admitted that notwithstanding right of defendants to distribute books transferred to them, plaintiff published slightly revised edition in order to undermine commercial value of defendants' guide. Accordingly, panel held that plaintiff's misconduct was sufficiently serious and directly related to merits of infringement to bar enforcement of copyright.

Kregos v. Associated Press, 795 F. Supp. 1325 (S.D.N.Y. 1992)

On remand from Second Circuit decision finding plaintiff's baseball charts copyrightable, district court granted summary judgment for defendants on infringement claim and dismissed plaintiff's state claims. Plaintiff sued seven years after its 1983 chart of baseball pitchers' statistics was infringed by defendants' publication of a virtually identical form in 1984. In 1986, defendant modified form to contain five categories not found in plaintiff's form. Defendant argued, and court agreed, that Act's three-year statute of limitations barred plaintiff's 1989 complaint from covering 1984 infringing form. Statute not tolled during two-year administrative delay by Copyright Office to process plaintiff's copyright application. Nor was delay justified by plaintiff's unjustified reliance on misrepresentations by defendant's lawyer that form was not copyrightable, nor by broken promises by co-defendant to provide plaintiff with additional work if he withheld infringement suit. Modified 1986 form was not considered continuing infringement of 1984 form, as claims concerned two distinct, identifiable charts. And, even if two forms were substantially similar, wrong perpetrated by use of 1984 chart ended when defendants ceased its publication.

Gump's, Inc. v. Byers' Choice Ltd., 22 U.S.P.Q.2d 1797 (N.D. Cal. 1992)

Court granted third party plaintiff's motion for new trial, based on court's clear error in submitting laches defense to jury. Quoting opinion in *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513 (10th Cir. 1987), court stated "[a]s with other equitable defenses, the existence of laches is a question primarily addressed to the discretion of the trial court." New trial was warranted, since court had failed to obtain parties' consent to submit laches issue to jury, as authorized by Fed. R. Civ. P. 39(c), or, alternatively, to empanel advisory jury to determine issue.

Bellsouth Advertising & Publishing Corp. v. American Business Lists, Inc., Copyright L. Rep. (CCH) ¶ 27,017 (N.D. Ga. 1992)

Plaintiff, publisher of yellow pages, sued defendant, publisher and seller of business directories with addresses and telephone numbers, for copyright infringement. Defendant asserted estoppel, laches, waiver and unclear hands because defendant had used plaintiff's telephone directories for several years without objection. Court denied plaintiff's motion for summary judgment on estoppel issue because there was genuine issue of material fact as to plaintiff's knowledge of infringement. Court refused to hold estoppel defense was moot because it found law not clear as to whether infringement action for prospective relief bars estoppel defense and because of defendant's reliance on plaintiff's inactivity. Laches defense, however, was moot because defense is available only for past infringement. Court also granted plaintiff's motion for

summary judgment on waiver and unclean hands defenses due to defendant's failure to mention them other than in answer and because there was no record support for such defenses.

C. *Section 110(5)*

Cass County Music Co. v. Muedini, No. 92-C-706, 1993 U.S. Dist. LEXIS 4562 (E.D. Wis. Apr. 7, 1993)

Plaintiffs alleged infringement of performance right by playing of radio in defendant's restaurant. Court, however, declined to grant plaintiffs' motion for default judgment, finding that it would be going too far to hold defendant liable for music over which it had no control. Court relied on *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975) and § 110(5) exemption. Court placed primary significance on type of receiving device used and type of place receiving signal, finding that stereo receiver defendant used was of kind commonly used in private homes and restaurant was not unlike that in *Aiken* or stores in *Broadcast, Music, Inc. v. Claire's Boutiques, Inc.*, 949 F.2d 1482 (7th Cir. 1991), *cert. denied*, 112 S. Ct. 1942 (1992). "To say that [defendant] is liable because it has nine speakers and the shops in *Claire's* had two (or four in *Aiken*) would be silly." Sophisticated home systems today have multiple speakers.

D. *Section 113(c)*

Major v. Sony Music Entertainment, Inc., Copyright L. Rep.. (CCH) ¶ 26,974 (S.D.N.Y. 1992)

Photographer who licensed photo to defendant for use on video package cover sued for copyright infringement, alleging that defendant had exceeded scope of license by publishing photo in connection with advertisement for video. In granting defendant's motion to dismiss copyright claim, court held that under § 113(c), photographer could not prohibit Sony from using copyrighted photo that was lawfully reproduced as part of utilitarian video package cover. Court commented that while photo was protected by copyright, video package cover was "useful article" within meaning of § 101, *i.e.*, cover served function other than merely portraying appearance of plaintiff's copyrighted photo. Accordingly, display of photo in connection with advertisement for video package was exempt under § 113(c). Court also rejected plaintiff's argument that § 113(c) is defense reserved strictly for utilitarian industrial products, with no entertainment value.

E. *Innocent Infringement*

Steven Greenberg Photography v. Matt Garrett's of Brockton, Inc., 816 F. Supp. 46 (D. Mass. 1992)

Defendant could not avail itself of innocent infringer defense where photographs were delivered in May 1990, after March 1, 1989 effective date of

Berne Convention Implementation Act of 1988, and defendant's advertising agency had removed copyright notice from photographs before giving them to defendant. Relying on *Dolori Fabrics, Inc. v. Limited, Inc.*, 662 F. Supp. 1347 (S.D.N.Y. 1987), court pointed out that § 405 applies only to authorized copies from which copyright notice has been omitted, not to unauthorized copies from which copyright notice has been removed by third party.

F. First Amendment

Los Angeles News Serv. v. Tullo, 973 F.2d 791 (9th Cir. 1992)

Ninth Circuit upheld district court's finding of infringement and award of damages to plaintiff news service, holding, *inter alia*, that First Amendment considerations did not preclude extending copyright protection to plaintiff's newsworthy videotapes of train wreck and plane crash that were copied and sold by defendant "news clipping" service. Although creator's proprietary interest may give way to public's First Amendment right of access to information, there was no showing that other depictions and reports of train wreck and plane crash were unavailable or that only plaintiff's tapes contained information vital to public understanding of events. While acknowledging Professor Nimmer's concerns that idea-expression dichotomy and fair use doctrine may not adequately protect First Amendment interests, problems perceived by Professor Nimmer were not present here. Plaintiff's tapes were shown on television immediately after events in question and thus were freely available to public.

Nordstrom, Inc. v. PARAN (People Against Racism at Nordstrom),
Copyright L. Rep. (CCH) ¶ 26,945 (D.D.C. 1992)

Court declined to grant preliminary injunction barring defendants from reproducing plaintiff store's advertisement in leaflet alleging store's racially discriminatory policies. Court denied motion and dismissed action, based on First Amendment protection of political speech. Use of advertisement as part of political statement, thus, amounted to fair use under § 107.

G. Sovereign Immunity

Lambert v. City of Kenner, No. 92-2287, 1993 U.S. Dist. LEXIS 4294
(E.D. La. Mar. 31, 1993)

Relying on *Pennsylvania v. Union Gas Co.*, 109 S. Ct. 2273, 2281 (1989) and completely ignoring legislation which abrogated states' sovereign immunity, court found that Louisiana Department of Transportation and Development (DOTD) was not immune from suit for copyright infringement: "[t]he United States Supreme Court recognizes that the Copyright Act abrogates states' Eleventh Amendment immunity." DOTD's motion to dismiss plaintiff's claims, accordingly, was denied.

H. Misuse

Atari Games Corp. v. Nintendo of Am., Inc., 975 F.2d 832 (Fed. Cir. 1992)

Applying Ninth Circuit law, Federal Circuit noted Ninth Circuit *dicta* suggesting that copyright misuse may be viable defense against copyright infringement claim, and that Supreme Court has given "tacit" approval of such defense. Nevertheless, defense was not available to Atari which had illicitly obtained copy of source code of Nintendo's computer program by falsely representing to Copyright Office that it needed source code in defense of infringement claim by Nintendo, in violation of Copyright Office regulation § 201.2(d)(2). In absence of statutory entitlement to defense of copyright misuse, defense was purely equitable, and Ninth Circuit precedent established that doctrine of unclean hands can preclude defense. Court also found that record did not demonstrate anti-competitiveness of Nintendo's conditioning of its licenses of licensees' agreement not to adapt or offer video game cartridges for two years to any other home entertainment systems.

PRC Realty Sys., Inc. v. National Ass'n of Realtors, Copyright L. Rep. (CCH) ¶ 26,961 (4th Cir. 1992) (*per curiam*) ("unpublished")

Fourth Circuit affirmed judgment following bench trial that defendant had violated its contractual obligation to promote plaintiff's real estate multiple listing books by creating on-line version, but reversed judgment that defendant had infringed plaintiff's copyrights, based on finding of copyright misuse by plaintiff. Pursuant to parties' contract, defendant had marketed plaintiff's software that allows realtors to access multiple listing information, and plaintiff's books containing same information. Defendant developed desktop publishing system that allows users of plaintiff's software to make hard copies of multiple listing information in-house, using laser printer, thereby eliminating need for plaintiff's books. Fourth Circuit considered defendant's misuse defense *de novo*, as district court had not addressed it, and concluded that plaintiff "ha[d] sought an even more restrictive, and anticompetitive result" than had plaintiff in *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990). "The combination of the original 'best efforts' obligation not involving copyrighted material, with the subsequent 1990 copyright filings, served to violate the public policy embodied in the grant of a copyright . . . by serving to suppress any independent expression of the idea at issue . . . , namely, the development of the useful and efficient on-line publishing feature" Case remanded for new calculation of damages, since court held that plaintiff was still entitled to recover for breach of contract, which occurred prior to registration of copyrights.

Microsoft Corp. v. BEC Computer Co., Inc., Copyright L. Rep. (CCH) ¶ 27,064 (C.D. Cal. 1992)

Court granted plaintiff's motion to strike, *inter alia*, defendant's affirmative defense that plaintiff's claims were barred as matter of law based on plaintiff's alleged violations of antitrust laws. Court pointed out that misuse defense only has been upheld by Fourth Circuit in *Lasercomb of Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990). Moreover, unlike in *Lasercomb*, license agreement in instant case, prohibiting defendants from marketing and adapting plaintiff's software unaccompanied by sale of computer system, did not prevent defendants from independently developing programs similar to plaintiff's. Nor did license agreement constitute illegal tying arrangement in violation of § 1 of Sherman Act, since licensees were not required to buy additional products from plaintiff and were not prohibited from buying products similar to plaintiff's from others.

N & D E Co. v. Gustings, 23 U.S.P.Q.2d 1049 (E.D. La. 1992)

Assignee's misrepresentations in copyright application that she was author and that works were works for hire did not invalidate registration, since assignee would have been able to obtain registration as transferee if true facts had been disclosed. In addition, genuine issues of fact as to assignee's intent in making misrepresentations precluded summary judgment for defendants.

I. Miscellaneous

qad Inc. v. ALN Assocs., Inc., 974 F.2d 834 (7th Cir. 1992)

Seventh Circuit upheld district court's decision dissolving preliminary injunction in light of misrepresentations made by plaintiffs. Citing *Pidding v. How*, 8 Simons 477, 480 (V.C. 1837) and *Coastal Corp. v. Texas Eastern Corp.*, 869 F.2d 817, 818 (5th Cir. 1989), court stated that trial judge was "undoubtedly on solid legal ground" in dissolving injunction, if it had been procured by misrepresentation. "[O]nly issue," therefore, was whether trial court's factual findings of misrepresentation were clearly erroneous. Seventh Circuit concluded they were not, refusing to parse distinction argued by plaintiffs that their testimony as to originality of their computer program truthfully referred to source code and not to field names, program names and function names, some of which had been copied from Hewlett-Packard program that plaintiffs formerly had distributed. Critical point was that plaintiffs had copied some portions of Hewlett-Packard program into their own software, and that they succeeded in convincing trial judge to issue a preliminary injunction without revealing that fact. Also, plaintiffs had accused defendants of copying very elements (field and program names) that plaintiffs had copied from Hewlett-Packard program.

Pinkham v. Sara Lee Corp., 983 F.2d 824 (8th Cir. 1992)

Eighth Circuit reversed district court's denial of plaintiff's motion for summary judgment, and rejected defendant's reliance on apparent authority defense in copyright context. Pursuant to 1983 agreement, plaintiff's agent, with authorization, sold 13,000 copies of plaintiff's "household hints" book to Sara Lee for use in consumer promotion. In 1987, without prior approval or knowledge of plaintiff, agent reprinted and sold Sara Lee additional 300,000 copies of book. Sara Lee claimed it believed agent had power to authorize sale of plaintiff's book for use as premium item. Court held that "apparent authority" defense cited by district court in *Gracen v. Bradford Exch.*, 698 F.2d 300 (7th Cir. 1983) was unavailable to defendant. Court distinguished *Gracen*, explaining that case involved license, not authorization. Court added that intent or knowledge is irrelevant in copyright infringement analysis—even innocent or accidental infringements are actionable. Furthermore, even assuming *arguendo* that apparent authority defense were available, defendant failed to show reliance on plaintiff's "manifestations" regarding agent's apparent authority.

Intel Corp. v. Advanced Micro Devices, Inc., Copyright L. Rep. (CCH) ¶ 27,028 (N.D. Cal. 1992)

Relying on special jury verdict on plaintiff's copyright claim, court refused to consider defendant's counterclaim for declaratory relief as to which parties had not demanded jury trial. Court was precluded from considering counterclaim alleging that 1976 license agreement between parties authorized defendant to distribute products containing copies of Intel's 80287 microcode, where following jury interrogatory had been answered negatively: "Did AMD prove by a preponderance of the evidence that the disputed language 'microcode contained in the Intel microcomputers and peripheral products sold by Intel' means microcode contained in Intel's 80287?" While plaintiff did not assert that court was collaterally estopped from considering issue *de novo*, court stated that it was bound to apply such principle anyway. "To permit *de novo* examination of a fact already tried to the jury could result in inconsistent findings by the respective triers of fact, each of which would be binding on the parties." Court, however, declined to place upon plaintiff burden of erasing any doubt as to what jury considered and found in returning special verdict, since plaintiff had not raised doctrine. While stating that if there were any doubt as to whether precise issue had been determined by jury, then jury verdict would not be binding, court concluded that there was no such doubt in instant case. Court rejected defendant's arguments that issue of whether microprocessor microcode had been licensed had been removed from jury's consideration by elimination of words "microprocessors" and "coprocessors" from jury interrogatory with result that jury only considered and answered question of whether 80287 was peripheral conduct. Court

also declined to conduct *de novo* review on basis of case law holdings that such review is proper where factual findings supporting jury's verdict are not clear. In court's view, jury necessarily considered question of whether microcomputers include microprocessors in reaching special verdict.

Johannsen v. Brown, 797 F. Supp. 835 (D. Or. 1992)

Whether illustration was created as advertisement for defendants' magazine did not present genuine issue of material fact sufficient to overcome summary judgment of infringement against defendants. Court distinguished cases cited for proposition that party that commissions advertisement owns copyright, on basis that they were decided pre 1976 Act. Dispositive issue was not whether work was advertisement but whether it was one made for hire, and court concluded that it was not.

VII. REMEDIES

A. Damages and Profits

N.A.S. Import Corp. v. Chenson Enters., Inc., 968 F.2d 250 (2d Cir. 1992)

Defendant copied plaintiff's handbag buckle. Although defendant's attorney represented that his client would stop selling infringing handbag, defendant continued selling it. Trial court awarded attorney's fees and statutory damages, but not enhanced damages. Second Circuit ordered remand on damages, holding that district court's finding that infringement was not willful was clearly erroneous and that reckless disregard of copyright holder's rights can warrant enhanced damages.

Mason v. Montgomery Data, Inc., 967 F.2d 135 (5th Cir. 1992)

From raw title data, plaintiff made land maps showing boundaries, landmarks and ownership. Fifth Circuit reversed grant of summary judgment for defendant, holding that suit was not blocked under merger doctrine and that plaintiff's maps had sufficient creativity to be copyrightable compilations. Court nevertheless upheld district court's refusal to award statutory damages if, on remand, plaintiff were to prove infringement. Section 412 barred recovery of statutory damages for infringements commenced after registration, since same defendant commenced infringement of same work prior to registration.

Pfanenstiel Architects, Inc. v. Chouteau Petroleum Co., 978 F.2d 430 (8th Cir. 1992)

Eighth Circuit, while affirming award of \$3,000 profits earned by defendant architectural firm from infringing use of copyrighted architectural works, also upheld lower court's denial of \$20,000 in actual damages, as too speculative. Appellant architectural firm claimed \$20,000 figure for actual damages

was based on fee appellant would have charged to construct buildings, and to design another which was not built. However, there was no evidence that infringing use of drawings in construction of buildings deprived copyright holder of any business other than infringing use itself. No evidence demonstrated that \$20,000 represented normal profit margin and not gross revenue. In addition, no evidence demonstrated that \$20,000 did not include portion of unpaid bills from separate project, which would not be allowable damages for this infringement. Thus, appellate court agreed with district court that award on this "barren record" over and above infringer's \$3,000 profit would be speculative. Court, however, made inconsistent award of actual damages against defaulting defendant.

Saxon v. Blann, 968 F.2d 676 (8th Cir. 1992)

Eighth Circuit affirmed district court's damages award to plaintiff for willful infringement of copyrighted book, denying defendants' contention that it should be allowed to deduct from profits its fixed overhead expenses attributable to infringement. Noting that overhead may not be deducted from gross revenues to arrive at profits when infringement is deliberate or willful, court only allowed defendants deductions for printing, artwork, freight and catalog advertising attributable to infringing work.

Childress v. Taylor, 798 F. Supp. 981 (S.D.N.Y. 1992)

Playwright Childress, owner of copyright in play about life of comedienne Jackie "Moms" Mabley, brought action against author, producer, and general manager of infringing stage production. In bench trial to determine amount of recovery, court rejected all actual damage claims. Plaintiff sought 6% author's royalty on gross box office receipts of infringing productions and \$25,000 advance for stock and amateur rights. Court held that award of actual damages under § 504(b) cannot be based on undue speculation. In rejecting plaintiff's formula, court explained that there was no basis to assume that parties would have agreed to hypothetical 6% author's royalty; moreover, even if they had, authors typically waive or defer royalties until show turns profit and, here, play failed commercially. Thus, award of hypothetical 6% author's royalty was unwarranted and supported by evidence. Similarly, there was no basis to presume that plaintiff would have received advance against stock or amateur rights. Court, however, accepted plaintiff's argument that royalties actually paid to author and producer of infringing work constituted recoverable "profits" under Act.

Alternatively, plaintiff sought maximum statutory damages of \$50,000, claiming willful infringement. Court accepted plaintiff's alternative request for statutory damages, noting that defendants' subjective good faith belief that she was co-author of play was objectively unreasonable under circumstances. Court noted that Second Circuit (945 F.2d 500) had affirmed sum-

mary judgment in plaintiff's favor because it found plaintiff never shared belief that defendant co-authored play. Court awarded statutory damages of \$30,000 for willful infringement, rather than maximum \$50,000. In reducing statutory maximum, court noted that defendants' play was commercial failure, that Taylor had made initial payment to Childress for her playwriting services, and that deterrence was not factor.

Lish v. Harper's Magazine Found., 807 F. Supp. 1090 (S.D.N.Y. 1993)

On motion for reconsideration following judgement in plaintiff's favor in infringement action involving misappropriation of author's unpublished letter, court amended its decision by striking award of \$2,000 in actual damages. In evaluating fourth fair use factor, court had found letter had no commercial value at time of infringement and that plaintiff failed to prove infringement had any effect on either present or future value of work. Findings were inconsistent with award of damages, since under § 504(b), plaintiff not entitled to damages absent showing of actual damages.

With Love Designs, Inc. v. Dressy Testy, Inc., Copyright L. Rep. (CCH) ¶ 27,009 (S.D.N.Y. 1992)

Defendants conceded that their importation, purchase and sale of garment tops and bottoms infringed plaintiff's copyrights, and consented to permanent injunction. Only issue was amount of damages. Court resolved any doubts caused by inaccurate recordkeeping against defendants and based defendants' profits on total revenues less costs of purchasing garments and customs duties. Because plaintiff proved defendants' profits from sales of infringing goods, burden shifted to defendants to prove any deductible costs or expenses relating to infringement. Court rejected any fees defendants could not show were necessary, negotiated at arm's length or paid. Court also disallowed any claimed costs for which defendants could not show terms or evidence of governing agreements, which defendants could not prove related to infringement or which were not based on reliable data.

Alentino, Ltd. v. Chenson Enters., Inc., Copyright L. Rep. (CCH) ¶ 26,995 (S.D.N.Y. 1992)

On remand from Second Circuit for reconsideration of damages and attorney's fees award following appellate court's findings that defendant had at least constructive knowledge of plaintiff's copyrighted buckle design and that defendant's conduct constituted willful infringement, district court ordered defendant to pay additional \$5,000 in damages, and attorney's fees and costs, confirmed its prior reduction of attorney's fee award to \$8,000 and awarded additional fees and costs of \$8,268 for appeal and remand proceedings. Factors considered in determining amount of damages included expenses saved and profits reaped by defendants, revenues lost by plaintiffs as result of defendant's conduct, and infringers' state of mind. Defendant's willful conduct

here justified enhancement of damages award. Noting that infringer operated in market "rife with knock-offs," district court enhanced damages award, and stated that its "appropriately severe" award served to discourage both additional misconduct by this defendant and by others.

Gamma Gudio & Video, Inc. v. Ean-Chea, Copyright L. Rep. (CCH) ¶ 26,949 (D. Mass. 1992)

Plaintiff, licensee of rights to dub into and to distribute Cambodian language version of Chinese soap opera "Jade Fox," held entitled to statutory damages for infringement by former licensee of same rights offering Cambodian language episodes of "Jade Fox" for video rental. Although copyright in derivative Cambodian language version of series had not been registered, plaintiff's rights regarding video portion "flow[ed] from the copyright in the original not the derivative work." However, plaintiff granted only single award, since four infringed episodes of "Jade Fox" constituted but one work. Noting that "work" is not defined in Copyright Act, court stated that two circuits that had faced question had resolved it by determining whether different expressions had independent economic lives. Section "504 provides for separate awards of statutory damages only when each work may survive economically without the other, and an infringement of the copyright in one does not necessarily infringe the copyright in the other." Relying on *Walt Disney Co. v. Powell*, 897 F.2d 565 (D.C. Cir. 1990) and *Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096 (2d Cir.), cert. denied, 429 U.S. 848 (1976), court concluded that each episode of "Jade Fox" series does not constitute separate work, and awarded plaintiff \$2,500 as statutory damages for defendant's willful infringement.

Bonnyview Music Corp. v. Jones Eastern of the Grand Strand, Inc., Copyright L. Rep. (CCH) ¶ 27,040 (D.S.C. 1992)

Court awarded statutory damages of \$7,500 per infringement for a total of \$105,000 as part of default judgment, where defendants' radio stations' ASCAP licenses had been repeatedly terminated for failure to pay accrued license fees totalling more than \$84,000.

Great Southern Homes Inc. v. Johnson & Thompson Realtors, 797 F. Supp. 609 (M.D. Tenn. 1992)

Court granted summary judgment to plaintiffs on their infringement claim against realtor who built homes based on copies of plaintiff's copyrighted designs, but granted summary judgment to defendants on damages, denying recovery of statutory damages and attorney's fees under § 412(2) for copying plans and construction of home which occurred prior to registration of copyright. Citing *Robert R. Jones Assocs., Inc. v. Nino Homes*, 858 F.2d 274 (6th Cir. 1988), court found that of three houses built according to infringing plans, one was completed before registration, and two were con-

structed after registration. Plaintiffs could still recover actual damages for copyright infringement, as well as damages under other theories of recovery.

Almo Music Corp. v. David N. Chehade, Inc., Copyright L. Rep. (CCH) ¶ 27,030 (E.D. Mich. 1992)

Court found that, due to similar pending suit, defendants' argument for reduction of minimum statutory award on ground that acts were innocent or unintentional was not warranted. Stating that it was guided by underlying Copyright Act principles, including compensation and deterrence, court did not accept plaintiffs' demand for \$1,000 per infringed song and instead ruled that \$500 per song would sufficiently deter future infringement.

Hi-Tech Video Prods., Inc. v. Capital Cities/ABC, 804 F. Supp. 950 (W.D. Mich. 1992)

In infringement action involving unauthorized television broadcast of excerpts from plaintiff's travelogue video on ABC's "Good Morning America" news program, court awarded statutory damages of \$3,450 as well as reasonable attorney's fees and costs for defendant's "willful" infringement. Despite defendant's lack of actual knowledge of its infringing behavior, court found that defendant's employee had acted with "reckless disregard" of plaintiff's copyright by failing to detect *Hi-Tech's* copyright notice on tape. In determining amount of statutory damages under § 504(c)(2), court awarded three times maximum amount ABC would have paid had it properly obtained clip license. Court also awarded plaintiff reasonable attorney's fees based on willful nature of infringement.

Meadowgreen Music Co. v. Voice in the Wilderness Broadcasting, Inc., 789 F. Supp. 823 (E.D. Tex. 1992)

Court awarded statutory damages of \$3,500 per infringement, for a total of \$52,500, as requested by plaintiffs, for willful infringement of plaintiffs' broadcast rights as to fifteen songs, rejecting defendant's argument that it was assisting plaintiffs' stated purpose to minister through their Christian music.

Kepner-Tregoe, Inc. v. Leadership Software, Inc., 22 U.S.P.Q.2d 1788 (S.D. Tex. 1992)

Court awarded defendant's profits and attorney's fees to prevailing plaintiff whose copyrighted work was incorporated into defendants' executive training program. Plaintiff was entitled either to its own lost profits due to infringement, which amounted to \$195,755; or to defendant's profits of \$45,000-46,000, or alternatively to statutory damages not to exceed \$100,000 under 17 U.S.C. § 504(c)(2) for willful infringement. Court determined that defendant's profits of \$46,000 would adequately compensate plaintiff. Costs of action, including attorney's fees, subject to court's discretion, but such award is rule rather than exception to prevailing plaintiff in Fifth Circuit, and

such costs, accordingly, were granted. President and major stockholders not personally liable for damages, even though president operated business from home on his own personal computer, as there was no evidence that corporate formalities were not observed.

B. Attorney's Fees

N.A.S. Import Corp. v. Chenson Enters., Inc., 968 F.2d 250 (2d Cir. 1992)

Defendant copied plaintiff's handbag buckle. Although defendant's attorney represented that his client would stop selling infringing handbag, defendant continued selling it. Trial court awarded attorney's fees and statutory damages, but not enhanced damages. Second Circuit ordered remand on damages, holding that district court's finding that infringement was not willful was clearly erroneous and that reckless disregard of copyright holder's rights can warrant enhanced damages. Court also vacated award of part of attorney's fees, indicating that although district court considered proper factors—amount of work, attorney's skill, amount of damages at issue and result achieved—since amount of damages awarded is factor that may be considered, attorney's fees should be reconsidered when damage award recalculated.

Fantasy, Inc. v. Fogerty, 984 F.2d 1524 (9th Cir. 1993)

Ninth Circuit affirmed denial of attorney's fees after defendant songwriter, John Fogerty, prevailed at trial on contractual and infringement claims concerning his song "The Old Man Down the Road" which jury found did not infringe previous Fogerty song "Run Through the Jungle." In Ninth Circuit, prevailing defendant may not recover attorney's fees under § 505 unless plaintiff's action was frivolous or was instituted and prosecuted in bad faith. Court found that district court had distinguished properly between bad faith and frivolity. Defendant did not argue that suit was frivolous. Allegations of subconscious copying of his own previous work did not constitute bad faith infringement claim, nor did slight reference to personal animosity between Fantasy and Fogerty constitute evidence that suit was brought in bad faith. Moreover, Ninth Circuit declined to depart from "bad faith or frivolity" test, which conforms to Second and Seventh Circuits, to follow Third and Eleventh Circuits' "evenhanded" approach.

United States ex rel. Taylor v. Times Herald Record, 22 U.S.P.Q.2d 1716 (S.D.N.Y. 1992)

Pro se plaintiff sued for infringement of his unpublished work. On defendant's motion for summary judgment, attorney's fees and sanctions, court noted that sole issue was whether reasonable jury could find two works to be substantially similar and, specifically, whether lay observer would recognize

defendant's as copied from plaintiff's. Here, no similarity was found in any element of works and judgment was granted for defendant. On issue of attorney's fees, court awarded fees even though plaintiff acted *pro se* because suit was completely frivolous. On request for Rule 11 sanctions, court noted that, although they are entitled to some latitude, *pro se* litigants may be sanctioned for frivolous litigation. However, because attorney's fees award should serve as sufficient sanction, court did not assess Rule 11 sanctions.

Gump's, Inc. v. Byers' Choice Ltd., 22 U.S.P.Q.2d 1797 (N.D. Cal. 1992)

Court denied attorney's fees to prevailing defendant. Stating that Ninth Circuit does not require finding of bad faith or frivolity but that award of attorney's fees is usually based on one, court found no evidence that plaintiff had improper motive in attempting to stop production of dolls since there was nothing in record to suggest that plaintiff knew it had no copyright rights to assert. Court rejected defendant's arguments that plaintiff's discovery abuses and maintenance of case despite defendant's small size and profits justified award. With respect to former argument, court found that there had been no abuse and also noted that discovery abuse offers its own sanctions.

Rural Tel. Serv. Co., Inc. v. Feist Publications, Inc., 24 U.S.P.Q.2d 1312 (D. Kan. 1992)

Court denied defendant's motion for attorney's fees, made after summary judgment in plaintiff's favor was reversed by Supreme Court, 111 S. Ct. 1282 (1991). In absence of Tenth Circuit precedent, court adopted dual standard of Second, Seventh and Ninth Circuits requiring that plaintiff's claim must be frivolous, unreasonable or brought in bad faith, to award counsel fees to prevailing defendant. When plaintiff initiated suit, law was squarely on its side; fact that its claim was ultimately unsuccessful did not render suit groundless.

C. Injunction/Impoundment

Marisa Christina, Inc. v. Bernard Chau, Inc., 808 F. Supp. 356 (S.D.N.Y. 1992)

Court denied motion for preliminary injunction, although plaintiff established likelihood of success on merits. Similarity between plaintiff's copyrighted sweaters and defendant's sweaters was "amazing" and "bizarre"—enough to infer access and copying. However, although plaintiff established *prima facie* case of infringement and thus presumed irreparable injury, defendant presented evidence that sweaters which plaintiff was trying to protect were last year's model and that plaintiff had not marketed sweaters since 1991 Christmas season. Disagreeing with *Midway Mfg. Co. v. Artic Int'l*, 547 F. Supp. 999 (N.D. Ill. 1982), *aff'd*, 704 F.2d 1009 (7th Cir. 1983), *cert. denied*,

464 U.S. 823 (1983), court held that as infringed works were not current economic asset of plaintiff, presumption of irreparable harm was rebutted, and plaintiff's claims of financial and reputational injuries were speculative, particularly as defendant's sweaters were of excellent quality. Plaintiff can be fully compensated by damages after trial. Should plaintiff begin to market last year's model again, court would reconsider granting preliminary injunction, whose purpose is to prevent immediate and irreparable harm.

Graham v. James, Copyright L. Rep. (CCH) ¶ 26,892 (W.D.N.Y. 1992)

Court granted preliminary injunction barring computer programmer from infringing plaintiff's CD ROM retrieval system. Defendant programmer attempted to sell program that plaintiff argued was work for hire. On issue of irreparable harm, court found sale of defendant's system would injure plaintiff's competitive edge. Moreover, defendant failed to rebut testimony that its association with adult software industry would damage plaintiff's reputation. Rejecting defendant's argument that *CCNV v. Reid*, 490 U.S. 730 (1989) factors favored defendant, court found that plaintiff had raised sufficient questions concerning merits to warrant litigating matter. Furthermore, court held that balance of hardships tipped in plaintiff's favor, since risk to its business should injunction not issue outweighed harm defendant would suffer if temporarily enjoined.

Value Group Inc. v. Mendham Lake Estates L.P., 800 F. Supp. 1228 (D.N.J. 1992)

Real estate developer's motion for temporary restraining order barring construction of homes that would infringe plaintiff's architectural plans granted. Defendant photocopied plaintiff's copyrighted architectural plans and brochure for single-family homes with intent to build substantially similar homes in competing development. Court found preliminary injunction factors tipped in plaintiff's favor. First, plaintiff established high likelihood of success on merits by proving valid copyright ownership and offering evidence that defendant misappropriated protected materials. Second, court found plaintiff's likelihood of success on merits raised presumption of irreparable harm. Furthermore, court noted that construction of infringing homes in competing development in tough economic times could be "devastating" to plaintiff's project. Third, court found public interest best served by enforcing copyright laws. Finally, court held balancing of hardships was not determinative factor in injunctive relief analysis, reasoning that such balancing would allow "knowing infringer to construct its entire business around infringement." However, even assuming *arguendo* that hardships were balanced, court did not believe that defendant would suffer injury if injunction were issued at preliminary construction stage. Court noted that even pre 1990

amendments on architectural works, courts had found ways to enjoin construction of buildings based on infringing plans.

Lisa Frank, Inc. v. Impact Int'l, Inc., 799 F. Supp. 980 (D. Ariz. 1992)

Court granted motion preliminarily enjoining defendants' distribution of products that infringed plaintiffs' copyrights in stationery products. Plaintiffs' delay of several months from commencement of action to filing preliminary injunction motion was excusable and did not show lack of irreparable harm. Unlike *Citibank, N.A. v. Citytrust*, 756 F.2d 273 (2d Cir. 1985), case defendants relied on, plaintiffs did not know of defendants' intent to distribute products nine months before filing motion, plaintiffs did not concede that defendants could market products in certain markets, and plaintiffs did not voluntarily place their trade dress in close proximity to defendants'. Furthermore, plaintiffs were not idle during this period, but engaged in discovery and drafted and responded to motions. In addition, plaintiffs demonstrated irreparable harm by showing lost sales and fact that other licensees might not renew licenses and might copy plaintiffs' goods as defendants did. Balance of hardships also tipped in plaintiffs' favor: plaintiffs had been in business since 1979 and defendants only recently developed products. Moreover, plaintiffs moved to enjoin distribution of limited number of products and, therefore, defendants were not likely to be forced out of business.

D. Prejudgment Interest

Subafilms, Ltd. v. MGM-Pathe Communications Co., Nos. 91-56248, 91-56379, 91-56289, 1993 U.S. App. LEXIS 4068 (9th Cir. Feb. 17, 1993)

Ninth Circuit affirmed decision denying prejudgment interest to prevailing plaintiffs in copyright infringement action. While noting split of authority between Tenth and Sixth Circuits on availability of prejudgment interest under 1976 Act, and fact that Ninth Circuit had left question open in *Frank Music Corp. v. MGM, Inc.*, 886 F.2d 1545 (9th Cir. 1989), court nevertheless did not need to reach issue on facts of present case. District court's decision not to award prejudgment interest was not abuse of discretion where district court had found that "actual video cassette market value of the Picture would likely be realized over time," and thus that interest on entire amount of damages would amount to "windfall."

E. Rule 11

Milwaukee Concrete Studios, Ltd. v. Field Mfg. Co., 782 F. Supp. 1314 (E.D. Wis. 1991)

Court awarded \$1,000 sanction against plaintiff and its attorney jointly, pursuant to Fed. R. Civ. P. 11, where "reasonable inquiry would have re-

vealed that the allegation in the complaint that venue was proper . . . was neither 'well grounded in fact' nor 'warranted by existing law.' " Defendants' request for costs and attorney's fees under § 505 of Act, however, was denied, as defendants were not "prevailing party" on *merits* of plaintiff's copyright infringement claims.

VIII. PREEMPTION

Computer Assocs., Int'l, Inc. v. Altai, Inc., 982 F.2d 693 (2d Cir. 1992)

Second Circuit vacated district court's holding that plaintiff's trade secret claims were preempted. Plaintiff's former employee had copied approximately 30% of plaintiff's work to create program for defendant called OSCAR 3.4. Sued by plaintiff, defendant rewrote program to delete copied segments of code and entitled new version OSCAR 3.5. In original opinion, Court of Appeals affirmed lower court's ruling that same act—copying portion of plaintiff's program—underlay both claims of trade secret misappropriation and copyright infringement, and thus state claim was preempted. Upon rehearing, plaintiff argued based on portions of lower court record not included in appendix on appeal. Court of Appeals then rewrote preemption section of original opinion, finding that plaintiff's wrongful acquisition theory of trade secret misappropriation was not preempted. Extra element which changed nature of claim to survive preemption consisted of defendant's actual or constructive notice that plaintiff's former employee had breached duty of confidentiality by allegedly misappropriating plaintiff's trade secrets to create OSCAR 3.4. Defendant rewrote OSCAR 3.4 to create OSCAR 3.5 with full knowledge of trade secret violations, and allegedly hired employee from plaintiff explicitly to exploit trade secrets. When use of copyrighted expression simultaneously amounted to state violation of duty of confidentiality and to federal copyright violation, preemption was foreclosed. Court stated that "so long as trade secret law is employed in a manner that does not encroach upon the exclusive domain of the Copyright Act, it is an appropriate means by which to secure compensation for software espionage."

Rano v. Sipa Press, Inc., 987 F.2d 580 (9th Cir. 1993)

Ninth Circuit held that principle of California law allowing agreements of unspecified duration to be terminated at will is preempted by termination provisions of § 203 with respect to nonexclusive oral license of unspecified duration to exploit photographs. Court rejected plaintiff's argument that oral license was not "executed," because parties' agreement was evidenced by several writings and parties operated under it for approximately eight years. In response to plaintiff's argument that its holding permits licensees to breach their license agreements with impunity, court stated that "[u]nder well-settled copyright law, [licensors still] would be able to claim copyright infringement if [their licensees] exceeded the scope of the licensing agreement . . . , breached

a covenant or condition . . . or breached the agreement in such a substantial and material way as to justify rescission. Moreover, [they] could sue in state court under a breach of contract theory." Allegations that defendants materially breached agreement entitling plaintiff to rescind it in present case did not withstand summary judgment, however. In light of parties' "harmonious" eight year relationship only breaches which go "to the root" of contract would justify termination, and court concluded that there were none. Only claim that defendants had not affixed proper copyright notice to photographs, including year of publication, survived summary judgment.

G.S. Rasmussen & Assocs. v. Kalitta Flying Serv., Inc., 958 F.2d 896 (9th Cir. 1992), *cert. denied*, June 7, 1993.

Ninth Circuit reversed district court's grant of summary judgment for defendant, holding that plaintiff's action survived preemption by federal copyright and patent laws. Defendant owner and operator of cargo aircraft bought and converted used DC-8 passenger plane to cargo use, obtaining federal approval for modifications using plaintiff engineer's "Supplemental Type Certificates" (STC's) which describe government-approved aircraft designs for such modifications. Defendant did so by copying supplemental flight manual from DC-8 which it already owned, which was equipped with plaintiff's STC. Court of Appeals noted that plaintiff's drawings, plans and flight manual supplement were subject to copyright and, if plaintiff were complaining only that documents had been copied without authorization, copyright law would preempt claim. However, plaintiff complained that defendant had used its STC's and drawings described therein as valuable shortcut to obtain government privilege—right to modify airplane in particular way—without going to trouble and expense of proving independently that modification met FAA safety standards. State protection of property interest was not preempted, as violation of state created right consisted of act of incorporating elements beyond rights protected by copyright.

Waits v. Frito-Lay, Inc., 978 F.2d 1093 (9th Cir. 1992), *cert. denied*, 113 S. Ct. 1047 (1993)

Ninth Circuit affirmed holding that Copyright Act does not preempt voice misappropriation claim under California law. Plaintiff, professional singer and songwriter, sued defendant food product manufacturer and its advertising agency for unauthorized imitation of plaintiff's unique raspy singing voice in radio commercial. Defendants had sought out and hired singer who was instructed to imitate plaintiff's voice in commercial which parodied plaintiff's composition "Step Right Up," itself a parody of advertising pitches. Jury found for plaintiff under state law for voice misappropriation and for false endorsement under Lanham Trademark Act and awarded substantial damages. Ninth Circuit, while reversing portion of damages award, upheld

decision in all other respects, disagreeing with defendant's contentions on appeal that holding of *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989) overruled *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir. 1988), *cert. denied*, 112 S. Ct. 1513 (1992), and that Copyright Act preempted state tort of misappropriation. Court affirmed *Midler's* continued viability and found no preemption, as subject matter of state misappropriation claim is distinct from that of copyright infringement. In *Bonito Boats*, Supreme Court held that Florida statute giving patent-like protection to boat designs was preempted by federal law because it directly conflicted with federal patent statute. Contrary to defendant's assertion, Supreme Court's citation of *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) held not to provide broad preemptive principle. Ninth Circuit pointed out that *Bonito Boats* stated that *Sears* and *Compco* have been read narrowly and do not overrule state right to regulate and enforce claims, such as right of publicity, which are harmonious with federal law. Section 114 of Copyright Act, dealing with sound alike, does not preempt state claim because Act protects only unauthorized uses of musical compositions or sound recordings, while voice misappropriation tort challenges use of voice itself. Voice is not copyrightable subject matter as sounds are not "fixed" in tangible form. Further, elements of voice misappropriation tort assert violation of personal right—right to control public use of personal identity—which is different in kind from rights protected by copyright. Thus, state claim for unauthorized use of voice survived federal preemption.

National Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc., 26 U.S.P.Q.2d 1370 (8th Cir. 1993)

Appellant appealed from dismissal of its breach of contract claim alleging that appellee licensee exceeded limitations on use of software contained in license agreements by using licensed programs for processing data of third parties. District court held that Copyright Act preempted contract claim. Eighth Circuit, however, reversed. State claim is preempted if work at issue is within subject matter of copyright and if state law right is equivalent to exclusive right within scope of copyright as set forth in § 106 of Act. Court found that appellant did not allege that appellee distributed or leased copy of program, but brought contract claim based on appellee's use of program. Claim would be preempted only if no extra element were required instead of or in addition to acts of reproduction, performance, distribution or display. Court found that contractual restriction on licensee's use of program constituted extra element to differentiate contract claim from copyright claim, since restriction against appellee's use of program is purely contractual and not based on copyright right. Court further found that legislative history of Copyright Act supported finding that contract claim was not preempted. Court disagreed with appellee's arguments that word "use" is synonymous

with rights given to copyright holder, that appellant's allegation that appellee improperly used program is actually allegation that appellee distributed program's "functionality," and that fact appellant requested damages for unjust enrichment and for return or destruction of program as provided for in license, which is also remedy under Copyright Act, showed contract claim was equivalent to copyright rights.

Kregos v. Associated Press, 795 F. Supp. 1325 (S.D.N.Y. 1992)

On remand from Second Circuit, district court dismissed plaintiff's common law and state fraud claims, and found unfair competition claim was preempted by Copyright Act, where plaintiff alleged that defendant falsely designated itself as author of plaintiff's copyrighted baseball pitching form. Court found that no actionable common law fraud was perpetrated on plaintiff when defendant's attorneys stated that baseball pitching form was uncopyrightable, causing plaintiff to delay bringing copyright suit beyond three-year of statute of limitations period. Defendant's publication of infringing chart did not contain any designation of authorship, and thus did not state any false designation likely to confuse public. State claim for unfair competition was based on mere reproduction of chart, and thus was equivalent to, and preempted by, Act.

Kakizaki v. Riedel, 811 F. Supp. 129 (S.D.N.Y. 1992)

Court granted defendant's motion to dismiss plaintiff's claims for injury to reputation, misappropriation, conversion and unjust enrichment, finding all state claims preempted. Plaintiff photographer, who authorized defendant to use photograph on invitations to store opening, but sued for infringement when photograph was used on subsequent occasions, based state law claims solely on unauthorized reproduction of work. Claims were equivalent to infringement and thus preempted by federal copyright law.

Nester's Map & Guide Corp. v. Hagstrom Map Co. Inc., 796 F. Supp. 729 (E.D.N.Y. 1992)

State trademark and unfair competition claims were not preempted, since alleged acts of misleading public by misrepresenting source of defendant's *New York City Taxi & Limousine Drivers Guide*, unfairly imitating plaintiff's *Official New York Taxi Driver's* and choosing title similar to plaintiff's were qualitatively different from copying from plaintiff's guide. Claims nevertheless were dismissed, as court deemed confusion between guides unlikely.

Paul v. Haley, 25 U.S.P.Q.2d 1044 (N.Y. App. Div. 2d Dep't. 1992)

Following an unsuccessful copyright infringement action against defendants (742 F.2d 1433), plaintiff, author of autobiographical work entitled "The Bold Truth," sued defendants in state court claiming novel and television

series "Roots" misappropriated ideas from her unpublished manuscript. On appeal from denial of defendants' motion for summary judgment, appellate court held gravamen of misappropriation claim was same as plaintiff's unsuccessful copyright action and therefore preempted under § 301 of Act. While complaint sought relief for misappropriation of confidentially disclosed novel ideas, claimed similarities between works pertained to expression of those ideas rather than misappropriation of non-copyrightable ideas. Moreover, while non-copyrightable ideas may be protected as property under New York law, court found that plaintiff's ideas lacked requisite elements of novelty and originality to warrant such protection.

Cassway v. Chelsea Historic Properties, 26 U.S.P.Q.2d 1791 (E.D. Pa. 1993)

Court dismissed plaintiff's state law claim for unjust enrichment, finding it preempted, but upheld tortious interference with contract claim. Defendant allegedly provided unauthorized derivative drawings based on plaintiff's architectural drawings to another architectural firm. As copying drawing to prepare derivative work was identical underlying element of both copyright cause of action and state law claim for unjust enrichment, unjust enrichment claim was preempted. Allegations that negotiations occurred with plaintiff's consultants without remunerating plaintiff for fees due to it under terms of contract, however, relate to contractual right different from plaintiff's right to use architectural plans to prepare derivative works. Claim thus was not equivalent to copyright rights and survived preemption.

Pytko v. Van Alen, Copyright L. Rep. (CCH) ¶ 26,984 (E.D. Pa. 1992)

Plaintiff brought action against defendants for infringement of motion picture screenplay. Defendants counterclaimed, alleging copyright infringement, as well as breach of contract, misappropriation and unjust enrichment. Plaintiff argued that defendants' state law claims were equivalent to rights under copyright, and therefore preempted under § 301. Court denied plaintiff's motion to dismiss counterclaim, holding that state law claims could not be dismissed at Fed. R. Civ. P. 12(b)(6) stage since court lacked factual record needed to determine whether state law actions were based on "qualitatively different" conduct as compared to alleged copyright violations.

Miller v. CP Chemicals, Inc., 808 F. Supp. 1238 (D.S.C. 1992)

Claim that employer breached oral promise that employee would own copyrights in computer programs created during period of employment held preempted. Since Copyright Act expressly addresses issue of ownership of copyrights as between employer and employee under work for hire doctrine, allowing claim would "substantially, if not totally" undermine presumptions

created under Act. Court dismissed breach of employment contract claim as "artful restructuring" of copyright claim.

CMAX/Cleveland, Inc. v. UCR, Inc., 804 F. Supp. 337 (M.D. Ga. 1992)

Plaintiff's misappropriation of trade secrets claim under Georgia law, based on authorized reproduction, use and transfer of a computer program, was not preempted. Relying on legislative history and case law decisions including *Computer Assocs., Int'l, Inc. v. Altai, Inc.* (before amendment of opinion), court held that extra element of breach of confidentiality owed by defendant as former licensee of plaintiff's program took claim out of purview of § 301 of Act.

Storer Cable Communications v. City of Montgomery, Alabama, 806 F. Supp. 1518 (M.D. Ala. 1992)

Cable television franchisee and program distributors challenged legality of municipal cable franchise ordinances enacted by city to stem anti-competitive behavior. Court held that Copyright Act expressly preempts portion of ordinance raising presumption of illegality upon proof of exclusive program license agreement arrangement. Disputed parts of ordinances prohibited fixing or limiting sale or licensing of cable programming, "where the purpose or effect of such contract" was to restrain trade. Section 7 of ordinance made "proof of one or more proscribed acts . . . presumptive evidence [of] the purpose or intent to injure" competitors or restrain trade. Plaintiffs claimed ordinances were preempted by Copyright Act, since they acted as *per se* ban on exclusive licensing agreements. Court held that city had created rights equivalent to rights protected by copyright by creating state law cause of action whereby city or competing franchisees could assert rights against copyright holders. Court reasoned that exclusive licensing is protected copyright activity, and does not, in and of itself, constitute anti-competitive behavior. Accordingly, in absence of "extra" element needed to distinguish claim from right under copyright, Section 7 was expressly preempted by Act. In contrast, court held that remaining ordinances requiring proof of anti-competitive intent or injury contain requisite additional state law elements needed to survive scrutiny.

N & D E Co. v. Gustings, 23 U.S.P.Q.2d 1049 (E.D. La. 1992)

Former husband could not revoke transfer of copyright interests made to his ex-wife under now repealed statute providing for "loss of advantages . . . the other party may have conferred by the marriage contract" at separation. Without reaching question of its applicability, court stated that statute was preempted in copyright transfer context: "[A]ct's thorough treatment of terminations, and explicit provision in § 203(b)(6), reveals Congress' intent to

remove questions of duration and termination of transfers from state law and to govern these matters through the Act.”

Aqua Bay Concepts, Inc. v. Grosse Point Bd. of Realtors, 24 U.S.P.Q.2d 1372 (E.D. Mich. 1992)

Court dismissed unfair competition claim alleging that defendants intentionally tried to prevent plaintiff from distributing copyrighted map and conspired to use map themselves and to keep others from using it. Proffered extra element of “deception” or “conspiracy” did not save claim from preemption, because it “merely touched upon the scope of the infringement claim, but not its very nature.” Court cited *Crow v. Wainright*, 720 F.2d 1224, 1226 (11th Cir. 1983), *cert. denied*, 469 U.S. 819 (1984) for proposition that state’s requirement of scienter will not defeat preemption where underlying nature of action remains same. Similarly, plaintiff’s allegations of interference with contractual relationships were preempted, since they “rest[ed] upon a finding of unauthorized copying and distribution” of copyrighted map. Court also cited case decisions holding that tortious interference claims are preempted. Finally, plaintiff’s civil conspiracy claim was preempted because relief sought was “essentially the same as the underlying federal copyright claim for the purposes of Section 301.”

Relational Design & Technology, Inc. v. Data Team Corp., 23 U.S.P.Q.2d 1074 (D. Kan. 1992)

Court dismissed state law claims of trade secret misappropriation based on unauthorized reproduction and sale of plaintiff’s computer software programs. Although facial comparison of torts of misappropriation of trade secrets and copyright infringement appeared to preclude preemption, as extra elements involving breach of confidentiality would not be protected by copyright, facts alleged by plaintiff to support state claims were identical to those underlying copyright infringement claim, and it was undisputed that software fell within subject matter of copyright. Citing *Computer Assocs. Int’l, Inc. v. Altai, Inc.*, 775 F. Supp. 544 (S.D.N.Y. 1991), *aff’d*, 23 U.S.P.Q.2d 1262, *vacated in part, remanded*, 982 F.2d 693 (2d Cir. 1992) where state trade secret claims also were preempted by copyright, court held that plaintiff could not argue “that one act constituted both misappropriation of trade secrets and copyright infringement.” Facts also did not support finding that defendant illegally acquired information at issue. State claims of fraud and breach of contract were not preempted, as those claims involved acts which were qualitatively different from those necessary to prove copyright infringement.

IX. MISCELLANEOUS**A. Antitrust**

Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 61 U.S.L.W. 4450, Copyright L. Rep. (CCH) ¶ 27,089 (1993)

Court held that litigation cannot be deprived of *Noerr* immunity (*Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961)) as "sham" unless litigation is objectively baseless. Thus, Court affirmed Ninth Circuit judgment that infringement action by Columbia Pictures and seven other major movie studios, founded on defendants' rental of videodiscs for in-room hotel viewing and marketing of videodisc players to other hotels, was insulated from antitrust liability. Although district court entered summary judgment for declaratory judgment plaintiffs in 1986 [which was affirmed by Ninth Circuit in 1989], Court stated that "it was by no means clear whether [plaintiffs'] videodisc rental activities intruded on Columbia's copyrights. At that time, the Third Circuit and a District Court within the Third Circuit had held that the rental of video cassettes for viewing in on-site, private screening rooms [within a video rental store] infringed on the copyright owner's right of public performance. . . . In light of the unsettled condition of the law, Columbia plainly had cause to sue."

Corsearch, Inc. v. Thomson & Thomson, Inc., 792 F. Supp. 305 (S.D.N.Y. 1992)

Court declined to issue preliminary injunction that would have required Thomson & Thomson to continue providing on-line Trademarkscan®-State database information to Corsearch. While conceding that Thomson & Thomson's termination of Corsearch's license would curtail competition in comprehensive trademark search report industry, there was no violation of Section 2 of Sherman Act because state trademark information is available from all fifty states and Thomson & Thomson's actions, including its pricing policy and acquisition of other trademark search companies, did not evidence monopolistic purpose. Thomson & Thomson could lawfully use its copyright in Trademarkscan®-State database to protect its marketing strategy of differentiating between its on-line database service and its comprehensive search reports.

Michael Anthony Jewelers, Inc. v. Peacock Jewelry, Inc., 795 F. Supp. 639 (S.D.N.Y. 1992)

Court denied plaintiff's motion to dismiss counterclaims of monopolization and attempted monopolization. Allegations that plaintiff fraudulently procured copyright registrations for gold charm designs it had copied from public domain and other designs originated by others, and prosecuted sham copyright actions asserting such registrations, sufficiently alleged concerted

pattern of exclusionary power. Injuries incurred by defendant in having to defend itself against assertedly bad faith litigation and in being deterred from entering market for public domain gold charms also amounted to antitrust injury. Relying on *Knickerbocker Toy Co. Inc. v. Winterbrook Corp.*, 554 F. Supp. 1309 (D.N.H. 1982) (copyright) and *Walker Process Equip., Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965) (patent), court held that plaintiff would not be immune from antitrust liability were its copyright registrations found to have been procured by fraud. Nor were defendant's counterclaims foreclosed by *Noerr-Pennington* doctrine (*Eastern R.R. Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961) and *United Mine Workers v. Pennington*, 381 U.S. 657 (1965)), since court was unable to conclude as matter of law that plaintiff's copyright action was brought for non-sham purpose. Stating that it declined to construe doctrine "so broadly," court rejected plaintiff's argument that regardless of *bona fides* of plaintiff's copyright claims plaintiff was immune from antitrust liability because action also sought to enforce plaintiff's trademark rights. Court found that "if the copyright claims themselves were added for an anticompetitive purpose, that might be sufficient to bring them within the sham exception to the [*Noerr-Pennington*] doctrine."

B. Arbitration Proceedings

Folkways Music Publishers, Inc. v. Weiss, 989 F.2d 108 (2d Cir. 1993)

Second Circuit affirmed summary judgment confirming arbitration award that granted renewal rights in song "The Lion Sleeps Tonight" to defendants. Since 1952, plaintiffs had been assignees of all rights in song "Mbube," and arrangement of "Mbube" by Pete Seeger called "Wimoweh." In 1961, defendants wrote "The Lion Sleeps Tonight," an arrangement of "Wimoweh," and plaintiffs asserted infringement claim. Defendants thereafter assigned all rights in "The Lion Sleeps Tonight" to plaintiffs, including "the right to secure copyright therein throughout the entire world and to have and to hold the said copyright and all rights of whatsoever nature thereunder existing, subject to the terms of this agreement." In order to resolve ownership of renewal, defendants demanded arbitration under 1961 agreement. In arbitration proceeding, defendants argued that plaintiffs' rights under assignment were limited to original copyright term, and arbitrators agreed, ruling that defendants "shall have the right to exploit the Composition free of any and all claims from Folkways" Plaintiffs then moved district court to vacate, modify or correct arbitration award, alternatively claiming that award did not grant defendants renewal rights free from plaintiffs' infringement claims based on underlying works "Mbube" and "Wimoweh," and that if it did, arbitrators had exceeded their authority. District court denied plaintiffs' motion. On appeal, plaintiffs argued that word "Composition" in award must refer only to material added by defendants in

"The Lion Sleeps Tonight," since material defendants did not own could never "revert" to them. Second Circuit posited that plaintiffs in effect were saying that since arbitrators could not have been mistaken as to law, district court's interpretation of award must be improper. However, since Second Circuit held that district court's reading of award as proper, plaintiffs' argument really amounted to challenge to validity of arbitrators' award. As none of narrow grounds for vacating award was met, court affirmed district court's decision upholding arbitration award. Arbitration clause in parties' agreement was broad enough to encompass determining rights in underlying works. And, arbitrators' decision was not in "manifest disregard" of copyright law. "In order to vacate for 'manifest disregard,' a court must find that the arbitrators knew of a governing legal principle yet refused to apply it or ignored it altogether. Moreover, the law ignored by the arbitrators must be 'well defined, explicit and clearly applicable' if the award is to be vacated." Second Circuit agreed with district court that there was no evidence that arbitrators willfully had ignored plain requirements of copyright law.

C. *Bankruptcy Proceedings*

Pineau v. Knight Kitchen Music, Copyright L. Rep. (CCH) ¶ 27,052 (D. Me. 1993)

On *de novo* review, district court reversed bankruptcy court's decision allowing discharge of debtor's obligation to pay ASCAP license fees. While bankruptcy court found debtor's actions in authorizing broadcast of songs on his radio stations without paying license fees had been willful, it concluded that debtor had not acted maliciously and therefore that "willful and malicious injury" exception to discharge of individual debtors under 11 U.S.C. § 523(a)(6) was not met. District court disagreed, holding that debtor's "voluntary willingness to disregard ASCAP's rights by playing the songs without paying" justified finding of implied malice. Whether evaluated under standard of *In re Nance*, 556 F.2d 602, 611 (1st Cir. 1977) ("there need be no showing of 'special malice' toward the injured party, only that the act 'is done deliberately and intentionally in knowing disregard of the rights of another'") or of *In re Long*, 774 F.2d 875, 882 (8th Cir. 1985) (implied malice exists "when a debtor intends or fully expects to harm the economic interests of the creditor"), requisite malice in form of implied malice had been shown. In addition, bankruptcy court's reliance on debtor's "course of dealing" with ASCAP was misplaced. "Although ASCAP offered to reinstate Pineau's licenses post-default upon full payment, this was clearly a final attempt to settle its claim before seeking redress through litigation and not a pattern of waiver and acquiescence . . . ASCAP was obligated under a Consent Decree to grant licenses to all those who requested them upon receipt of payment. Therefore if Pineau cured his default and sought reinstatement, ASCAP was under a legal duty to grant him such reinstatement."

D. Cable/Satellite Transmissions

Satellite Broadcasting and Communications Ass'n of Am. v. Oman, No. 1:92-CV-666-HTW (N.D. Ga. Jan. 26, 1993)

Court granted plaintiff's motion for summary judgment in which plaintiff argued, based on Eleventh Circuit's opinion in *National Broadcasting Co. v. Satellite Broadcast Networks*, 940 F.2d 1467 (11th Cir. 1991), that Copyright Office regulation providing that satellite carriers are not cable systems within § 111 of Copyright Act should be set aside. Under § 111, cable system may retransmit broadcasts, so long as account statement is filed, royalty fees are paid, and broadcast's commercial advertising is neither deleted nor altered. In *Satellite*, Eleventh Circuit held that Satellite Broadcast Network is cable system under § 111 and, therefore, its secondary transmissions are permissible. Copyright Office, however, then promulgated regulation providing that satellite carriers are not cable systems within § 111 because satellite carrier's facilities are not located within any state; compulsory license under § 111 applies only to localized retransmission services which FCC regulates as cable systems; and retransmissions through satellite are not retransmissions by "other communications channels," as § 111 requires. Court, however, held that *Satellite* is law of Eleventh Circuit and binding on district court and, therefore, regulation must be set aside.

E. Mask Works

Brooktree Corp. v. Advanced Micro Devices, Inc., 977 F.2d 1555 (Fed. Cir. 1992)

Applying Ninth Circuit law, Federal Circuit affirmed judgment of infringement of registered mask works, and damages award. Defendant did not dispute validity of plaintiff's registrations or protectability under Semiconductor Chip Protection Act ("SCPA") of plaintiff's chips that produce colors in video displays, but rather argued that accused chips did not infringe. First, defendant contended that accused chips were not, as matter of law substantially similar to plaintiff's chips, since it was undisputed that plaintiff's entire chip had not been copied. Federal Circuit, however, rejected this argument based both on legislative history of SCPA and on analogous copyright principles. "Parallel language of [SCPA]," referring to "exclusive right to reproduce the mask work," "reflects the incorporation of the well-explicated copyright principle of substantial similarity." Because defendant copied qualitatively important part of plaintiff's work, defendant infringed. Second, defendant maintained that finding of infringement was foreclosed as matter of law, based on statutory reverse engineering defense providing that one engaged in reverse engineering will not be liable for infringement when end result is itself original. However, court held that reasonable jury could have inferred that defendant's two-and-a-half year, \$3 million "paper trail" related entirely to efforts made prior to defendant's correct deciphering of plaintiff's

transistor configuration, and that once defendant figured out configuration, it simply copied it. "The paper trail is evidence of independent effort, but it is not conclusive or incontrovertible proof of either originality or the absence of copying." Court also upheld damages award that included lost profits from price reductions plaintiff made before defendant started selling infringing chips in response to defendant's announced lower price. Court noted that for products of high technology, innovator's opportunity to recover development costs is often concentrated in period immediately following introduction of new product. In addition, court looked to copyright law "wherein actual damages may be measured in terms of the diminished market value of the copyrighted work." Citing Ninth Circuit copyright case, denial of attorney's fees award also upheld, since case was one of first impression under SCPA.

F. Miscellaneous

Khandji v. Keystone Resorts Management, Inc., 23 U.S.P.Q.2d 1156
(D. Colo. 1992)

Court declined to order return of brochure sent by plaintiffs' counsel to defendant's counsel for settlement purposes. While court found that brochure was protected by copyright as compilation of facts and that Copyright Act prohibited defendant's counsel from making or distributing copies of it, nothing in Act authorized plaintiffs' counsel's exclusive possession of brochure voluntarily surrendered to defendant's counsel without first obtaining agreement regarding its return. Court also found that plaintiffs had waived work product privilege by voluntarily sending brochure to defendant's counsel.

PART V

BIBLIOGRAPHY

BOOKS*United States*

YAMBRUSIC, EDWARD. Trade-Based Approaches to the Protection of Intellectual Property. N.Y. Oceana Publications (1992), 277 p.

Trade-Based Approaches to the Protection of Intellectual Property is a seven chapter treatise that reviews and discusses national, transnational, and international responses to intellectual property rights, with a special emphasis on the United States, in particular Section 301 and Super 301 trade sanctions. The GATT TRIPS negotiations and the European Community's activities are also discussed.

ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS*Foreign*

AUSTRALIA. Copyright—passing of Copyright Amendment Act 1991 dealing with importation. *EIPR*, vol. 14, no. 2 (Feb. 1992), p. D-22.

The act to increase opportunities for parallel importing of books into Australia was enacted on December 23, 1992, two years after the Commonwealth government first announced its plans to change the law. This amendment was brought about to lower the price and improve the availability of books in Australia, while at the same time sustaining the Australian publishing industry. This article summarizes each of the five changes to Australia's Copyright Act of 1991. Four of the changes reduce the copyright owner's power to block importation and the fifth change partially strengthens copyright owner's rights.

BARROW, EDWARD. Fair dealing and Texaco decision: implications for the UK. *Copyright World*, issue 25 (Nov. 1992), pp. 18-24.

This article discusses *American Geophysical Union and Others v. Texaco* along with the history of fair use under U.S. copyright law and fair dealing under U.K. law. It examines possible repercussions that the decision, coupled with the introduction of simple copyright licensing for industry, could have on the interpretation of the British law on fair dealing for research or private study, particularly as it relates to photocopying by commercial concerns.

Book Review

Lydiate, Henry. Visual arts and crafts guide to the new laws of copyright and moral rights. *Copyright World*, issue 24 (Sept./Oct. 1992), pp. 38-39 (reviewed by Nicola Solomon).

This review classifies the book as a comprehensive, well-written manual for the art practitioner and lawyer who is not familiar with the area of copyright designs and patents law. The book explains design and design right, moral rights, copyright, and the difference between copyright and rights of ownership. It also discusses infringement and civil and criminal remedies.

China: Regulations for implementing the Berne Convention. *Copyright World*, issue 25 (Nov. 1992), pp. 7-8.

This is a translation of the International Copyright Treaties Implementation Rules (ICTIR) that went into force on September 30, 1992. Protection of foreign works is carried out through application of the ICTIR as well as the Copyright Law of the People's Republic of China, the Implementing Regulations of the Copyright Law of the People's Republic of China, and the Regulations on the Protection of Computer Software.

DUNLOP, A.J.S. The long arm of copyright. *Copyright World*, issue 24 (Sept./Oct. 1992), pp. 34-37.

The South African Copyright Act provides a life plus 50 term of protection for British engineering designs against "unauthorized copying into two dimensions or three dimensions of the original engineering drawings." Mr. Dunlop explains the operation of the provision and discusses pertinent court decisions (*Allen-Sherman Hoff Co. v. Registrar of Designs and Press Designs (Pty.) Ltd. v. G.Y. Lounge Suite Mfgs. (Pty.) Ltd.*).

ELST, MICHIEL. A new copyright law for the Russian Federation. *Copyright World*, issue 25 (Nov. 1992), pp. 32-37.

This article comments on the Fundamentals of Legislation, Part IV, as set out in a decree of 14 July 1992 of the Supreme Soviet of the Russian Federation. The Fundamentals consist of ten sections regulating the field of copyright and neighboring rights. The sections discussed include subjects of copyright, rights of authors, term of protection, and territorial scope of protection.

EVANS, ANN. Legal protection of databases. *Copyright World*, issue 24 (Sept./Oct. 1992), pp. 29-33.

In examining the issue of legal protection for databases in the U.K., Ms. Evans raises questions regarding originality of a database, the distinction between copying a database and using it for the purpose for which it was intended, and scrambling a database versus copying the contents in a different

arrangement. She also discusses a number of relevant court decisions and the EC Commission's proposal for a database directive.

France: new design protection provisions. *Copyright World*, issue 25 (Nov. 1992), pp. 9-10.

Legal provisions on designs recently became law. The provisions fall under two categories—acquisitions of rights and litigation. A new directive also was issued which makes the filing of design applications a more structured procedure.

GOODENOUGH, OLIVER R. The price of fame: the development of the right of publicity in the United States, Part I. *EIPR*, vol. 14, no. 2 (Feb. 1992), pp. 55-61.

Professor Goodenough follows the development of the right of publicity along with its beginnings. The case of *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, is reviewed along with a 1890 article in the *Harvard Law Review* entitled "The Right to Privacy" by Samuel Warren and Louis Brandeis. The author then examines a New York Court of Appeals case in 1902 involving Abigail Roberson, whose face was featured on posters for a flour distributor. Ms. Roberson sued the distributor, basing her claim on the right of privacy as brought forth by Warren and Brandeis. Other historic cases such as *Pavesich v. New England Life Insurance Co.* are reviewed as part of the historical background of the right of publicity.

HARTNICK, ALAN J. Has the reach of publicity law in the United States gone too far? *Copyright World*, issue 24 (Sept./Oct. 1992), pp. 19-24.

Mr. Hartnick explores the issue of the right of publicity and right of privacy as they relate to celebrities and their persons. The question of the descendibility of publicity rights also is examined. Several relevant cases are discussed, including *Roberson v. Rochester Folding Box Co.*, *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.* and *Pirone v. MacMillan, Inc.*

India: Sculptor's case provokes copyright legislation amendments. *Copyright World*, issue 25 (Nov. 1992), pp. 10-11.

Moral Rights amendments to India's copyright law were introduced in the legislature in July 1992. The proposed amendment provides that the author's right of integrity no longer relates to any modification of the work, but instead relates to those modifications which violate the author's honor and reputation. The proposal also provides that a failure to display a work, or a failure to display it to the author's satisfaction, is not a violation of the author's moral rights.

Japan: Import restrictions on counterfeits strengthened. *Copyright World*, issue 24 (Sept./Oct. 1992), p. 7.

Japan's Ministry of Finance issued a new circular which clarifies and strengthens customs procedures relating to the prevention of counterfeit imports that infringe on intellectual property rights. The new rules, which went into effect September 1, provide for a easier procedures for preparing and filing petitions for customs investigations and for the disposal of counterfeit goods.

Jordan: New copyright law published. *Copyright World*, issue 25 (Nov. 1992), p. 11.

The new Copyright Law No. 22 for the year 1992 provides protection for original works of literature, art and science no matter what their type, importance or purpose. It provides protection for a term of life of the author plus 30 years and gives the government authority to publish or republish a work of art if the copyright holder or the heirs did not publish it within six months of being informed in writing to do so.

MORLEY, TIM. Copyright term extension in the EC: harmonization or headache? *Copyright World*, issue 24 (Sept./Oct. 1992), pp. 10-17.

Mr. Morley takes a rather exhaustive look at the European Community Commission's proposal for a new directive on copyright harmonization in such areas as term of protection, rental rights, lending rights, and home copying. He briefly discusses two cases, *Warner Brothers, Inc. v. Christiansen* and *EMI Electrola GmbH v. Patricia*, which the Commission used to support some of its harmonization arguments.

New Zealand: Industrial design reform proposed. *Copyright World*, issue 25 (Nov. 1992), pp. 12-13.

A recently published Government Reform Paper makes several recommendations regarding design protection, including changing the copyright term for industrially applied artistic works to three years from first industrialization anywhere. The Paper also recommends a twelve month grace period during which a design can be published or publicly used in New Zealand, prior to filing of a design application, without affecting the validity of any subsequently granted registration.

PADBURY, MARY. Challenge to the blank tape royalty scheme in Australia. *Copyright World*, issue 25 (Nov. 1992), pp. 25-31.

The Australian Copyright Act was amended in 1989 to provide for a home taping royalty on blank audio tapes. There is currently pending in court a legal challenge to the constitutionality of the royalty scheme and a royalty proceeding before the Australian Copyright Tribunal is stayed be-

cause of the suit. Ms. Padbury discusses the law, the royalty scheme and the basis for the constitutional challenge.

INDEX TO VOLUME 40

	PAGE
PART I. ARTICLES	
Alderman, Elliott C.	265
Brylawski, E. Fulton	333
Cassler, Robert	000
Editors, The	1
Merryman, John Henry	241
Miller, Lynn	349
Perlmutter, Shira	284
Sky, Carol	315
Spyke, Nancy Perkins	000
Wolf, David	401
PART II. LEGISLATIVE AND ADMINISTRATIVE DEVELOPMENTS	
United States	156, 326, 158
Foreign Nations	158
PART IV. JUDICIAL DEVELOPMENTS IN LITERARY AND ARTISTIC WORKS	
Recent Developments in Copyright Cases:	
Selected Annotated Cases.....	160, 000
PART V. BIBLIOGRAPHY	
Books and Treatises.....	236, 000
United States	236, 000
Articles from Law Reviews and Copyright	
Periodicals	236, 326, 410, 000
United States	236, 326, 410
Foreign	238, 328, 411, 000