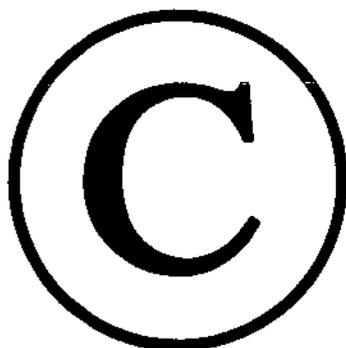

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ARTICLES

“A REMEMBRANCE OF ALAN LATMAN”

by ROGER L. ZISSU

Annual Meeting of The Copyright Society of the U.S.A.
Bolton Landing, New York
June 13, 1994

Before we begin I have an important announcement concerning the rest of our activities this evening. There will be no mystery this year. I hope none of you are disappointed. But I want to add that we did a great deal of research last year before engaging the mystery performance, including lengthy interviews, a field trip and even surveys. I think that it was the White House travel office however that arranged for the mystery and so with the changes that have occurred in that office it will be no mystery this year.

At the past annual meetings of our Society we have from time to time honored and thanked various of our members who made important contributions to the organization and growth of the Copyright Society, including Herman Finklestein, Gabe Perle and Irwin Karp, to name a few.

We were not able to do this for Alan Latman who served for so many years as our Executive Director, inspiration and leader. This year marks the 10 years since Alan left us and even if Alan had lived, he would still be too active and young for such an award. We nevertheless decided earlier this year that it would be altogether fitting and appropriate at this time to try to honor Alan with a reminiscence.

If some of my remarks will be from my personal perspective, I believe and hope they will ring, as well, a personal chord for all of us here who knew Alan. For those who did not have that wonderful experience, the Society thought it worthwhile to give you its newer members, and younger members, and friends, a sense of our beginnings in the hope that we will carry on in the future our connection and loyalty to our past and traditions. Of course, we begin with memory and remembering. As an outgoing President, I also, particularly, wanted to make certain observations about our need to preserve the fundamental qualities of our group as we are entering a period of change in our organizational structure and expansion in our membership.

My first memory of Alan is meeting him down at the New York University Law School at one of the Society's Geirenger or Brace Lectures in

the early 1970s. At that point I believe I had met Alan before, but my first real recollection is at a point in my life when I was not in private practice but serving as a corporate counsel, like many of us who have made our connection with, or come back to, copyright, including to our future positions, by attending functions of the Copyright Society. In those days, because of my general interest in copyright - stimulated undoubtedly by a law school course taught by Professor Benjamin Kaplan and a family connection with copyright, and continuing general interest in copyright, I continued to attend Copyright Society functions, even though these really had little to do with my day to day work. I don't even think today, that I was actively thinking then, about practicing in the copyright field. But I enjoyed the functions of the Society and wanted to keep alive a connection with copyright and the people I met at our meetings in those days.

In any event, somehow down at NYU on this particular occasion I talked with Alan and also with Carol Latman and ended up after the cocktail party going out with them, I think for coffee and dessert. In subsequent years when we went out together it was usually for dinner in the village. Well, we became friends, which was an easy thing to do with Alan.

The friendship was the beginning of what also became a professional relationship within the next year or two, when I joined Alan's law firm, leaving behind my years, in house, at a corporation.

Alan became one of the four people that I would call a mentor in addition to being a friend. In his introduction to the book on Dartmouth College teachers who changed students' lives, entitled "Mentors"¹ the President of Dartmouth College, James O. Freedman notes that our mentors are our heroes, but explains the difference between a mentor and a hero. To quote and paraphrase this explanation, a mentor participates "... in a relationship that involves giving on the part of the mentor and receiving on the part of the protege."² A mentor is a hero who touches "us personally,"³ and not from afar. "Our mentors are heroes who cared about us personally, about who we were and who we might become; about what we did and how well we did it."⁴ They encouraged us, "[o]ur lives were changed forever as a result of meeting them."⁵ Freedman quotes from Tennyson's Ulysses who said "I am part of all that I have met."⁶

Alan was part of all those he met. He taught me, as he taught many of us about copyright, about ethics and life. But the reason I mention this

¹ "Mentors" by James Collins, Dartmouth College, Hanover, New Hampshire, 1991.

² *Id.* at vii.

³ *Id.*

⁴ *Id.*

⁵ *Id.* at ix.

⁶ *Id.*

tonight is that Alan was a very special kind of mentor - one whose touch extended also to an enormous number of people with whom he only came into contact for brief moments and in isolated encounters.

When Alan passed away in summer of 1984 Richard Dannay spoke of Alan as the Renaissance Man of copyright, and he truly was.

Alan Latman was born in 1930 in New York City, attended Erasmus Hall High School in Brooklyn and received his A.B. summa cum laude in 1950 from New York University. He received his L.L.B. from the Harvard Law School in 1953, where he was a member of the Board of Editors of the Harvard Law Review.

After serving in the United States Army's Judge Advocate General's Corps, he went to work at the Copyright Office. As Special Consultant to the Register of Copyrights (1957-58), he became involved in the early efforts to revise the Copyright Act of 1909. This led to the Register's invitation to prepare his seminal 1958 study on "Fair Use of Copyright Works," subsequently cited at length in the Supreme Court's leading fair use cases.

In 1960, Alan Latman became a founding partner in the New York City firm of Cowan, Liebowitz & Latman, P.C. There he specialized in copyright litigation, arguing many important cases in the federal courts, including the Supreme Court. He also performed substantial *pro bono publico* work throughout his career. He helped a wide variety of people, from poor authors and artists, to oppressed minorities in Peekskill and Ossining, to student protestors against the Indian Point Nuclear Power Facility.

In 1976, Alan Latman joined the New York University Law School as a full Professor of Law. As a professor, with characteristic devotion to his students and work, he continued to teach, chair the law school's Admissions Committee, and serve on its Personnel Committee throughout the period of his illness. Shortly before he died, he was named the New York University Law School's first Walter J. Derenberg Professor of Copyright and Trademark Law. Professor Derenberg had been the founder of the Copyright Society.

In addition to his numerous articles on the subject of copyright, Alan authored the revised (fourth) edition of Howell's Copyright Law (1962) and its successor, Latman's The Copyright Law (5th ed. 1979), as well as his case book "Copyright for the Eighties", co-authored with Bob Gorman. He also served as editor and supervisor of The Kaminstein Legislative History Project: A Compendium and Analytical Index of Materials Leading to the Copyright Act of 1976 (1981) and wrote the chapter on United States law in Copinger & Skone James on Copyright (12th ed. 1980).

In terms of the Copyright Society, Alan served for many years as our permanent Executive Director, juggling the organization of meetings with editing the Journal as well as our relations with NYU.

Alan was the driving force behind our first Annual Meeting which took place in 1976 at the Concord, of all places. In those days, the Society was a small band of copyright devotees largely based in New York, and this New York anchor colored and affected the Society's early annual meetings. In comparison to where we are today and the size of this meeting, at our first meeting at the Concord we were all able to fit into Gabe Perle's suite. In selecting a site for our early annual meetings, there seemed to be a requirement that no one be out of his or her office too long, so we always started on Sunday with the idea of people being able to get back into their office in New York by Tuesday afternoon. Well, thank goodness we can't, I hope, all get back to our offices by Tuesday afternoon, although even in 1994 your Executive Committee still hears in one way or another the strains of anguish that have carried through for many of our members and guests about losing another half day in the city. After Alan led us through the bold step of seeing whether an annual meeting would work, he encouraged us and carried the idea forward to the point of having larger, better supported annual meetings and even a mid-winter meeting.

We didn't always have our Annual Meetings in ideal surroundings or even at exactly the right time of year, which seems to have settled down now to being in the second week of June. The only meeting I've missed was one in Cape May where Teddy Kupferman gave his now legendary after dinner speech. In one of our early annual meetings in the late '70s we met at the Buck Hill Inn in Buck Hill Falls, Pennsylvania. I'm glad I got that location right instead of infringing Gabriel Perle's original and copyrightable derivative version of the name of that town in the Poconos. For those unfamiliar with Gabe's infamous after-dinner welcome that year, I suggest you learn about it. That meeting took place in May, and I remember playing doubles with Alan in the midst of alternating bursts of bright sunshine and dark skies with heavy snow squalls.

I remember the attempted longer meeting at Skytop in Pennsylvania where it rained for 4 days. There were signs in the public areas prohibiting too "modish" dress. There was little danger of violations with our group. At a later return to the Poconos some of us had rooms whose only windows were on interior hallways. I remember, again, Gabe at the front desk complaining about his "interior" plight.

But Alan was everywhere doing everything for this Society, bringing it forward from that small band of copyright groupies to an organization with national following. Alan organized our first mid-winter meeting in California in the late 70's, expanding our horizons, our contacts and our

membership, and giving us a broader identity. We were treated at a luncheon to a dialogue between Latman and Nimmer.

Alan's extraordinary role as a mentor stemmed from the way he related to other people and made them feel. He made everyone feel like a good or great friend because he was warm, loving, mirthful, life loving, unpretentious and a great listener. He was sensitive to those around him and was always there to help so many of the people in this room with career moves and with entry into our field. Many of you know that from your own personal experiences, but it was just another role he played in relation to fellow lawyers and copyright. Alan had a wonderful sense of humor which encompassed the absurd, the ribald and the droll, and he always used humor effectively in the process of enjoying the day, including so much of the drudgery that inevitably comes with so much of the practice of law, and life. The personal qualities that Alan contributed to our Society also included his leadership and organizational skills, his knowledge and scholarship, his teaching abilities, his eloquence and his energy.

I suppose there's not too much I can say now to add to what many of you know.

In the year after Alan died a number of his friends supported by the Copyright Society discussed the possibility at taking some action to memorialize Alan's life as a lawyer in our field in an appropriate way. We all agreed that some kind of scholarship fund would be the thing to do, but the project got bogged down in organizational details. I want to tell you tonight that Carol Latman, who is here with us, and a group of Alan's friends have decided to renew this effort. Alan was the beneficiary of a full scholarship at the Harvard Law School, and his family has decided that the most fitting memorial would be a contribution to his undergraduate law school for the purpose of providing scholarship assistance to a worthy student. Carol and a group of Alan's friends therefore are going to seek contributions for this purpose with the encouragement of our Society, although this will not be a Society fund raising project. Our current understanding is that such an effort can produce a meaningful portion of a student's tuition and an acceptable gift level to Harvard without enormous efforts or undue sacrifices. Our Executive Committee thought it appropriate on this occasion to share this information with you.

In closing this remembrance, I want to talk to you about our future. You might consider this a kind of "military and industrial complex" note. Yes, there is a great difference between the setting of tonight's meeting and our original get-together at the Concord. The bad news at the Concord was of course the dreadful food which even in the mid 1970's had already lost its ethnic authenticity. The good news in so far as setting was concerned was that the portions were unlimited in the Concord tradition.

But the really good news has nothing to do with setting and improved accommodations. The good news is that the tradition of friendship and fellowship, excellence and scholarship, which these meetings began in 1976, continues to this day, even if you will not be in your offices by tomorrow afternoon. My concern for the future is that as we establish more chapters and become bigger and bigger on the so-called "information superhighway," we don't lose touch with the qualities of our organization's life that have made our meetings so enjoyable and so unlike the other professional conventions, with their large numbers and excessive commerciality. We've had something very good. Let's keep our eye on the ball and not lose it.

Thank you for listening, thank you remembering, and, for those of you who did not know Alan, we wanted you to know something about him, how we felt about him and what he has done for us — and how important it is to keep our memory of him alive.

Thank you.

FAIR USE: FROM HARPER & ROW TO ACUFF ROSE
May 13, 1994

by ROGER L. ZISSU

I wanted to first thank our Luncheon and Dinner Seminar Committee, Bob Bernstein, Andra Shapiro and Gene Winick for their efforts this year. I hope my presentation will equal the others.

The last, and only time before today that I spoke at a Copyright Luncheon Circle was in October of 1978 when I discussed the temporary restraining order issued by Judge Henry Werker in the Southern District against the U.S. distribution of an off-color animated film "Tarzoon, Shame of the Jungle."¹ The claim was brought by Edgar Rice Burroughs, Inc. on Lanham Act grounds and the defendant claimed it was a parody. "TARZAN" looked like this.

I agreed with Bob Bernstein to give today's talk several months ago. At that time I really didn't have a topic but decided after the *Acuff Rose* decision by the Supreme Court² that fair use should be the topic that might be of interest. I thought we might look back and see what's happened in the period from 1985 when the Supreme Court decided *Harper & Row*³ through today.

Any discussion of fair use immediately brings us to the core of copyright and its fundamental purpose under the Constitution. It brings us to the issue of what should be the extent of a copyright owner's right to prevent use of a work by others. There are of course many Supreme Court decisions over the years that have repeated the Constitutional purpose of copyright which is to promote public knowledge by encouraging creators to produce works for the public benefit.

In line with the Constitutional purpose, the statute provides two lines of defense to any claim of copyright infringement. First, in section 102(b), there is the basic qualification that "[i]n no case does copyright protection for an original work of authorship extend to any idea . . . or discovery." "Discovery" has been equated with facts, so that facts, like ideas, are not protected. The second limitation or line of defense is found in section 107, which provides for a fair use defense. These two lines of defense, or safe-

¹ *Edgar Rice Burroughs, Inc. v. International Harmony Productions*, Civ. Action no. 78 Civ. 4181 (S.D.N.Y. Sept. 5, 1978).

² *Campbell v. Acuff-Rose Music*, 510 U.S. —, 127 L. Ed. 2d 500, 114 S. Ct. 1164, 29 U.S.P.Q.2d 1961 (1994).

³ *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 105 S. Ct. 2218, 85 L. Ed. 2d 588 (1985).

guards, are really inter-related in terms of their purpose, with the result that no discussion of "fair use" can omit considerations relating to the prohibition against extending copyright protection to ideas and facts. As we consider the developments since 1985, it will be important to remember that the scope of protection for any work is inevitably revisited in the fair use analysis and comes into play in connection with several of the fair use factors, most obviously the third fair use factor pertaining to the amount and substantiality of the portion used of the plaintiff's work in relation to the copyrighted work as a whole. In fact, the third fair use factor enumerated in section 107 will always entail the consideration for the second time of the degree of protection afforded to the portions copied by the defendant.

I want to start today's review by backing up a little bit first. Although the title of my talk does not mention the *Sony* decision rendered in 1984,⁴ it's really a given here, and we should start by noting it—particularly because the *Acuff Rose* decision has cut back on *Sony* in several respects which I will note shortly. In *Sony*, the Supreme Court held that home VCR off-air time-shifting of entire free broadcast television programming was fair use. It considered the fair use defense as the outgrowth of its holding that the sale of such copying equipment did not constitute contributory infringement, if the VCR was capable of substantial, that is, commercially significant, non-infringing uses. In answering the fair use inquiry required by this holding, the Supreme Court accepted defendant's contention that one potential use, namely, private, non-commercial time-shifting in the home, would be legitimate fair use and not constitute copyright infringement. Apart from the facts that the plaintiffs were not suing the users of the copying devices, but the manufacturers, and that a finding of infringement would have brought the Court into the privacy of millions of American homes, in 1984 it seemed that *Sony's* value as precedent would be mainly the following: first, the importance to the decision of the combination of home, non-commercial use with the technological advance represented by the copying device had the potential for insulating from liability the manufacturer and the home user of many other kinds of new technological devices over the years. With the growth that, even then, was expected in home computers having access to great amounts of copyrighted material, *Sony* seemed an important precedent for such home uses. Second, the *Sony* court also stated that ". . . every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the copyright owner"⁵ and that if the intended

⁴ *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 104 S. Ct. 774, 78 L. Ed. 2d 574 (1984).

⁵ *Sony Corp.*, 464 U.S. at 451, 104 S. Ct. at 793, 78 L. Ed. 2d at 597.

use by a defendant was for commercial gain, this required a conclusion that the first fair use factor be weighed against the defendant and, further, the likelihood of injury for the potential market for or value of the copyrighted work could be presumed, with respect to the fourth fair use factor. Finally, the *Sony* Court declined to give dispositive weight to the argument that a use could not be fair unless it were a “productive use,” that is, a use for the purpose of incorporating the copyrighted material into an independent work such as one for criticism or scholarship.⁶ On the latter point, we should keep in mind the Supreme Court’s treatment of a “productive use” in 1984 when we come to *Acuff Rose* in 1994, which talks about the importance of a “transformative use” by the defendant.

In 1985, a year after *Sony*, in *Harper & Row*, with respect to the second fair use factor, the nature of the copyrighted work, the Supreme Court focused on the unpublished nature of the Ford manuscript, stating that its unpublished status was critical in negating the *Nation*’s fair use defense there.⁷ The Court also stressed the relevance of the quality of expression copied, which it described as the heart or essence of the plaintiff’s work, in evaluating the third factor, the amount and substantiality of the portion copied.⁸ Finally, the *Harper & Row* Court, characterized as “the single most important element of fair use” the fourth fair use factor of the market impact of the defendant’s work.⁹ With respect to the fourth factor, the *Harper & Row* Court also brought into play the widespread-use test, namely, considering whether the unrestricted and widespread conduct of the kind engaged in by a defendant would result in a substantially adverse impact on the potential market for the plaintiff’s work.¹⁰

Well, what’s happened to all of this since *Harper & Row*? Of course, there have been many decisions and what follows is my selection of the highlights.

The first major development related to the Supreme Court’s treatment in *Harper & Row* of the second factor, the nature of the copyrighted work. The Second Circuit’s 1987 and 1989 decisions in the *Salinger v. Random House*¹¹ and *New Era Publications v. Henry Holt*¹² cases placed strong emphasis on the weight to be given the unpublished nature of a plaintiff’s work in evaluating a fair use defense. There was a debate in the

⁶ *Sony Corp.*, 464 U.S. at 450 n.33, 455 n.40, 104 S. Ct. at 793 n.33, 795-96 n.40, 78 L. Ed. 2d at 597 n.33, 600 n.40.

⁷ *Harper & Row Publishers*, 471 U.S. at 551, 85 L. Ed. 2d at 601.

⁸ *Harper & Row Publishers*, 471 U.S. at 560-61, 85 L. Ed. 2d at 607.

⁹ *Harper & Row Publishers*, 471 U.S. at 566, 85 L. Ed. 2d at 611.

¹⁰ *Harper & Row Publishers*, 471 U.S. at 568, 85 L. Ed. 2d at 612.

¹¹ *Salinger v. Random House, Inc.*, 818 F.2d 252 (2d Cir.), cert. denied, 484 U.S. 890, 108 S. Ct. 213, 98 L. Ed. 2d 177 (1987).

¹² *New Era Publications v. Henry Holt, Co.*, 884 F.2d 659 (2d Cir. 1989).

Second Circuit about whether the unpublished nature of letters or diaries should automatically preclude a fair use defense. The fear was that the Second Circuit's opinions in *Salinger* and *New Era v. Henry Holt* might erect an almost *per se* rule against the use of unpublished works, and that these decisions were already having a chilling effect on historical and biographical writing. In response, leading publishers and authors of history and biographies, even joined by judges of the Second Circuit, coalesced in 1990 to seek legislative relief. While the legislative efforts progressed, the Second Circuit continued its own case law refinements. In 1990 the Second Circuit's decision in another L. Ron Hubbard case, *New Era Publications v. Carol Publishing Group*,¹³ upheld as fair use the publication of various published statements of Hubbard in a critical biography. The court held that injury from criticism was not the kind of copyright market harm covered by the fourth fair use factor. While the Congressional consideration continued, the Second Circuit also handed down its late 1991 decision in *Wright v. Warner Books*,¹⁴ upholding a fair use finding with respect to unpublished materials. On the legislative front, after the two years of lobbying that began in 1990, finally, in 1992 after—and notwithstanding—the Second Circuit's decision in *Wright v. Warner Books*, Congress enacted into law the following sentence which was added at the end of section 107: "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."¹⁵ Since section 107 by its own terms does not limit the fair use defense to published copyrighted works, I'm not sure that the amendment has really added anything. But in the words of one of our distinguished members, it could be considered, at least, as "chicken soup." In other words, what harm could it do?

However, as noted, even before the 1992 amendment was passed, the Second Circuit in late 1991, 3 to 0, affirmed a decision of the Southern District by Judge Walker in *Wright v. Warner Books*, dismissing copyright infringement claims of the widow of author Richard Wright. Judge Meskill's opinion was significant because of its express statement that "[n]either *Salinger*, *Harper & Row* or any other case . . . erected *per se* a rule regarding unpublished works."¹⁶ The Second Circuit affirmed the lower court's finding of fair use on a cross-motion for summary judgment, in spite of its view that the unpublished status of the letters in question weighed heavily in favor of the copyright owner, Mr. Wright's widow. In

¹³ *New Era Publications International APS v. Carol Publishing Group*, 904 F.2d 152 (2nd Cir.), *cert. denied*, 498 U.S. 921, 111 S. Ct. 27, 112 L. Ed. 2d 835 (1990).

¹⁴ *Wright v. Warner Books, Inc.*, 953 F.2d 731, 20 U.S.P.Q. 2d 1892 (2d Cir. 1991).

¹⁵ *Wright*, 953 F.2d at 737, 20 U.S.P.Q. 2d at 1886.

¹⁶ *Wright*, 953 F.2d at 740, 20 U.S.P.Q. 2d at 1898.

other words, even though the Court of Appeals considered the unpublished nature of certain of the Wright private materials to weigh heavily in favor of the plaintiff, the Second Circuit still held that the defendant's work was a fair use. The *Wright* court so held because of the other factors and stressed the importance of a totality approach to fair use evaluations. After noting the Supreme Court's characterization in *Harper & Row* of market impact as the single most important element of fair use and taking into account all the other factors, including the defendants' good faith and the limited level of copying, the Second Circuit concluded that the defendant's use of unpublished material from the Wright letters was a fair use.¹⁷

Whether you believe that the case law development of the fair use defense, as exemplified by the *Wright* case, was the turning point, or whether you consider the statutory amendment of section 107 as more significant, it seems clear that the combination of these two developments has ended the concerns about the feared possibility of a *per se* rule flatly prohibiting the use of unpublished material in the fair use analysis.

Though not decided in fair use grounds, the Supreme Court's 1991 decision in *Feist v. Rural Telephone Service*¹⁸ is also noteworthy here. The Supreme Court approached the extent of permissible use of copyrighted works by going beyond the first safeguard in the statute, section 102(b), which I mentioned earlier. The *Feist* Court went back to the Constitution, explaining that the copyright clause's reference to authors and writings "made it unmistakably clear that these terms presuppose a degree of originality."¹⁹ The Court held that the defendant's copying of the names, town addresses and telephone numbers from the plaintiff's white page telephone directory only constituted the use of unprotected facts and was not a violation of plaintiff's compilation copyright. The Court considered the material copied *not* to be subject to copyright protection because it did not meet the minimal Constitutional, as well as statutory standards for originality. *Feist* is important to any discussion of permissible use because it is a dramatic reminder, in a unanimous Supreme Court decision, that "originality is a constitutionally mandated prerequisite for copyright protection"²⁰ and that originality is "the essence of copyright" and its primary objective.²¹ *Feist* also repeatedly cites *Harper & Row* for distinguishing between the copying of unprotectable historical facts and ideas and the copying of original protectable expression.²² Justice O'Connor's emphasis

¹⁷ *Wright*, 953 F.2d at 740, 20 U.S.P.Q. 2d at 1898-99.

¹⁸ *Feist Publications v. Rural Telephone Service Co.*, 499 U.S. 340, 111 S. Ct. 1282, 113 L. Ed. 2d 358 (1991).

¹⁹ *Feist Publications*, 499 U.S. at 346, 113 L. Ed. 2d at 369.

²⁰ *Feist Publications*, 499 U.S. at 351, 113 L. Ed. 2d at 372.

²¹ *Feist Publications*, 499 U.S. at 349, 113 L. Ed. 2d at 371.

²² *E.g.*, *Feist Publications*, 499 U.S. at 349, 350, 113 L. Ed. 2d at 371, 72.

on the idea/expression dichotomy as reflecting the Constitutional requirement of a modicum of creativity for any work to be eligible for copyright protection as original, will likely be cited by defendants claiming fair use, as well as by future courts in evaluating the scope of copyright protection and permissible uses.

After *Feist*, in late 1992 and early 1993 with an original and then amended opinion, the Ninth Circuit contributed the next major development in fair use law, *Sega Enterprises, Ltd. v. Accolade Inc.*²³ In *Sega* the defendant disassembled the plaintiff's copyrighted object code in a *Sega* game console in order to examine the unprotected ideas and functional concepts that the code embodied. The defendant did this to determine how it could make its own video game cartridges that would be compatible with plaintiff *Sega's* Genesis game console. The Ninth Circuit held that such reverse engineering was fair use. Perhaps as a harbinger of the Supreme Court's treatment of the first factor in *Acuff-Rose*, the Ninth Circuit found that the *Sony* presumption of unfairness arising from a commercial purpose was overcome by evidence that the defendant's copying was done solely to discover unprotected aspects of plaintiff *Sega's* work.²⁴ Notwithstanding its finding that the amount of defendant's use, involving the copying of entire programs, weighed in the plaintiff's favor, the Ninth Circuit found, with regard to the fourth factor, market impact, that the disassembling of object code for the purpose of becoming a legitimate competitor in the field of video games, which were compatible with the plaintiff's Genesis console, would not adversely affect the potential market for plaintiff's copyrighted work.²⁵

In concluding its fair use evaluation, the Ninth Circuit went on to articulate a pro-user public policy consideration for a fair use analysis of claims of computer program infringements. The Ninth Circuit stated: "... the fact that computer programs are distributed for public use in object code form often precludes public access to the ideas and functional concepts contained in those programs, and thus confers on the copyright owner a *de facto* monopoly over those ideas and functional concepts. That result defeats the fundamental purpose of the Copyright Act—to encourage the production of original works by protecting the expressive elements of those works while leaving the ideas, facts, and functional concepts in the public domain for others to build on."²⁶ This public policy consideration, made as part of the Ninth Circuit's fair use analysis, comes

²³ *Sega Enterprises, Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 24 U.S.P.Q. 2d 1561 (9th Cir. 1992), amended, 1993 U.S. App. LEXIS 78 (9th Cir. 1993).

²⁴ *Sega Enterprises*, 977 F.2d at 1520, 24 U.S.P.Q. 2d at 1568.

²⁵ *Sega Enterprises*, 977 F.2d at 1523, 24 U.S.P.Q. 2d at 1570.

²⁶ *Sega Enterprises*, 977 F.2d at 1527, 24 U.S.P.Q. 2d at 1573-74 (citations omitted).

very close to repeating the statutory safeguard of section 102(b) of the Copyright Act and cites Justice O'Connor's discussion in *Feist*, showing again the significance of the interrelationship between the basic safeguards provided in sections 102 and 107 of the Copyright Act. In *Sega* the Ninth Circuit has announced a kind of new technology filter through which to evaluate the fairness of uses of copyrighted computer programs. The impact of *Sega* in facilitating the use of software bears watching, particularly in view of the recent decisions in other circuits, such as *Computer Associates v. Altai* in the Second Circuit, holding that the scope of copyright protection for such works is more limited than was thought previously.²⁷ The *Sega* approach may also be invoked by creative defendants' counsel with regard to other kinds of works.

And all of this brings us down to *Acuff Rose*²⁸ and the question of what the Supreme Court's 9 to 0 parody decision has done to prior fair use law and to the *Sony* decision. As my statement of the question suggests, I believe that the Supreme Court has cut back on one area of significance of the *Sony* decision, namely, the so called *Sony* evidentiary presumption arising from the commercial nature of a defendant's use in evaluating the first fair use factor, the character and purpose of the use and the fourth factor, the market harm.

In *Acuff Rose* the Supreme Court reversed the Court of Appeals for the Sixth Circuit which had held that the defense of fair use was barred by the commercial character and excessive borrowing in the rap group 2 Live Crew's commercial parody of Roy Orbison's song "Oh, Pretty Woman." The decision held it error for the Court of Appeals to conclude that the commercial nature of the parody rendered it presumptively unfair. In the words of the Supreme Court "[n]o such evidentiary presumption is available to address either the first factor, the character and purpose of the use, or the fourth, market harm, in determining whether a transformative use, such as parody is a fair one."²⁹ The Supreme Court also held that it was error to hold that 2 Live Crew had necessarily copied excessively from the Orbison original, given the nature of parody and its inevitable purpose to conjure up at least to some extent the plaintiff's work.³⁰ However, the Court remanded the case for further consideration of the amount of the taking and completion of the record on the likely effect of 2 Live Crew's

²⁷ *Computer Associates Int'l v. Altai, Inc.*, 1994 U.S. App. Lexis 7239 (2d Cir. April 7, 1994).

²⁸ *Campbell v. Acuff-Rose Music*, 127 L. Ed. 2d 500, 114 S. Ct. 1164, 29 U.S.P.Q. 2d 1961 (1994).

²⁹ *Campbell v. Acuff-Rose*, 127 L. Ed. 2d at 525, 29 U.S.P.Q. 2d at 1971.

³⁰ *Campbell v. Acuff-Rose*, 127 L. Ed. 2d at 521, 29 U.S.P.Q. 2d at 1969.

parodic rap song on the market for a non-parody rap of "Oh, Pretty Woman."³¹

The Court considered the central purpose of the first factor, to be whether, in the words of Justice Story, from *Folsom v. Marsh*,³² the new work merely "supersedes the objects" of the original creation, or instead adds something new, with a further purpose or different character, in other words, whether and to what extent the new work is "transformative."³³ After citing *Sony* for the proposition that such a transformative use is not absolutely necessary for a finding of fair use, Justice Souter states that "the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works."³⁴ In *Sony* the Court stated that the absence of "a productive use" was not dispositive. In *Acuff Rose* a "transformative use" is a key positive factor. As Justice Souter explains, "the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use."³⁵ This is another step away from *Sony* in *Acuff Rose*.

What else is new in *Acuff Rose*?

Acuff Rose has now also for the first time at the highest level stated quite directly that parody has "an obvious claim to transformative value," citing the social benefit of parody in shedding light on an earlier work and in the process, creating a new one.³⁶ The entire Court thus held that parody like other comment or criticism may claim fair use under section 107.

What about the definition of parody? *Acuff Rose* tells us that, for the purposes of the copyright law, in using a prior author's work to create a new one, the parodist must at least, in part, comment on the first author's work.³⁷

Another sidelight of the first factor analysis that may interest "us chickens," that is, practicing lawyers, is the old question of whether a user should ask for permission first, or whether asking for permission will weigh against a finding of fair use. The conventional wisdom has usually been that you should not ask for permission because it will be held against the defendant. A number of cases have made that point, including the Second Circuit's *Roy Export v. CBS* case involving the use of excerpts from Charlie Chaplin's films.³⁸ More recently in the *Maxtone-Graham*

³¹ *Campbell v. Acuff-Rose*, 127 L. Ed. 2d at 522, 29 U.S.P.Q. 2d at 1969.

³² *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841).

³³ *Folsom*, 9 F. Cas. at 348.

³⁴ *Campbell v. Acuff-Rose*, 127 L. Ed. 2d at 515, 29 U.S.P.Q. 2d at 1965.

³⁵ *Campbell v. Acuff-Rose*, 127 L. Ed. 2d at 515-16, 29 U.S.P.Q. 2d at 1965.

³⁶ *Campbell v. Acuff-Rose*, 127 L. Ed. 2d at 516, 29 U.S.P.Q. 2d at 1965.

³⁷ *Campbell v. Acuff-Rose*, 127 L. Ed. 2d at 516-17, 29 U.S.P.Q. 2d at 1966.

³⁸ *Roy Export Co. Establishment v. Columbia Broadcast*, 672 F.2d 1095 (2d Cir.), cert. denied, 459 U.S. 826, 103 S. Ct. 60, 74 L. Ed. 2d 63 (1982).

case in the Second Circuit Judge Kaufman stated that it was not to be held against the defendant there, that he had asked for permission and that this was only the reasonable thing to do to reduce the risk of litigation.³⁹ In *Acuff Rose* the Supreme Court rejected the plaintiff's argument that 2 Live Crew's request for permission weighed against a finding of fair use. The Court stated that the defendant's request for permission did not necessarily suggest a belief that defendants' version was not fair use: "[T]he offer may simply have been made in a good faith effort to avoid this litigation. If the use is otherwise fair, then no permission need be sought or granted. Thus, being denied permission to use a work does not weigh against a finding of fair use."⁴⁰ In discussing this little corner of *Acuff Rose* at a round table discussion of the *Acuff Rose* and *Fogerty* decisions to be published later in the Copyright Society Journal, I asked Bob Callagey, who, as you know, does a lot of defending in these parts as well as elsewhere, whether he would now feel more comfortable in having a client ask for permission after the Supreme Court's decision in *Acuff Rose*. I won't tell you what he answered. You'll have to read the Copyright Society Journal to find out. But I'm not sure how much comfort *Acuff Rose* will give us on this point.

With respect to the third fair use factor, the amount and substantiality of the copying, Justice Souter held that the Court of Appeals was insufficiently appreciative of parody's need for the recognizable sight or sound when it ruled that 2 Live Crew's use was unreasonable as a matter of law.⁴¹ The Court adhered again to the point made in *Harper & Row* that the third factor involved not only the quantity of the materials used but their quality, and importance, too. But in the case of parody the heart of the original is also what most readily conjures up the plaintiff's song for parody and it is the heart at which the parody takes aim. As a result, copying for the purpose of parody does not become excessive in relation to the purpose merely because the portion taken was the original's heart.⁴²

With respect to the fourth factor evaluation, in addition to finding that the presumption of harm referred to in *Sony* is not applicable to a case involving something beyond mere duplication for commercial purposes, the Court continued on to observe that when the second use is transformative, market injury may not be so readily inferred, stating that, insofar as parody is concerned, it is more likely that the new work will not affect the market for the original in a way cognizable under the fourth

³⁹ *Maxtone-Graham v. Burtchaell*, 803 F.2d 1253, 231 U.S.P.Q. 534 (2d Cir. 1986), cert. denied, 481 U.S. 1059, 107 S. Ct. 2201, 95 L. Ed. 2d 856 (1987).

⁴⁰ *Campbell v. Acuff-Rose*, 127 L. Ed. 2d at 520 n.18, U.S.P.Q. 2d at 1968 n.18.

⁴¹ *Campbell v. Acuff-Rose*, 127 L. Ed. 2d at 521, 29 U.S.P.Q. 2d at 1969.

⁴² *Campbell v. Acuff-Rose*, 127 L. Ed. 2d at 521, 29 U.S.P.Q. 2d at 1969.

factor.⁴³ Finally, the Court went on to find that the Court of Appeals had also erred in considering as part of the potential harm to the plaintiff, an injury to the plaintiff's market for licensing parodies of the plaintiff's work.⁴⁴ The Court considered that the unlikelihood that creators would license critical reviews or lampoons of their own productions, removed such uses from the very notion of a potential licensing market.⁴⁵

Acuff Rose would seem to have substantially undercut the *Sony* presumptions, accorded parody its own place at the table of comment and criticism, although anchoring this kind of use on commenting at least in part upon the plaintiff's work, and emphasized the particular nature of the use, here parody, in evaluating the level of allowable borrowing in gauging the amount of substantiality of the taking under the third factor. *Acuff Rose* also gives new life to the importance of a productive use by the defendant, now termed a "transformative use" with respect to all of the fair use factors. There are of course some questions unanswered in *Acuff Rose*, as in all cases, including whether parody is too narrowly defined and whether satire should need greater justification for its borrowing. But these will have to wait for another day.

Where does all of this leave fair use since *Harper & Row*? My sum up would be the following:

The *Sony* presumptions may no longer be there.

In *Acuff Rose*, *Sony's* comment that the absence of a productive use by a defendant, such as a home user taping an entire motion picture film, is not dispositive, has been looked at from a different perspective, namely, that of a defendant who makes a productive use, or in the new terminology, a "transformative" use, which is now recognized as a positive factor applying across the board.

Does this mean *Sony* is no longer important? Well, there's plenty left to *Sony*, and plenty may be enough. Because *Sony* is still there, supporting new technology and the right of the home user to use that technology to copy in the privacy of her home. We'll have to see where this will lead us, on the so-called "information super highway."

Harper & Row is also still there, with the decisions consistently citing it in evaluations of the second, third and fourth factors. With respect to *Harper & Row's* holding on the second factor, the nature of the copyrighted work, the Congress, and now the *Wright* decision in the Second Circuit have brought back into perspective what appears to have been a momentary, exaggerated reading in Second Circuit dicta of *Harper & Row's* treatment of the unpublished status of a work. *Harper & Row* did

⁴³ Campbell v. Acuff-Rose, 127 L. Ed. 2d at 523, U.S.P.Q. 2d at 1970.

⁴⁴ Campbell v. Acuff-Rose, 127 L. Ed. 2d at 524, U.S.P.Q.2d at 1970-71.

⁴⁵ Campbell v. Acuff-Rose, 127 L. Ed. 2d at 524, U.S.P.Q. 2d at 1970-71.

not state that there was a *per se* rule, and now the courts, the amendment of section 107 and the legislative history to that amendment are emphasizing this point.

The Ninth Circuit's decision in *Sega* has included a pro user statement which may be creatively applied with respect to other works than computer software.

And all of these developments occur against the backdrop of the *Feist* decision and its holding that the originality of any work is a Constitutional, not merely statutory requirement. The fact that the Supreme Court decisions in *Feist*, the *Falwell* case,⁴⁶ several years before, and now *Acuff Rose*, were all unanimous is worth noting. We should also remember that conservatives, too, are often quite individualistic and liberterian in matters of free speech.

So, where does this leave us in 1994? As in Proust's novel, we learn that if we follow Swann's way we'll find ourselves on Guermente's way and come back to where we began. As noted in the 1976 House Report, fair use is a doctrine with "no real definition" but with a continuously evolving "set of criteria, which though in no case definitive or determinative, provide some gauge for balancing the equities."⁴⁷

Taken together, these developments continue a trend of balance, on the one hand, recognizing, in *Harper & Row*, the importance of encouraging authorship which will give us the creative productions that stimulate our discourse and debate as members of a free society, but, on the other hand, continuing to be sensitive to our needs, as a matter of Constitutional copyright policy, to freely use ideas and facts, to obtain access to such unprotectable material, and even to use, in a reasonable manner, the qualitatively important aspects of protected works to criticize and comment, and, now, thanks to *Acuff Rose*, to have a little more fun in the process of doing so.

Thank you.

⁴⁶ *Hustler Magazine v. Falwell*, 485 U.S. 46, 108 S. Ct. 876, 99 L. Ed. 2d 41 (1988).

⁴⁷ H.R. Rep. No. 94-1476 94th Cong., 2d Sess., at 65.

INTELLECTUAL PROPERTY AFTER THE URUGUAY ROUND*by* RALPH OMAN*

As for the Future, your task is not to foresee it, but to enable it.

—Antoine de Saint-Exupéry
The Wisdom of the Sands (1948)

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Meeting in Marrakech in April of 1994, under the auspices of the General Agreement on Tariffs and Trade¹, the Trade Ministers of the community of nations signed an historic trade pact² that climaxed an eight-year negotiation. That agreement contained far-reaching provisions on the subject of intellectual property³, which had been included in the multilateral trade talks for the first time.

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¹ General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A-11, 55 U.N.T.S. 187 [hereinafter GATT].

² Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations (GATT Doc. MTN/FA) (15 Dec. 1993).

³ Agreement on Trade-Related Aspects of Intellectual Property Rights Including Trade in Counterfeit Goods [TRIPS].

I. BACKGROUND

Using trade leverage to further a nation's intellectual property protection goals is not a new wrinkle. In the 1950's, France refused to renew a trade agreement with Belgium until Belgium agreed to respect French copyrights. And the United States enjoyed some "trade-driven" copyright success in the Caribbean and around the Pacific Rim in the 1980's, as it negotiated bilateral and regional treaties with countries that sought access to the U.S. market, or wanted access to U.S. government financial assistance. While these negotiations demonstrated the value of trade leverage in winning higher levels of intellectual property protection, the effort to elevate the strategy to the multilateral stage did not begin in earnest until the effort to modernize the Paris Convention⁴ in the World Intellectual Property Organization (W.I.P.O.) broke down in the mid-'80's.⁵

The United States had many reasons for dissatisfaction with the revision process. In the view of the United States, the system of intellectual property protection worldwide had grown seriously out of whack, and drastic action was required to restore it to an even keel. For many years, under the extraordinary leadership of the Director General of the World Intellectual Property Organization, Dr. Arpad Bogsch, the international intellectual property community had tried its best to modernize the intellectual property conventions, without success. The U.S. trade negotiations had several gripes, and they all related to what they called the W.I.P.O. "culture". For one thing, the U.S. trade types looked around the W.I.P.O. meeting room in Geneva, and they did not see the people they normally dealt with. They were not officials who could negotiate an agreement worth hundreds of millions of dollars. They were very nice, bright people, often from the Ministry of Culture, the Ministry of Justice, the National Library, or the National Patent Office, often veterans of the bygone era when patents, copyrights and trademarks were an obscure legal backwater. The U.S. trade officials concluded that these people did not have the clout to negotiate a deal. The U.S. trade negotiators were also astounded by the

⁴ The Paris Convention for the Protection of Industrial Property, July 14, 1967 (amended Oct. 2, 1979) [herein after the Paris Convention].

⁵ The chief U.S. negotiator, the smart, energetic, and effective Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, Gerald J. Mossinghoff, astutely sized up the negative dynamics of the revision process and set a modest goal. With no chance of increasing the level of protection for patents and trademarks, Commissioner Mossinghoff instead used his considerable negotiating skills to prevent an erosion of the current level of protection, an erosion that had already been incorporated into a draft of the Law of the Sea Treaty. In the latter treaty, the U.S. negotiators, headed by the aristocratic Elliott Richardson, proposed to give the rest of the world access to U.S. technology free of charge, out of a sense of *noblesse oblige*, much to the displeasure of the corporations that owned the technology.

independence of the W.I.P.O. Secretariat. The Secretariat, exceptionally competent, set the agenda, wrote the drafts, and drove the process forward. In the GATT, said the trade veterans, the member states were in the driver's seat. And the trade people were amazed by the amount of time that was spent listening to views of the non-government observers (NGOs) who filled the conference room to overflowing. And, finally, they were surprised by the W.I.P.O.'s egalitarian climate. In the GATT, they said, there was some deference paid to those members with the greatest stake in the outcome. There was a recognition that no point would be served by ramming through a treaty that key countries couldn't support.

I saw firsthand the difficulty the W.I.P.O. had in this regard during the negotiation of the Washington Treaty for the Protection of Integrated Circuits.⁶ I served as head of the U.S. delegation and as President of the Diplomatic Conference. In the end, the Secretariat watched as the General Assembly adopted a treaty that was unsatisfactory to the two countries that produced 85 percent of the world's microchips—Japan and the United States. The members of the U.S. delegation from the Trade Representative's Office said that the GATT would not have permitted that outcome. They concluded that, at that juncture in history, the World Intellectual Property Organization was institutionally unable to forge a consensus. Of course, at that juncture, many international institutions with universal membership were still caught in the divisive and immobilizing tensions of the Cold War.

To its credit, the W.I.P.O. Secretariat tried valiantly to update the Paris Convention, as well as the Berne Convention, but they couldn't bring enough raw muscle to the bargaining table. The powerful presence and forceful personality of the Director General moved the reform process along much further than it would have gone otherwise, but in the end we failed to lock in higher levels of protection because we were unable to reach a political consensus among the various factions.

At least four factors slowed down the W.I.P.O. efforts to update the conventions:

First, we had experienced a great increase in the number of developing countries in the W.I.P.O., and the W.I.P.O. had always relied on the slow, incremental approach to reform among generally like-minded countries. Until just recently, the developing countries have not recognized that strong protection of intellectual property is very much in their own self-interest.

Second, with the ideological split between the socialist block and the non-socialist, and the developing countries playing one side off against the

⁶ Treaty on Intellectual Property in Respect of Integrated Circuits, May 26, 1989, 28 I.L.M. 1477.

other, we saw the formation of three rigid counterbalanced groups in the W.I.P.O., with the debate occasionally larded with cheap rhetoric.

Third, we sensed a mounting concern in Western Europe and some English-speaking countries that American intellectual and cultural product would overwhelm their domestic producers, and this concern made these countries, which would normally have supported the drive for higher levels of protection, reluctant to do so, fearing that it would make the American juggernaut an even greater menace. They would deal with these issues only in a larger context in which they could win concessions in return.

And, fourth, we had to contend with the strange negotiating posture on the part of the United States in the W.I.P.O. forum. Because of the "impossibility" of amending U.S. law, the United States insisted that reform had to be a one-way street.⁷ The United States stuck doggedly to its mantra—"Let's change *your* law, not our law"—a bargaining position that made "bargaining", in the traditional sense, very difficult. This state of affairs did not sit well with our trading partners, who saw serious shortcomings in U.S. intellectual property law that needed fixing, shortcomings that cost their own creators millions of dollars every year. They found the U.S. position indefensible and tinged with arrogance. Even so, the United States held firm on the copyright front, and kept moral rights, video home taping, and a performance right for sound recordings off the negotiating table, much to the frustration of our European counterparts. On the patent side, the United States never fully embraced the idea of harmonization, which also would have required changes in U.S. law.

These combined factors led to temporary stalemate in the World Intellectual Property Organization, and convinced the United States that it should simultaneously try its luck in another forum, as well as the World Intellectual Property Organization.⁸

⁷ Berne Convention for the Protection of Literary and Artistic Works of Sept. 9, 1886, completed at Paris on May 4, 1896, revised at Berlin on Nov. 13, 1908, completed Berne on Mar. 20, 1914, revised at Rome on June 2, 1928, revised at Brussels on June 26, 1948, revised at Stockholm on July 14, 1967, and revised at Paris on July 24, 1971, 828 U.N.T.S. 221 [hereinafter Berne Convention]. During my tenure as Register, the effort to modernize the Berne Convention and to upgrade the level of protection of sound recordings occupied a great deal of our time and energy. Like Commissioner Mossinghoff on the industrial property side, I take some satisfaction in having kept the process afloat and having avoided an adverse result on the copyright side. When I stepped down as Register, I turned over to Commissioner Lehman and my successors at the Copyright Office the full platter of options, with a vastly stronger negotiating position as a result of the GATT/TRIPs agreement.

⁸ It is no exaggeration to say that U.S. intellectual property law is extremely difficult to change. Generally, legislation needs a broad consensus before

In the end, the GATT initiative bore fruit.

The GATT was able to negotiate an all-encompassing intellectual property agreement not because it had greater skills or worked harder than the World Intellectual Property Organization. It succeeded because had a much bigger pie to slice up, and it could give a generous slice of benefits to everyone. The W.I.P.O. was limited to intellectual property matters, and most countries asked "What's in it for me?" And they answered "Not much". It seemed that in both the Paris revision and the Berne revision they would at the end of the day lose revenues and others would gain, especially in light of the fact that the United States refused to consider changes in its own intellectual property law.

With the developing countries, theoretical arguments—that they would encourage technology transfer and foreign investment if they offered higher levels of protection—were never entirely convincing and would always lose out to specific hard-nosed gains, like low tariffs on agricultural exports. In fact, it became clear early in the negotiation of Paris and Berne revision, as well as the Washington Treaty on Integrated Circuits, that many developing countries—even those intellectually predisposed to accept the rationale of higher levels of protection for intellectual property—were, like their European counterparts, reluctant to make those concessions in the W.I.P.O. where they couldn't pocket anything solid in return. Perhaps their blocking tactics and unrealistic demands in the W.I.P.O. forum were simply part of their broader negotiating strategy. The GATT could offer a comprehensive package on tariff cuts and market access in exchange for concessions on intellectual property, and in the end the developing countries opted for that route and won a handsome settlement.

The United States had another reason for frustration in the W.I.P.O. on some matters of substance. Back in the mid-eighties, when I became

the leadership will bring it to the floor for action. In Washington, it is much easier to stop a bill than to move one through the legislative maze, and any party that feels short-changed can exercise virtual veto-power. See Thomas P. Olson, *The Iron Law of Consensus: Congressional Responses to Proposed Copyright Reforms Since the 1909 Act*. 36 J. Copyright Soc'y 109 (1989). Because of the need for consensus, it took 75 years to impose liability on the jukebox operators for the music they use. We see that tension in the battle over a performance right in sound recordings, with the broadcasters strongly opposed, and we see it also on the patent side in the battle over first-to-file and first-to-invent. Therefore, the U.S. negotiators' desire to avoid a result that would require a change in U.S. law was not just empty posturing or a slick negotiating strategy. It really was a problem, especially under the 30-year chairmanship of the former Representative of Wisconsin, Robert W. Kastenmeier, who always sought "balance" in intellectual property legislation.

U.S. Register of Copyrights, many copyright experts, some of them senior officials in the W.I.P.O., had a strictly classical European approach to copyright, and they saw the Berne Convention as the protector of the fine arts, of poetry, and of music. They viewed with a mild disdain the “technologies”—computer programs, sound recordings, and databases. Many of these copyright experts thought that these works should have second-class citizenship, and that we should relegate the “engineers” who create them to a lower place in the hierarchy, not up on the pedestal with true artists. Some experts openly favored *sui generis* protection for software and databases; sound recordings were already banished to the Siberia of the Rome and Geneva Conventions.

Of course, the traditionalists had some sound reasons for wanting to limit access to the exclusive copyright club, not just for reasons of aesthetics. They saw dangers to traditional authors and composers and artists by inviting these high-tech creators to join the party. Over the years, intellectual property has drawn its strength and its legitimacy from the great reverence we accord to works of the human mind. The W.I.P.O. had relied on this generally shared respect for the genius and hard work of our creators, and on the desire of governments to protect them, regardless of nationality, out of a sense of simple justice and fairness. Under the pressure of cultural nationalists and trade ministers who want revenues to flow just one way—into the country—this old system of shared respect on which the W.I.P.O. had long relied began to crumble. For this reason, the copyright traditionalists worried that governments—willing to support high levels of protection for songs, plays, novels, and poetry—would be reluctant to give such generous support to high-visibility multi-billion dollar commercial products like computer software, databases, and sound recordings. Not only would the governments be reluctant to raise the level of protection if these commercial blockbusters were included, but they might even propose lowering protection across-the-board. So the traditionalists fought to keep the Berne Convention pure.

Though the United States understood this rationale, it could not accept its consequences. With these dissatisfactions fresh in their mind, the United States trade negotiators went to Punta del Este in 1986⁹ and fought to put intellectual property on the agenda of the Uruguay Round. They found for its inclusion for several reasons:

⁹ Some cynics say that the United States made the clear-eyed calculation that it had more leverage and could get a better deal in GATT than it could in the W.I.P.O. and therefore directly and indirectly worked to derail or delay the on-going W.I.P.O. negotiations to allow the GATT process to run its course. This scenario overestimates the power of the United States to control events, and it implies a degree of premeditation on the part of U.S. officials that they would find amusing, as they recall their daily improvisations.

- They saw rampant piracy, which was undermining key industries that relied on intellectual property protection, such as the pharmaceutical industry, the music industry, the computer software industry, the publishing industry, and the motion picture industry.
- They recognized that time was of the essence, because the new digital technologies promised to make copyright piracy even worse.
- They also knew that the market for the products protected by the intellectual property treaties had become global, rather than national, and that these new international markets had to be brought within the rule of law.
- They saw the requirement of unanimity in the W.I.P.O. as both a strength and a weakness, but also as a fact of life that led to gridlock.
- And, last, they recognized that the lack of a real dispute settlement procedure in the W.I.P.O. greatly hampered its effectiveness.¹⁰ The GATT would give the international intellectual property community the power to enforce its standards. Before World War II, the French Prime Minister, Pierre Laval, urged Stalin to attempt conciliation with the Vatican. Stalin, in reply, asked “How many divisions has the Pope?” In fact, the W.I.P.O. has the same number of divisions as the Pope, while the GATT has a real army and heavy artillery.

¹⁰ In 1985, even before the formal commencement of the Uruguay Round, Ambassador Clayton Yeutter, the U.S. Trade Representative, concentrated his negotiating energies on the improvement of intellectual property protection in international trade negotiations. Ambassador Carla Hills succeeded Yeutter as U.S.T.R. in 1989. With her characteristic no-nonsense vigor and relentlessness, Ambassador Hills built on Yeutter’s groundwork and made strong intellectual property protection a centerpiece of her administration. To her great credit, she negotiated solid agreements in the NAFTA and in many key bilaterals. Finally, she and her first-rate team hammered out the historic intellectual property title in the GATT which in almost every important respect was incorporated into the final agreement. As the Register of Copyrights during this turbulent period, I note with some satisfaction that top lawyers from the U.S. Copyright Office served as valued members of the U.S. negotiating teams. Ambassador Hills wrote to the Librarian of Congress, James Billington, paying tribute to the Copyright Office for its contribution, particularly to the contribution of Lewis Flacks, now the head of the legal department of the International Federation of Phonogram Industries in London.

So the center of gravity shifted to the GATT, and in the last two years, the various on-going W.I.P.O. negotiations became to some degree a matter of treading water, waiting to see if GATT would succeed or fail.

II. THE INTELLECTUAL PROPERTY PROVISIONS OF GATT/TRIPS

a. *General Provisions*

The GATT/TRIPS agreement has locked in a high level of intellectual property protection, a level higher than we find in any of the existing treaties protecting patents, copyrights, trademarks, or integrated circuit designs. It has also had another important side benefit. It has committed all signatories to join the most recent version of the Berne Convention (the Paris Act of 1971) and the most recent version of the Paris Convention (the Stockholm Act of 1967).

I will assume for the purpose of this discussion general awareness of the intellectual property provisions of GATT/TRIPS. But let me refresh recollections on a few of the key points.

The agreement covers all aspects of intellectual property.

- patents
- copyrights and neighboring rights
- trademarks
- integrated circuit designs
- industrial designs
- appellations of origin, and
- trade secrets

And for each of those categories, the agreement has detailed provisions covering standards of protection, enforcement, and dispute settlement. The agreement also has a provision that establishes the effective date of the agreement, which varies from country to country, depending on the level of development.

The Agreement requires GATT members to apply various provisions of the key existing intellectual property treaties. It incorporates by reference Articles 1-12 and 19 of Paris, and Articles 1-21 and the Appendix of the Paris text of Berne. The Agreement also refers to the Rome Convention in establishing baseline rights for performers, broadcasters, and the producers of sound recordings. And it refers to the Washington Treaty on Integrated Circuit Designs, on which the agreement makes some significant improvements that had eluded us back in 1989.

Subject Matter Coverage

The Agreement generally covers all subject matter under protection on the date the GATT Agreement becomes effective. There is no obligation to recover copyrighted works that have fallen into the public domain,

or patents for which the term has expired. But the United States has made a major concession in this regard. In a decision with serious constitutional implications, the United States has allowed for the recapture of works (still under copyright in the country of origin) that had fallen into the U.S. public domain because of a failure to comply with a formality under the old U.S. law (like copyright notice or failure to renew). This provision builds on the very limited restoration of copyright for Mexican motion pictures that the United States had agreed to in the NAFTA.

Special Considerations

Appropriately, the agreement makes special concessions to the developing countries in consideration of their special needs. The agreement also makes special provision for what it calls "transition economy countries", countries moving from a centrally controlled and planned economy to a free market economy.

Ordinarily, the agreement kicks in one year after it enters into force. But developing countries and transition countries can delay its effective date another four years.¹¹

¹¹ Currently, the World Intellectual Property Organization provides only one form of dispute settlement, and that relates to disputes between governments. Under the procedure, a government complains to the offending government about a practice or law that it contends violates, for example, the Paris Convention. If the government fails to take corrective action, the complainant can present the disagreement to the Paris Union Assembly, which can issue an opinion on the matter. The W.I.P.O. Secretariat will also undertake "gentle persuasion." If the offending government still refused to take corrective action, the complaining country can petition the International Court of Justice. Under this procedure, the government can espouse the cause of one of its nationals—a private person or company—if the dispute implicates important matters of treaty interpretation. No government has ever taken an intellectual property claim to the I.C.J.

In October, the W.I.P.O. will inaugurate another option—dispute settlement between private parties. The W.I.P.O. anticipates private referrals for the settlement of intellectual property disputes of a commercial nature. These arbitration procedures will not permit a private company to bring a complaint about an administrative holding or a legislative enactment against a member state, even if the holding or enactment arguably violates the state's obligations under the Paris Convention.

A last option is contained in a proposed W.I.P.O. treaty on the Settlement of Disputes between member states. The W.I.P.O. Governing Bodies will meet next month to decide the fate of the treaty, and the governments will have to decide if they want to create a dispute settlement mechanism in addition to the one found in the GATT/WTO. In any case, the proposed treaty would allow a member state to espouse the cause of a national company, but it wouldn't allow the company to bring an action against the offending government on its own behalf.

In the patent area (and here we're talking primarily about pharmaceutical drugs and agricultural chemicals), developing countries can delay the effective date of a required increase in the level of protection for another five years. But for both pharmaceutical drugs and agricultural chemicals, they must accept patent applications immediately. The least developed countries can take an extra year as well, or, for good reason, extend even beyond that 11 years.

For the developing countries, the developed countries also hold out the promise of investment and technology transfer, and they promise an ambitious program of technical assistance and support. So I expect to see many colleagues in Geneva, Washington, Nairobi, and Tokyo participating in seminars and helping us get ready for the new intellectual property regime that will kick in over the next few years.

Enforcement and Dispute Settlement Provisions

These new procedures give teeth for the first time to the settlement of intellectual property disputes, both between private parties and between member states.

GATT/TRIPs lays out a very detailed list of requirements that signatories must adopt in domestic legislation. These procedures will entitle private litigants to a quick, fair, and effective settlement of civil action, either administratively or in the courts.

It also requires the enactment of criminal penalties in the case of willful trademark counterfeiting and commercial copyright piracy. These penalties include both monetary fines and imprisonment. The key to these penalties is deterrence. Unless the pirates face the possibility of jail, they will continue to defy the law, and they will continue to view civil fines as a simple cost of doing business.

The Dispute Settlement Understanding (DSU) sets up a mechanism that allows member states to settle trade disputes at several different levels. Let me explain it in some detail.

1. First, the governments try consultation, good offices, and, if agreed to, mediation, for 60 days.
2. If that fails, the dispute ratchets up to the next stage, and the governments ask the WTO to convene a panel to hear the case, take evidence, and recommend a solution to a special Dispute Settlement Body. The DSB accepts or rejects the

While the Paris Convention and the Berne Convention provide little comfort on the enforcement side, they do carry moral weight. One of the reasons a case has not gone to the ICJ is simply that governments correct an offending practice before it reaches that stage. No country wants to breach its international obligations.

- panel's recommendation within 60 days, unless one of the parties takes a formal appeal to the "Appellate Body."
3. The Appellate Body is a standard review body. It has seven people expert on the subject in contention and expert on international trade law generally. They serve on rotation. The Body reviews the panel's findings and legal conclusions, and makes its own report on the controversy.
 4. The Dispute Settlement Body can reject the report of the Appellate Body, but generally that will not be the case. The DSB will normally order the elimination of the measure that violates the GATT. Temporarily, the parties can agree to compensation until final resolution, and, as a drastic measure, the DSB can authorize the party who brought the dispute to suspend trade concessions until the dispute is finally resolved.

For the United States, a key question is whether or not these new procedures prohibit unilateral retaliatory action in Section 301 of our Trade Act. The U.S. Congress is about to decide that GATT/TRIPs does not foreclose unilateral action, at least not for those matters not covered in TRIPs, like the treatment of home copying levies, or against those countries that are not GATT signatories or have taken advantage of the transition period and not fully implemented the agreement.

b. Specific Provisions

1. Patents

GATT/TRIPs builds on the bare-bones level of protection for inventions found in the 1967 text of the Paris Convention. All Paris does essentially is establish the right of national treatment. TRIPs goes much further. With a few important exceptions (including certain medical procedures, and genetically altered plants and animals) TRIPs prohibits discrimination against specific fields of technology, like pharmaceutical drugs. It also greatly limits the use of compulsory licenses. And it sets the minimum term of protection at 20 years.

TRIPs also requires members to protect both product patents and process patents, and allows the process patent holder to prevent others from marketing the product made with the patented process.¹²

¹² However, these countries cannot delay the effective date of three major provisions—the national treatment provision, that most favored nation provision, and the requirement to join the World Intellectual Property Organization. They're effective immediately.

2. *Copyrights and Sound Recordings*

TRIPs for the first time explicitly includes computer programs as literary works eligible for protection. It does the same for databases.

The agreement enumerates all of the standard exclusive rights:

1. Reproduction
2. Adaptation
3. Public Performance
4. Public Communication

It specifically exempts from coverage Article *6bis* of Berne, the moral rights provision, so the level of moral rights protection in a particular country would not serve as grounds for dispute settlement procedures or trade retaliation under the GATT. It also provides a rental right for computer programs and sound recordings, and, to some extent, for motion pictures. A country can wiggle out of the last obligation if it can demonstrate that the rental of motion pictures doesn't result in widespread copying to a degree that it implicates the reproduction right.

The right to prohibit parallel imports is not included, a great disappointment for the United States and many other countries.

The minimum term of copyright is set at life plus 50 years. But for legal entities the term is 50 years from first publication, or 50 years from creation if unpublished. An exception follows the Berne standard—works of photography and applied art get only 25 years.

The agreement boosts the level of protection for sound recordings above the Rome Convention minima. It sets the minimum term of protection for record producers and performers at 50 years, and it increases the level of protection for performers, who must currently rely on contractual rights alone in many countries, including the United States. Performers will now have the right to authorize the first fixation of a performance and its reproduction, as well the right to authorize the broadcast of their live performances.

Broadcasters get the right to prohibit the unauthorized fixation, re-broadcast, or reproduction of their programs.

3. *Semiconductor Chip Designs*

The agreement starts with the ill-fated Washington Treaty, and makes a few improvements. It adds a prohibition on the importation of articles or products that contain infringing chips, which had been so important to the Japanese delegation. Even in the case of an "innocent" infringement, the importer has the obligation to pay a reasonable royalty. The agreement increases the term of protection to 10 years. And, last, compulsory licensing is permitted only for a public non-commercial use to correct anti-competitive behavior, and that only after a judicial finding. The Washington Treaty's broad compulsory licensing provision is otherwise dropped.

4. Trademarks

The GATT/TRIPs agreement guarantees a high level of trademark protection including protection for service marks, but it adds a few wrinkles that I'll mention here.

It allows member states to condition rights on actual use, but it cannot insist on use as a precondition to the filing of a registration. Also, the member states cannot use the nature of the goods or services for which the trademark is intended as a grounds for refusing registration. Generally speaking, if the goods can be legally sold in the member state, the government may not encumber the trademark.

The agreement requires a minimum term of protection of 7 years, renewable at 7 year intervals, and it permits cancellation for non-use only after a 3-year stretch of non-use.

Appellations of Origin

In concluding this quick tour of the highlights, I should mention that the agreement also affords protection for geographical origins when use of a term misleads the public or mis-describes the geographical origin. So "Champagne-style" sparkling wine or "California Port" are no longer permitted, although there is a grandfathering provision that will allow the use of a particular geographical indication identifying wines and spirits in connection with goods and services if they have been in continuous use for ten years.¹³

III. THE GATT/TRIPs OMISSIONS

The United States and some academic advocates of strong intellectual property protection in the GATT had to accept some defeats along the way. Specifically, from the U.S. perspective, the Agreement falls short of the ideal on the questions of national treatment, freedom of contract, and market access.

¹³ Even so, the agreement allows for limited, narrowly defined exceptions to exclusive patent rights, as long as they don't interfere with the normal exploitation of the invention, similar to Article 9(2) of Berne. They can apply only to "special cases." Generally, the exception cannot hurt the inventor's commercial expectations. One example I've heard mentioned involves price controls in France on pharmaceutical drugs. Unrealistically low prices for drugs (which cost millions to develop) could constitute an unreasonable restraint on the legitimate interests of the patent owner to market the product and thereby violates GATT. This provision could have important consequences.

National Treatment

The principle of national treatment has served as the bedrock of the Paris Convention and the Berne Convention since they were conceived more than one hundred years ago.

We've seen a falling away from this principle in recent years in a few countries of Western Europe. When they create new rights for authors (for example, for home taping royalties for both videocassettes and sound recordings) they have conditioned those rights on reciprocity rather than national treatment. In addition, some countries have cultural subsidy programs funded out of general copyright royalty pools, but limit benefits to national authors alone. The United States wanted GATT/TRIPs to reconfirm the principle of national treatment across-the-board, but instead we had to settle for the *status quo*.

Freedom of Contract

The United States has a robust tradition of collective bargaining in workers' negotiations with management. In our country this system has given the workers a high standard of living, and most observers would say that they get a fair share of the money earned by our very successful motion picture, software, and sound recording industries.

With this tradition, we thought that the GATT/TRIPs agreement should have general language about the freedom of contract in all matters relating to the transfer and licensing of rights. Without this guarantee, especially in the copyright area, countries can refuse to recognize valid contracts that were negotiated between employers and employees without any hint of coercion. The work-made-for-hire doctrine has long been used in the United States and a few other countries as the best way to organize the large teams of artists and technicians needed to produce many copyrighted works, and this corporate producer is generally recognized as the copyright owner.

As always, a lot of money rides on this technicality. Several countries in the European Union have set up royalty systems for video and audio home taping, but they allow only flesh and blood authors to collect. The United States views this practice as unfair, and this issue will continue to occupy us in the years ahead.

Market Access

Even though the market access provisions are not found in the TRIPs section of the GATT agreement, they created a great stir in the copyright industries. Several countries have established quotas on American motion pictures and television programs, on the theory that too much foreign culture threatens national culture. As all of you know, this controversy came down to personal negotiations between President Mitterand and President

Clinton, and in the end the French President refused to budge and told President Clinton that France considered the issue non-negotiable. This rhetoric has cooled down since, and the French and American trade negotiators are meeting behind closed doors to work out a compromise.

IV. GENERAL OBSERVATIONS

Despite these shortcomings, the TRIPs Agreement is a definite success. The changes that the United States sought for the international intellectual property order are so sweeping they could never have been obtained in a piece-meal negotiation of separate intellectual property treaties. The ultimate strength of TRIPs is very basic and very powerful: it raises the level of protection, and it puts teeth into the economic obligations of the Paris Convention and the Berne Convention. Both are immense achievements.

The W.I.P.O. must take a lot of the credit for the gains in the protection we harvested in GATT/TRIPs. They plowed the field and planted the seeds. Ten years of work on Berne revision, and 15 years of work on Paris laid the foundation and crystallized the arguments and areas of disagreement that allowed the GATT negotiators to focus the debate on the key issues and work out the compromises.

The process reminded me of a system that I have observed first-hand for many years—the legislative process in the U.S. Senate. In that system all of the hard work is done before the legislation comes to the floor of the Senate for a vote. The Subcommittee drafts the legislation, holds the hearings, fashions amendments, writes reports, and fends off lobbyists. After months, even years of this preliminary work, with most of the deals worked out, the legislation goes to the floor of the Senate where the leaders take charge, work out the few remaining sticky controversies, and pass the legislation and send it to the President for signature. In the end the leaders take the bows, and steal the spotlight, but they know, and we know, that nothing would have happened without all of the preliminary ground work that had taken place before the matter reached center stage.

That is why most thoughtful people know that the great gains won in the TRIPs Agreement were made possible by the years of dogged slogging through the mud by the dedicated people in the World Intellectual Property Organization. They share in the achievement.

V. THE FUTURE OF INTELLECTUAL PROPERTY IN THE SHORT TERM

First, let me discuss the GATT transition period.

The developing countries technically have won a 10-year breather before they must implement the agreement, but that doesn't mean the pressure won't build for earlier compliance. The U.S. Congress may con-

dition favorable trade concessions—what we call GSP—on immediate adoption of GATT/TRIPs. And the U.S. will continue to exercise its unilateral right under Section 301 of its trade act to designate priority foreign countries and impose sanctions on these countries with inadequate intellectual property protection. And the United States will continue to press in bilateral negotiations for immediate adoption of high levels of protection. The United States might also argue that as a condition for entry into NAFTA, the country seeking entry must adopt the entire package and forego the transition period. Moreover, the GATT implementing legislation in the United States will require USTR to draft a "Model Intellectual Property Agreement," and that model treaty will include many of the items that wound up on the cutting room floor during the GATT process. So in bilateral and regional negotiations, the United States will begin immediately trying to put together a new consensus for the next upgrade of the level of protection of intellectual property.

Of course, in the short term, the W.I.P.O.'s main activity will continue without interruption. Its registration operation adds a great deal of convenience and stability to the international intellectual property system, and is heavily relied on. The W.I.P.O. will also continue its very successful program of technical training in developing countries. This training has not only helped developing countries set up functioning intellectual property offices, but the educational process also helped build the consensus worldwide that culminated in the adoption of GATT/TRIPs. These activities must continue, even increase, in the years ahead. In fact, the GATT/TRIPs mandates a continuing program of training and professional exchanges to allow developing countries to upgrade their level of technical expertise in time for full implementation of the agreement. The W.I.P.O. has a special role to play in this regard, and the United States looks forward to supporting the expert staff of the W.I.P.O. in setting up these programs.

UNESCO also has a role to play. With the infusion of money that will come when the United States rejoins that organization next year, UNESCO could play to its strength in academic circles and organize training sessions for intellectual property law professors from developing countries. I have discussed these possibilities with UNESCO officials in Paris.

VI. THE LONG-TERM EFFECTS OF THE GATT/TRIPS ON INTELLECTUAL PROPERTY

Obviously, the substantive upgrade of the level of protection worldwide will have an enormous impact, to the benefit of all countries, and all authors and inventors. But that's not what I want to discuss. Instead, let me examine how the responsibilities in this new international intellectual

property order will be shared between the W.I.P.O. and the new World Trade Organization.

The future depends on the organizations themselves; they will in large measure define the roles they play in the future of intellectual property. If they approach the opportunities positively and without rancor, then the future of both organizations will be bright.

It appears that the W.I.P.O. has emerged from this process stronger than ever, with a renewed sense of purpose, and a new mandate. For one thing, the world has changed. The era of superpower confrontation is over, and throughout the U.N. system rational debate has replaced political posturing. Although ideology was never more than an undercurrent at the W.I.P.O., it led to block voting and made progress difficult. In addition, the disquieting North-South conflicts have eased, with a new and perhaps melancholy realism replacing the revolutionary zealotry of the recent past. North and South both recognize that we need one another, and we can gain more with quiet voices and mutual understanding than we can with in-your-face confrontation.

The W.I.P.O. will benefit from the changes. In fact, the Commissioner of Patents and Trademarks of the United States, Bruce Lehman, who has taken over the international copyright portfolio from the U.S. Copyright Office¹⁴, intends to turn his full attention to the World Intellectual Property Organization.

It's clear that the GATT/TRIPs left untouched a great deal of the jurisdiction of the W.I.P.O. under the many treaties in its portfolio, and the W.I.P.O. will have to continue its supervisory and enforcement role in administering these treaties. What we achieved in TRIPs beyond Berne and Paris, the W.I.P.O. might see as acreage to be fenced in and brought under cultivation. The next few years will be a period of consolidation as we digest the gains made in the TRIPs. The W.I.P.O. could try to move immediately to lock all of these improvements into the existing treaties, so the gains can't be bargained away in the next round of trade negotiations in exchange for good deals on pig iron or rape seeds.

The W.I.P.O. could convene a diplomatic conference to revise the Washington Treaty and conform it to GATT/TRIPs. In addition, with the unfinished GATT/TRIPs agenda, the W.I.P.O.'s campaign to raise standards must continue. I've already mentioned national treatment in copyright, freedom of contract, and market access. Also, on the copyright side, the agreement does not provide a framework to resolve the international legal status of "videogram producers." GATT/TRIPs has no provisions relating to the conflicts of law, to contract interpretation, or to the free exercise of rights and benefits that arise out of national private copying

¹⁴ See GATT/TRIPs Article 24(4).

regimes. It also does not deal with several developments that have preoccupied the W.I.P.O. for many years, including direct satellite broadcasting, satellite signal "poaching", self-help technologies to protect against unauthorized copying (e.g., SCMS, Macrovision, IDEK.), encryption systems used to protect satellite signals, and the entire concept of "theft of service" in relation to cable and satellite communications. Nor does it recognize specifically the threat to copyright posed by the new digital information superhighway, and how, to meet that threat, we may have to consider changes in the first sale doctrine and devise new technical encryption systems to protect the integrity of works in the digital format. The Berne revision process will continue in the W.I.P.O., with the next meetings scheduled for December 1994.

The Agreement establishes a TRIPs Council to oversee implementation of GATT/TRIPs. The Council acts as peacemaker/facilitator, and it is charged with establishing cooperative arrangements with the constituent bodies of the W.I.P.O., if possible and as appropriate. If it is thinking clearly on the subject, the WTO will move quickly to build bridges to the World Intellectual Property Organization. What it doesn't need is a rival or duplicative intellectual property bureaucracy.

With all of the deals having been stuck, and all the cards played, the balance of power will shift back to the W.I.P.O. for the unglamorous, day-to-day administration of the intellectual property system that has been its bread and butter for a century. On the norm-setting side¹⁵, the WTO is not institutionally congenial to the kind of technical but important debate that will now occupy the intellectual property mavens. They will spend the next ten years tidying up the details, and arguing over the unresolved issues. GATT engineered the *grande entente*. That was the fun, exciting part; what remains is largely process and minutiae. The Trade Ministers and Finance Ministers and their minions who will staff the WTO will quickly lose interest in the substantive detail as other more pressing problems rise to the fore and demand the attention of these sword-wielding gladiators. And left to attend to the intellectual property portfolio will be the expert agency—the World Intellectual Property Organization.

¹⁵ Since its establishment in 1897, the Copyright Office has been in the Legislative Branch as a department of the Library of Congress. In some ways this transfer of authority to the Executive Branch reflects the great importance the Clinton Administration attaches to copyright issues, and the Administration's conclusion that we need real political muscle that only the Executive Branch can mobilize to protect our vital copyright interests. George Clemenceau, the Premier of France, once opined that war is too important to be left to the generals. In the same way, the Executive Branch may have concluded that copyright is too important to be left to the Copyright Office. I may have been the last U.S. Register of Copyrights from the Legislative Branch to speak on behalf of the United States government.

The W.I.P.O. will continue its current negotiating projects. I see a danger in letting these problems fester over an extended period, while new problems continue to emerge. If left too long without correction, we could find our intellectual property world again so seriously out of kilter that the forces needed to correct it would be too great for the W.I.P.O. to muster. Once again, we would need a cataclysmic realignment in the WTO to restore the equilibrium. So it is very much in the interest of the W.I.P.O. to try to recapture its policy-making initiative by trying for a few easy victories. With a return to incrementalism and a series of modest improvements in the existing treaties and routine consolidations of the progress achieved in the GATT, the W.I.P.O. will keep ahead of the five-year review cycle in the WTO, and will set the pace rather than react defensively to external developments.

The prospect of the 5-year WTO review process could strengthen the hand of the World Intellectual Property Organization. It might encourage the parties to work out their differences in the orderly environment of the W.I.P.O., rather than in the sudden-death, take-it-or-leave-it horse-trading of the multilateral trade environment. The "traditional" copyright interests, like the composers and writers, might feel more comfortable in the W.I.P.O., where they have always spoken with a strong voice and received a sympathetic hearing. They worry that the WTO will brush aside their concerns, as the trade negotiators, impatient with theological debate, focus on the big ticket items like computer programs and sound recordings. Although the composers and writers might not account for billions of dollars in international revenues, they are cultural icons with political clout at home, and they will help keep the W.I.P.O. at the center of the action. And on the patent side, we've hit a snag on patent harmonization, but could anyone suggest that the WTO would be the best forum to resolve the tough problem of first-to-file or first-to-invent?

Of course, on the enforcement side, the WTO will remain heavily involved, and the details of its relationship with the W.I.P.O. remain to be worked out. The Director General of GATT, Peter Sutherland, predicts a great increase in the demand for conciliation and mediation of disputes before they become subject to formal panel procedures. This could strain WTO resources to the breaking point. I see a role here for the experts at the World Intellectual Property Organization. They will help staff and advise those impartial bodies.¹⁶ In fact, the W.I.P.O. has established a mediation and arbitration center to handle disputes between private parties,

¹⁶ The GATT agreement makes clear that it expects the W.I.P.O. to continue its norm-setting activities. It says that any procedures relating to acquisition or maintenance of intellectual property rights in multilateral agreements concluded under the aegis of the W.I.P.O. are not subject to the obligations of GATT/TRIPs concerning national treatment and MFN, so W.I.P.O. has a

and it will open its doors in October. It could end up as a more desirable venue than the WTO forum.

More generally, the agreement permits limitations on licensing practices that may have an anti-competitive effect. Patent and trademark misuse, and the growing concept of copyright misuse, could become a primary topic of discussion in the years ahead, and is already getting increased scrutiny from enforcement officials in the United States. Some experts also see the interface between intellectual property and anti-monopoly law as an area of growing importance. The W.I.P.O. might want to focus its attention on this matter as a long-term concern.

Another task to which the W.I.P.O. might lend its unique expertise relates to the lack of legislative history for the GATT/TRIPs negotiations. It could help GATT write this history for the use of scholars, judges, and arbitrators. That history will also help the W.I.P.O. establish the baseline on which it will ground its own future negotiations. The General Counsel and Assistant Director General of the W.I.P.O., Dr. Gus Ledakis, sees several opportunities to develop the equivalent of a negotiating history similar to the valuable record the W.I.P.O. preserves for the Paris Convention and the Berne Convention. In his view,

- the dispute settlement procedure will encourage the parties to place their interpretive histories on the record;
- the periodic trade reviews that the governments will undertake with regard to TRIPs will give governments the opportunity to commit their understanding of various provisions to paper; and
- after 5 years the Council will propose amendments to TRIPs after studying its experience in the real world. This process will again provide an opportunity to write a history of the provisions of TRIPs.

In the meantime, several authors have prepared almost contemporaneous accounts of the negotiating history, and they should be useful, as should the scholarly articles by law professors and government negotiators that will appear in the next few months.¹⁷

Even so, it would appeal to the scholar in all of us if the W.I.P.O. undertook a leadership role in memorializing this Great Leap Forward in the history of intellectual property, perhaps in connection with the formal upgrading of the Conventions themselves. In fact, always true to its re-

mandate to fashion agreements that can't be shoehorned retroactively into the GATT agreement and its enforcement procedure.

¹⁷ One of the most convincing arguments the Swiss raised against the possible move of the WTO to Bonn, Germany was the need for the organization to be near the substantive agencies, like the World Intellectual Property Organization.

sponsibilities, the W.I.P.O., in its latest documentation for the meetings of the Committees of Experts on the Berne Protocol and possible New Instrument, provides a detailed discussion of the relevant portions of the GATT/TRIPs text and a thoughtful analysis as well. So the integration has already begun.

VII. CONCLUSION

The rapid evolution in international intellectual property reflects its increased importance in world trade, its role in creating a national identity, and its impact on the social and economic well-being of nations. What could not be secured in the W.I.P.O. in the 1970's and early 80's set the agenda for the GATT in the late 80's. What could not be secured in GATT/TRIPs in the 90's is the most ambitious and important part of the agenda for the W.I.P.O. in the years ahead.

The list of GATT/TRIPs leftovers remains long, and new issues fight for space on our agenda. We must resolve these arcane issues as quickly as possible, and to succeed we need the thoughtful consideration that only the W.I.P.O. can bring to bear.

There's work to be done, and the W.I.P.O. is ready to do it.

**DATABASE PROTECTION AFTER
*FEIST v. RURAL TELEPHONE CO.***

by WILLIAM S. STRONG

THE ARGUMENT

The question of what protection should be given to compilations of facts has bedeviled the law of copyright for decades. In 1990 the U.S. Supreme Court, in *Feist Publications, Inc. v. Rural Telephone Service Co.*, 111 S. Ct. 1282 (1990), sought to answer it definitively. The Court firmly rejected the theory which had previously been espoused in most circuits,¹ to the effect that copyright protects not only the selection and arrangement of facts but the underlying facts themselves, if sufficient "industrious collection" or "sweat of the brow" has gone into their accumulation. Instead, the Court endorsed (with some embellishments of its own) the stricter standard espoused by the Second Circuit, requiring originality in the selection, coordination, or arrangement of the data.²

The Court did set to rout the forces of apostasy, the industrious collectors; it won the war. But it did not win the peace. *Feist* is an opinion inordinately delphic even by Supreme Court standards. The work of putting together a coherent framework for protecting compilations has been left to the lower courts.

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¹ Representative cases include *Konor Enterprises, Inc. v. Eagle Publications, Inc.*, 878 F.2d 138 (4th Cir. 1989); *Schroeder v. William Morrow & Co.*, 566 F.2d 3 (7th Cir. 1977); *Hutchinson Telephone Co. v. Fronteer Directory Co. of Minnesota, Inc.*, 770 F.2d 128 (8th Cir. 1985); *Leon v. Pacific Tel. & Tel. Co.*, 91 F.2d 484 (9th Cir. 1937), *but see* *Worth v. Selchow & Righter Co.*, 827 F.2d 569, 573 (9th Cir. 1987), which tries to back away from protection of "research or labor" without repudiating *Leon*; *Southern Bell Tel. & Tel. Co. v. Associated Telephone Directory Publishers*, 756 F.2d 801 (11th Cir. 1985). Although there was a clear doctrinal split among the circuits, the Supreme Court did not choose to acknowledge it as such. It said only that "some courts have misunderstood the statute," citing *Leon* and one Second Circuit case that, as the Court noted elsewhere, the Second Circuit had long since abandoned.

² A representative case from the Second Circuit, and one which the Supreme Court cited with approval, is *Financial Information, Inc. v. Moody's Investors Service, Inc.*, 751 F.2d 501 (2d Cir. 1984). The Fifth Circuit too had criticized the sweat of the brow theory but seemed to acquiesce grudgingly in its application to directories: "[I]t may be better to recognize the directory cases as being in a category by themselves rather than to attempt to bring their result and rationale to bear on non-directory cases." *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365, 1370 (5th Cir. 1981).

A framework has in fact emerged from *Feist* and its progeny. While not all of its pieces are yet in place, the essential structure is this:

- (1) The mere amassing of data, even if with innovative technique, is not copyrightable.
- (2) What makes a compilation of data copyrightable as such—apart from any explanatory text that accompanies it—is the selection, coordination, or arrangement of those data. Without at least one of those elements—selection, coordination or arrangement—no database will be copyrightable. Thus, a database that aims to be comprehensive will show no selectivity and will thus be copyrightable only if it is coordinated or arranged in a copyrightable manner.
- (3) The selection or arrangement³ needed to secure a copyright must not only be original—in the sense of not being copied by the author from another source—but also “creative”—a standard no court (including the Supreme Court itself) has managed to explicate.
- (4) Selection and arrangement must have an element of subjectivity; that is to say, they must embody the particular taste, opinion, or judgment of the compiler.
- (5) Selection and arrangement can occur at either the “macro” level—i.e., the level of data categories—or the “micro” level—i.e., at the level of individual data items.
- (6) Selection or arrangement will not be protected to the extent that the resulting database has functional utility—for example, if it is part of a system for predicting the outcome of events.
- (7) Selection and arrangement at the macro level must be closely scrutinized for “merger” of idea and expression. This is especially true if they result from the formulation of rules and the application of those rules to a body of data. Selection and arrangement at the micro level are less likely to be found to merge idea and expression.
- (8) Infringement of a database will be judged by comparing the selection or arrangement of the two works, not the data themselves. Copying of data is not an infringement if the selection and arrangement in defendant’s work are not substantially similar to the selection and arrangement in plaintiff’s work. Even a significant overlap in the selection or arrangement will be excused if the defendant’s database results from independent subjective judgment and does not piggyback on the plaintiff’s.

³ I will not hereafter use the term “coordinated,” although it appears in the statutory definition of “compilation.” 17 U.S.C. § 101. I have found no gloss on what it means that might distinguish it from “arranged.” To the extent that it has a separate meaning—and one must assume it does, else it would not appear in the statute—what is said here about arrangement would seem to apply with equal force to coordination.

The purpose of this article will be to show how these principles have emerged from the past three or four years of case law.

THE PLAY

As with most types of copyrighted works, compilations pose two basic questions. First: what standard should be applied in judging them copyrightable or not? Second: if they are indeed copyrightable, by that standard, what must an owner show to prove infringement—or, to put it another way, what use may a subsequent author make of the work while avoiding infringement?

I. Copyrightability of Compilations

A “compilation” is defined in § 101 of the Copyright Act as a “work formed by the collection and assembly 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.” This definition is more opaque than it may first appear, but in one respect at least it seems transparent: collection and assembly of data are not enough; the data must be selected, coordinated, or arranged in some way that rises to the level of authorship. Considering how clearly Congress spoke on this point, the tenacity of the “sweat of the brow” theory is remarkable.⁴

But beyond telling us that authorship in a compilation requires “selection, coordination, or arrangement,” the statute gives us little help.

What does “in such a way that the resulting work as a whole constitutes an original work of authorship” mean? What kind of “selection, coordination, or arrangement” will give birth to a copyright?

Prior to *Feist*, originality had in general been understood in copyright jurisprudence in a narrow sense: a work was “original” if it was the product of the author’s own mind, without reference to prior works. *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir.), cert. denied 298 U.S. 669 (1936). In *Feist*, the Court went further, and added a new requirement which, it said, was mandated by the U.S. Constitution:

Original, as the term is used in copyright, means . . . that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity . . . To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice. The vast majority of works make the grade quite easily, as they pos-

⁴ Indeed, it endured even beyond *Feist*, though not for long. In 1991, the Eleventh Circuit strained to uphold a copyright in certain telephone book yellow pages, but finally gave up the attempt in an en banc reversal in 1993. See the cases cited in footnote 15 below.

sess some creative spark, “no matter how crude, humble, or obvious” it might be.

Id. at 1287 (citations omitted, emphasis supplied).

Applying this standard to factual compilations, the Court observed:

The compilation author typically chooses which facts to include, in what order to place them, and how to arrange the collected data so that they may be used effectively by readers. These choices as to selection and arrangement, so long as they are made independently by the compiler and entail a minimal degree of creativity, are sufficiently original that Congress may protect such compilations through the copyright laws.

Id. at 1289 (citations omitted).

The Court noted, however, that “the copyright in a factual compilation is thin,” because a subsequent compiler “remains free to use the facts contained in another’s publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement.” *Id.*

Previous copyright jurisprudence is almost entirely bare of any reference to “creativity,” and the statute does not use the word.⁵ The Court did not define what creativity means. It said only that the work before it, a telephone white pages, lacked the necessary “spark;” it gave little guidance in how to identify creativity in other works.

The Court further said:

[T]here is nothing remotely creative about arranging names alphabetically in a white pages directory. It is an age-old practice, firmly rooted in tradition and so commonplace that it has come to be expected as a matter of course. It is not only unoriginal, it is practically inevitable . . . Given that some works must fail, we cannot imagine a more likely candidate.

Id. at 1297. This does not much help us understand the legal meaning of creativity. The Court seems here to be using the terms originality and creativity interchangeably: it says that alphabetical arrangement is not creative because it is an age-old, commonplace practice. The problem with saying that an age-old, commonplace practice lacks creativity is that if something is age-old, let alone commonplace, it is probably not even “original” with the new author, in the traditional copyright sense. If it is

⁵ Attempts to introduce the concept of creativity into the 1976 Copyright Act failed. See Patry, *Copyright in Compilations of Fact (or Why the “White Pages” Are Not Copyrightable)*, 12 *Communications and the Law* 37, 52-57 (Dec. 1990).

commonplace then we can only safely assume that the author had knowledge of it, hence there can be no copyright.

In an early post-*Feist* decision, *Kregos v. Associated Press*, 937 F.2d 700 (2d Cir. 1991), the Second Circuit fell into the same trap in trying to assess the creativity in plaintiff's tables of baseball pitching statistics. That court said: "Even if Kregos could satisfy that burden [of showing that he had not copied from a prior source], the issue would then arise as to whether the *previously published selections of statistics* had reached the point where it could be said that Kregos' selection was insufficiently creative, or in the words of *Feist*, 'entirely typical,' 'garden variety,' or 'obvious.' In view of the variety of pitching forms disclosed in the record, it is unlikely that such a conclusion could be reached . . ." (937 F.2d at 705; emphasis supplied.)

Shortly before the passage just quoted, the court discussed the range of choices of data available to the plaintiff, in assessing whether plaintiff had met *Feist's* standard of creativity (937 F.2d at 704-705). The court found the range of choices to be numerous. Yet it is difficult to see—and the court does not explain—what the breadth of choice has to do with creativity, unless creativity means the same thing as expressing an idea that is not limited in its range of expression—in which case we simply have the merger doctrine in different clothing.⁶

Viewing the terms "originality" and "creativity" as interchangeable is at odds with the first passage from *Feist* cited above in which the Court seems to regard creativity as one of two *separate* criteria for originality. Perhaps listing names alphabetically is so commonplace that we cannot distinguish between its lack of subjective originality and its lack of creativity. But the Court makes it clear that it claims universality for its creativity criterion, without informing us how to tell originality and creativity apart.

Something else in this passage merits attention: the comment that alphabetical listing is "practically inevitable." Inevitability is explicitly stated to be different from unoriginality. But what does the concept mean? Are the white pages "inevitable" in light of market demands? Consumer expectations? The very concept of a directory? The Court does not say, though the answer, could we find it, would have some significance.

In her article, *No "Sweat"? Copyright and Other Protection of Works of Information After Feist v. Rural Telephone*, 92 Col. L. Rev. 338, 344 (1992), Professor Ginsburg expresses concern that the Supreme Court's terminology may lead lower courts to adapt a more patent-like approach to compilation copyright, denying protection in the absence of novelty. To date that fear has proved largely unfounded, with perhaps one notable

⁶ The merger doctrine is discussed below at greater length.

exception. In *Warren Publishing, Inc. v. Microdos Data Corp.*, CCH Copr. L Dec. ¶ 26, 928 (N.D. Ga. 1992), the court seems to equate creativity with non-obviousness in the patent sense: "These facts prove to the court that the vast majority of the data fields are obvious to those in the industry . . . There simply is not the creativity necessary in the selection of the data fields to be published to warrant copyright protection." (*Id.* at p. 25,395.) This must be viewed as a gallant but wrong-headed attempt to give some flesh to the Supreme Court's notion of "creativity." Fortunately, it has not to date attracted imitation.

Taken at face value, the passages cited above from *Feist* contain certain other troubling concepts:

- (1) that if one arranges facts "so that they may be used effectively by readers," the result is eligible for copyright without further inquiry; and
- (2) that if a competing work "feature[s] the same selection and arrangement," it will necessarily infringe the plaintiff's work.

The first of these ignores the possibility that considerations of "effectiveness" may so limit the field of expression in practical terms that to grant a copyright means to grant a monopoly in the *function*. The latter assumes, too generously, that all selections and arrangements that are original and creative will constitute protectable expression. Both statements, in short, and indeed the *Feist* decision as a whole—take no notice of the doctrine of "merger," which holds that where an idea and its expression are inseparable, or nearly so, no copyright will be extended to the expression. *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675 (1st Cir. 1967).⁷

The Court's failure to refer to the merger doctrine may have been deliberate: not that the Court rejected it on doctrinal grounds, but that it had bigger fish to fry. The doctrine could easily have been used to dispose of plaintiff's claim, since there is no distinction between the ideas implicit in a white pages directory, and the expression of those ideas.⁸ Instead, the Court attacked the very root of plaintiff's claim of originality. The Court was intent on demolishing the sweat of the brow doctrine, and a merger analysis would not have achieved that goal.

Having achieved its goal of demolition, the Court had one task left to it: to give guidance as to what is protectable expression, where compila-

⁷ The nearest the Court comes to any merger analysis is perhaps its observation that the arrangement of plaintiff's white pages was "inevitable," if by "inevitable" we take the Court to say, "compelled by considerations of utility." This cannot easily be squared with granting copyright to arrangements of facts designed so that they may be "used effectively by readers."

⁸ This was conclusively stated later in *BellSouth Advertising & Publishing Corp. v. Donnelley Information Publishing, Inc.*, 999 F.2d 1436 (11th Cir. 1993), as will be discussed below.

tions of fact are concerned. Here, the Court's opinion loses its almost Wagnerian sense of mastery and descends to platitudes:

These choices as to selection and arrangement, so long as they are made independently by the compiler and entail a minimal degree of creativity, are sufficiently original that Congress may protect such compilations through the copyright laws . . . Thus, even a directory that contains absolutely no protectable written expression, only facts, meets the constitutional minimum for copyright protection if it features an original selection or arrangement . . .

Where the compilation author adds no written expression but rather lets the facts speak for themselves, the expressive element is more elusive. The only conceivable expression is the manner in which the compiler has selected and arranged the facts. Thus, if the selection and arrangement are original, these elements of the work are eligible for copyright protection.

Expression is thus defined as the "manner" in which the compiler has selected and arranged facts. But what *sort* of manner will pass muster? The Court does not say.

Feist demands that we seek creativity in the selecting and arranging of data. This is in no small metaphysical task. It requires that we understand the nature of the creative act that goes into making a compilation. And whatever definition we arrive at must satisfy not only the ordinary human meaning of creativity but also the strictures of copyright law.

Feist tells us that mere drudgery, the mechanical accumulation of facts, is not creative. Common English usage would agree. But—and this is a flaw in *Feist*—common English usage of "creativity" is not on all fours with copyright principles. In ordinary life we consider people "creative" who come up with a new way of solving a problem. Many of the world's most creative acts have involved the formulation of new ideas, the discovery of new facts and scientific formulas. But none of these creative acts gives rise to anything copyrightable. So we must analyze the act of creating a database closely, to determine what copyrightable *expression* emerges from it.

The creator of a database responds first to a perceived need for information, be it baseball card rankings, the names of Chinatown vendors, a comprehensive catalogue of U.S. trademarks, or a guide to the streets of New York. Perceiving the need is often a highly creative act; like a songwriter or stand-up comic, the database organizer taps some unspoken desire of the public. Yet at this stage he or she has produced only an idea, and the idea is clearly not copyrightable.

The next step, we may imagine, in most cases is to build a framework for the data. In order to know what data to gather, one must know what data are needed, and this involves formulating rules and identifying categories. For example, imagine that we have identified a need for a nationwide directory of bus schedules. Before we could set out to amass our facts we would need to know what facts we want. The list would certainly contain arrival and departure times, connections, express vs. local, type of bus (standard vs. equipped with video monitors), and so on.

This process of defining rules and categories can itself be highly creative. But it is not necessarily so. Do we say that the author of the National Bus Guide has expressed an idea by his selection of the *categories* of data? Or do we say that his choices are limited or dictated by external demands of utility or of the marketplace, and hence not copyrightable? *Sem-Torq, Inc. v. K Mart Corp.*, 936 F.2d 851, 854-855 (6th Cir. 1991); *Plains Cotton Cooperative Association v. Goodpasture Computer Services, Inc.*, 807 F.2d 1256, *cert. denied*, 484 U.S. 821 (1987). Is the idea of a database of all U.S. bus schedules expressible in so few choices of data categories that idea and expression are treated as merged? These are key questions for many databases. But *Feist* gives us no guidance in answering them.

The next step is the actual assembly of data. In the National Bus Guide example, we have reached the stage of mere drudgery. Having defined the categories, the compiler's sole remaining task is to gather the data and present it in a comprehensible format. Since the data to be included are predetermined once the categories are chosen, there is no copyrightable expression in the database at all unless it lies in the previous step, the selection of categories. But not all databases flow inevitably from the rules that govern them. In a list of the best places to eat in New York City every name on the list will by definition be individually selected. Each is a product of judgment, and though that judgment may apply certain criteria—food quality, value, ambience, wine list, etc.—it is inherently subjective. It is inevitably driven by the author's own taste. At this level we have reached something that can only be called expression. Whether this example is the paradigm for copyrightable expression in databases, or merely defines one end of the spectrum, is another key question.

In an early post-*Feist* database case, the Second Circuit, whose general approach to compilation copyright *Feist* had endorsed, had to deal with a "yellow pages" directory. In *Key Publications Inc. v. Chinatown Today Publishing Enterprises, Inc.*, 945 F.2d 509 (2d Cir. 1991), the Second Circuit found a classified business directory for New York City's Chinese-American community to be copyrightable but found no infringement of the directory, even though 17% of the listings were copied by a competitor. The court focused not on the degree of factual overlap, but (ostensi-

bly) on “whether the organizing principle guiding the selection of businesses for the two publications [was] in fact substantially similar.” *Id.* at 516. Analyzing this, the court goes on to say:

Nor does the fact that [defendant] may have copied the names and addresses it selected from the 1989-90 Key Directory support a finding of infringement so long as the principles guiding that selection differ from those of the copied work. Compilers operating under different principles of selection are not obligated to repeat factual research already undertaken and completed by others.

Impliedly, then, the court is saying that “organizing principles” are the expression that copyright protects in a compilation.

This formulation is, I submit, unfortunate. Certainly, nothing in *Feist* supports such a broad holding. What *Feist* says on this point is actually rather narrow and unobjectionable:

... a subsequent compiler remains free to use the facts contained in another’s publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement.

111 S. Ct. at 1289. *Feist* did not prescribe *what sort of selection* the defendant may not feature.

Strong arguments militate against the notion that an “organizing principle” can itself be copyrightable. First, an “organizing principle” as such is only a principle, and Section 102(b) of the Copyright Act (17 U.S.C. § 102(b)) expressly denies copyright to principles, as to ideas and facts. Second, if organizing principles by themselves were copyrightable, then one could be held to infringe copyright if one lifted the organizing principle from one database and applied it to a totally different set of raw data, notwithstanding that the latter work would bear no resemblance to the former in any detail. A list of Boston’s most eligible bachelors would be infringed by a list of New York’s most eligible bachelors, merely because the criteria used were the same. Since the works we are supposed to be comparing are *compilations of facts*, such a result is clearly wrong. The only rational conclusion is that the copyright lies in what results from the application of the compiler’s organizing principle to the available facts. Elsewhere in its opinion the court appears to recognize this. See 945 F.2d at 512.

Actually, one looks in vain for any “organizing principle” in plaintiff’s work in *Key Publications*. What the court identifies as plaintiff’s original expression is, rather, (1) plaintiff’s “thought and creativity” in excluding from its directory certain businesses that the plaintiff thought would not “remain open very long, such as certain insurance brokers, take-out res-

taurants, and traditional Chinese medical practitioners," *id.* at 513, and (2) plaintiff's choice of categories into which to organize the businesses listed in its directory. These elements of, respectively, selection and arrangement, do not rise to the level of "organizing principles."

It was perhaps plaintiff's organizing principle to exclude firms that were likely to be short-lived. But the court locates expression not in that principle but in the particular choices made by plaintiff in applying that principle: the particular brokers, restaurants, and so on that the plaintiff excluded. Likewise with plaintiff's choices of categories: where is the principle that led plaintiff to include "Bean Curd and Bean Sprout Shops?"⁹

Although the decision on its facts seems defensible, the opinion cannot be said to shed light on the meaning of *Feist*. It accepts the elements just noted as comprising copyrightable expression, but it never articulates its reasons for doing so. It gives no guidance on how to weed out unprotectable selections and arrangements from protectable ones.

For that one must look to certain other Second Circuit cases, both pre- and post-*Feist*, and to the post-*Feist* Eleventh Circuit opinion in *BellSouth Advertising & Publishing Corp. v. Donnelley Information Publishing, Inc.*, 999 F.2d 1436 (11th Cir. 1993). As one studies these other cases the thing that emerges most starkly is how important the merger doctrine has become in assessing compilation copyrights. This is perhaps not surprising. If "sweat of the brow" theory had to be invented to protect so many compilations in the past, was it not predictable that when this theory came to be stripped away many compilations would be left with but a fig leaf of protection?

Certain pre-*Feist* cases had applied the merger doctrine, first developed in *Morrissey v. Procter & Gamble, supra*, to compilations of other sorts. See, e.g., *Cooling Systems & Flexibles, Inc. v. Stuart Radiator*, 777 F.2d 485, 491-492 (9th Cir. 1985) ("Here the range of possible expressions is extremely narrow; it embraces only variations on a catalog arrangement . . . [t]he facts about replacement radiators cannot be expressed in a wide variety of ways."); *Matthew Bender & Co. v. Kluwer Law Book Publishers, Inc.*, 672 F. Supp. 107, 110 (S.D.N.Y. 1987) ("While in theory there are numerous ways to place this information [concerning the outcome of medical malpractice cases] in chart form, from practical point of view the

⁹ With questionable justification, the court seemed to find it original that plaintiff included categories such as "Bean Curd and Bean Sprout Shops" in addition to categories such as "Accountants" and "Bridal Shops" that are used in other directories. It would seem to the ordinary lay observer that a Chinatown directory that failed to include such a category was not serving its customers. The entire concept of arrangement copyright that Court adopts here is at odds with the reasoning in *BellSouth*, discussed below.

number of ways to organize this information in a useful and accessible manner is limited.") Since *Feist*, a leading case applying merger analysis to compilations (but of a different sort from directories) is *Kregos v. Associated Press*, 937 F.2d 700 (2d Cir. 1991) (*Kregos II*," to distinguish it from the other three reported opinions in the matter.)¹⁰

In *Kregos II*, the Second Circuit upheld copyright in a "pitching form," i.e., a compilation of statistics concerning professional baseball pitchers. Kregos claimed copyright in his selection of nine categories of historical data. The Court agreed, noting however: "we confess to some unease because of the risk that selection of data, or as in this case, categories of data, have the potential for according protection to ideas." 937 F.2d at 707. The court found it significant that (1) other pitching forms on the market contained substantially different selections of data categories—suggesting that each author's selection of categories was a matter of taste and opinion—and (2) Kregos "did not present his selection as a method of predicting the outcome of baseball games." *Id.* at 706.

This last assertion may at first strike the reader as a bit disingenuous. After all, as the court acknowledges, Mr. Kregos intended to produce an "outcome predictive pitching form," i.e., a form whose statistics, properly interpreted, would assist the reader in guessing which of two teams was likely to win a game based on, among other things, the pitcher's past performance against the same opponents in the same ballpark. What saved Kregos from the terrible fate of merger—besides the fact that other pitching forms on the market used substantially different sets of statistics—was that Kregos did not "go so far as to provide a system for weighing the combined value of the nine characteristics for each of two opposing pitchers and determining a probability as to which is more likely to win . . . Kregos has been content to select categories of data that he obviously believes have some predictive power, but has left it to all sports page readers to make their own judgments as to the likely outcomes from the sets of data he had selected." 937 F.2d at 707.

Fundamentally, one suspects that the court conceded Kregos his copyright because it accorded so little value to his work. In a footnote, the court observes that a set of statistics with real predictive power might be

¹⁰ It should be noted in passing that *Kregos II* views the merger doctrine not as invalidating plaintiffs' copyrights but as limiting the scope of infringement. This distinction is essentially one without a difference, in terms of outcome. A valid copyright registration is nothing but a wall ornament if others are free to copy the work due to the merger doctrine. In his dissent, Judge Sweet notes that though the approach of the majority opinion is approved by Professor Nimmer it is contrary to the rule in most jurisdictions. Nor is the court's own language consistent on this issue, as the reader will observe in the next quoted passage. However, the finer points of the debate are beyond the scope of this article.

subject to merger regardless of whether its author laid claim to such power. *Id.*, fn. 4. Luckily for *Kregos*, the court seems to have politely regarded him as peddling the informational equivalent of patent medicine.

Ironically, the most important thing about *Kregos* from the merger viewpoint is not its holding, but what it says its holding would have been under different facts. It indicates a readiness to deny copyright to statistical selections that have demonstrable utility. The "unease" that the court confessed to comes from the following hypothetical discussion:

Our concern may be illustrated by an example of a doctor who publishes a list of symptoms that he believes provides a helpful diagnosis of a disease. There might be many combinations of symptoms that others could select for the same purpose, but a substantial question would nonetheless arise as to whether that doctor could obtain a copyright in his list, based on the originality of his selection. If the idea that the doctor is deemed to be expressing is the general idea that the disease in question can be identified by observable symptoms then the idea might not merge into the doctor's particular expression of that idea by his selection of symptoms. That general idea might remain capable of many other expressions. But it is arguable that the doctor has conceived a more precise idea—namely, the idea that his selection of symptoms is a useful identifier of the disease. That more limited idea can be expressed only by his selection of symptoms, and therefore might be said to have merged into his expression.

As long as selections of facts involve matters of taste and personal opinion, there is no serious risk that withholding the merger doctrine will extend protection to an idea. That was surely the case with the selection of premium baseball cards in *Eckes*. It is also true of a selection of prominent families for inclusion in a social director. See *Social Register Ass'n v. Murphy*, 128 F. 116 (C.C.D.R.I. 1904); see also *New York Times Co. v. Roxbury Data Interface, Inc.*, 434 F. Supp. 217, 222 n.2 (D.N.J. 1977). However, where a selection of data is the first step in an analysis that yields a precise result or even a better-than-average probability of the some result, protecting the "expression" of the selection would clearly risk protecting the idea of the analysis.

The principles that can be distilled from *Kregos II* seem to be these:

- (1) a selection of categories of data can be protectable expression, provided the selection reflects the taste or personal opinion of the author; but

- (2) to the extent that the author's selection has a demonstrable utility, or is part of a utilitarian whole (e.g., packaged with instructions in how to apply the data) it probably runs afoul of the merger doctrine.¹¹

In denying protection to those portions of works that are dictated by utilitarian considerations, the *Kregos* court puts compilations on an even footing with computer programs.¹² No longer are compilations to be regarded as aberrational, outside the copyright mainstream.¹³

The dichotomy *Kregos* suggests between works of personal taste and opinion and works dictated by external considerations suggest what may lie at the root of the Supreme Court's half-articulated concern for creativity. If works of personal taste and opinion are the paradigm, it may be because we instinctively seek the imprint of the author's own personality on his or her work. The old-fashioned phrase "creative spark" appears in *Feist*, 111 S. Ct. at 1287, and it may be that this romantic notion is no mere slip of the rhetorical tongue.¹⁴

However that may be, what are the implications of *Kregos II* for standard reference databases such as the National Bus Guide?

To the extent that *Kregos II* accords copyright to selections of data categories, it can do so because the plaintiff had available to him a wide universe of possible categories. By contrast, in a directory like the National Bus Guide the universe is closely defined and the only "selections" one can make must be rationally related to a utilitarian end. Everything that a traveler would need to know in planning an itinerary is there. *Kregos II* indicates that such a selection should not be copyrightable. *Id.* at 707.

In *BellSouth*, *supra*, the Eleventh Circuit applied the merger doctrine with results devastating to the plaintiff.¹⁵ Like *Key Publications*, *BellSouth*

¹¹ The principle articulated here seems to have been overlooked in *Budish v. Gordon*, 784 F. Supp. 1320 (N.D. Ohio 1992), a decision enforcing copyright in certain tables of information on Medicaid eligibility and related topics. However, to the extent that the decision rests on the tabular arrangement of data its result may be correct.

¹² *Computer Associates International, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992).

¹³ See *Miller v. Universal City Studios*, *supra* at note 2.

¹⁴ There is something of the same flavor in the following passage from *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 547 (1985), cited with approval in *Feist*, 111 S. Ct. at 1290:

[N]o author may copyright facts or ideas. The copyright is limited to those aspects of the work—termed "expression"—that display the stamp of the author's originality.

¹⁵ This decision *en banc* overruled the Eleventh Circuit's earlier opinion, published at 933 F.2d 952 (11th Cir. 1991), which had been vacated at 977 F.2d 1435 (11th Cir. 1992). Intervening cases that relied in any degree on the court's initial ruling must be regarded as artifacts. See, e.g., *BellSouth Ad-*

dealt with a telephone yellow pages directory. The difference in the two courts' approaches to the problem is highly instructive. Consider these statements from *BellSouth*:

. . . [Plaintiff] BAPCO arranged its directory in an alphabetized list of business types, with individual businesses listed in alphabetical order under the applicable headings . . . Because this is the one way to construct a useful business directory, the arrangement has "merged" with the idea of a business directory, and thus is uncopyrightable.

999 F.2d at 1442 (emphasis supplied).

* * *

Considering the extent to which the heading structure of a classified business directory is dictated by functional considerations and common industry practice, the differences apparent in the glossary of headings employed by [defendant] Donnelly are sufficient to rebut any inference of copying that otherwise might be drawn from those terms that are common to both directories.

999 F.2d at 1443.

* * *

Additionally, BAPCO failed to present evidence that, even if copied, its heading structure constitutes original expression warranting copyright protection . . . [A]ny expressive act in including a category such as "Banks" or in dividing "Attorneys" into categories such as "Bankruptcy" or "Criminal Law" would lose copyright protection because it would merge with the idea of listing such entities as a class of business in a business directory.

999 F.2d at 1444.

Of these statements, the last is the most portentous. What it says is that the idea of listing Bankruptcy Lawyers (for example) as a class of business is indistinguishable from the expression of that idea in the particular listing done by plaintiff. The *BellSouth* court, had it wished to be expansive in protecting plaintiff's work, could have held that arranging businesses by type is the idea, and that any choice of categories would amount to expression of that idea. Instead, the court found that the specific choice of categories is itself idea.

vertising & Publishing Corp. v. American Business Lists, Inc., CCH Copr. L. Dec. ¶ 27,017 (N.D. Ga. 1992), and perhaps Warren Publishing Co. v. Microdos Data Corp., CCH Copr. L. Dec. ¶ 26,928 (N.D. Ga. 1992), discussed *infra* at note 19.

Can this holding be reconciled with *Kregos II*, which found the inclusion of certain categories of data to be copyrightable provided they were not selected for utilitarian reasons? Yes, if we realize the very different uses to which categories are put in the two cases.

Kregos II speaks of selection of data, whereas in the passage just quoted *BellSouth* is speaking of the arrangement of data.¹⁶

In *Kregos II* plaintiff has a copyright in its selection of data categories because those categories were drawn from a wide universe of possible categories. The selection is not made fact-by-fact but category-by-category, but it is nonetheless a selection which creates a work of authorship. In *BellSouth*, by contrast, plaintiff is not engaged in the selecting of data or even categories of data. It aspires to include all businesses in its yellow pages—at least all businesses that have paid to be listed—and has amassed its data accordingly. Its choice of categories does not act to include some data and exclude others but merely to shuffle data around from one heading to the next.

Had plaintiff in *BellSouth* been publishing a book called *Everything You Need to Know to Do Business in Miami*, it would probably have included Bankruptcy Attorneys and excluded (or so one would hope) Criminal Attorneys. This, together with a hundred other such choices, would under *Kregos II* have risen to the level of copyrightable expression. But that is selection, not arrangement.

In *arranging* a business directory, says *BellSouth*, the whole idea is to organize businesses by category. The choice of categories is nothing but a more finely tuned version of this basic idea. It is not expression, or if it is, it cannot be distinguished from idea.

What sort of arrangement would the *BellSouth* court find to be copyrightable? Under some circumstances, the physical arrangement of data on the page can be protected. *BellSouth* briefly discusses the physical arrangement of data on the page, finding the parties' works to be quite different in that respect. 999 F.2d at 1444.¹⁷ But can there be copyright in

¹⁶ *BellSouth's* discussion of plaintiff's selection of data is limited. It finds that the trial court mistook the plaintiff's methods and techniques of collecting data for an expressive selection of data, and summarily overrules the decision below. 999 F.2d at 1441.

¹⁷ It goes perhaps without saying that physical arrangement of data should be analyzed no differently from content-based arrangement. See *Victor Lalli Enterprises, Inc. v. Big Red Apple, Inc.*, 936 F.2d 671 (2d Cir. 1991), denying copyright to "purely functional grids" in which information is arranged; *Sinai v. California Bureau of Automotive Repair*, 25 U.S.P.Q. 2d 1810 (N.D. Cal. 1992), denying copyright to a chart that "contains columns and appears as a grid" on which information is arranged; and *Kregos II*, denying copyright to an "obvious," "garden-variety," arrangement of data in columns. 937 F.2d at 709. Cf. *Budish v. Gordon*, discussed in footnote 11

the arrangement of data into categories? As noted above, *Key Publications* says that categorization of Yellow pages listings can be copyrightable, specifically citing the example of "Bean Curd and Bean Sprout Shops." The *BellSouth* court would obviously disagree, if we read *Key Publications* (as it seems we must) to say that the mere establishment of such categories is itself copyrightable expression. The *BellSouth* opinion holds that the expression inherent in the choice of categories cannot be distinguished from the idea of establishing such categories.

BellSouth seems to have the better of this argument. The idea of breaking down "Food Shops" into its component parts seems to lead ineluctably to whatever "expression" we find in "Bean Curd and Bean Sprout Shops," in which case the idea and its expression must be viewed as merged. One might add that the nature of the businesses in the database will itself largely determine not only the categories chosen, but also the allocation of various businesses to the chosen categories, thus calling the very existence of expression into doubt. The failure of the *Key Publications* court even to address the merger issue entitles its holding to little weight in this argument.

Would an arrangement of business listings by neighborhood, for example, fare better?¹⁸ That is to say: assuming an arrangement by neighborhood to be *original*, in contrast to the standard yellow pages arrangement used by the plaintiff in *BellSouth*, would it avoid the merger doctrine? Arguably it would, but not because of its originality or even novelty. The idea of such an arrangement, however original, is only an idea. But the practical application of the idea to the data at hand would, at least arguably, lead to copyrightable expression, because in applying it one would have to make personal choices as to the boundaries of neighborhoods. There is no room for personal expression in separating bankruptcy attorneys from criminal lawyers; they are what they are. There is room, however, to argue over where one neighborhood begins and another ends, and where there is room to argue there is room for expression.¹⁹

above, and *U.S. Payphone, Inc. v. Executives Unlimited of Durham, Inc.*, 18 U.S.P.Q. 2d 2049 (4th Cir. 1991). Maps, being the ultimate pictorial representations of data, are more generally copyrightable. See, e.g., *Mason v. Montgomery Data, Inc.*, 967 F.2d 135 (5th Cir. 1992).

¹⁸ The court in *BellSouth* discusses this option in a different context, without answering the question. 999 F.2d at 1443.

¹⁹ A somewhat similar issue was raised in *Warren Publishing Co. v. Microdos Data Corp.*, CCH Copr. L. Dec. ¶ 26, 928 (N.D. Ga. 1992) a case that preceded *BellSouth* and relied in part on the earlier, now overruled, decision of the Eleventh Circuit in *BellSouth Advertising and Publishing Corp. v. Donnelly Information Publishing, Inc.*, 933 F.2d 952 (11th Cir. 1991). Central to the case was Warren's "unique" system for selecting which communities

Thus, *BellSouth* for arrangements of data and *Kregos* for selections of data point with encouraging unanimity to the need for individual opinion and judgment to support a compilation copyright. It is not enough to have an "organizing principle," that principle must be such that it does not automatically lead to a particular expression, for if it does then it must be deemed to have merged with the expression. For example, if one were to take a telephone book and rearrange it to group people alphabetically by first name, that would be original, even creative, but it ought not to be copyrightable: anyone applying the same principle to the same data will create an identical work. And since the idea of such an arrangement is free for all to use, so must be the inevitable result of its application.

To return to the facts of *Key Publications* for a moment: suppose that instead of eliminating only certain take-out restaurants, Ms. Wong had eliminated all of them, believing that their high turnover made it unlikely that any one of them would be around for a full directory year. Should we treat the deletion of an entire category of data as a copyrightable expression, perhaps an expression of the idea that one should exclude ephemeral businesses? Or is it an idea? It is clear from *Kregos II* that selection of categories of data can be copyrightable, and deletion is one form of selection. However, *Kregos II* explicitly suggests that selections of categories of data are more vulnerable to merger analysis than selections of specific facts. 937 F.2d at 705.

There is of course a question of whether deletion of a single category is *de minimis* expression. Excluding one or even a few categories of business is quite different from selecting nine out of perhaps hundreds of categories. And the *de minimis* problem shades in to the merger problem: there is simply not much range of expression available when one sets out to produce a comprehensive directory, and taking out a few categories of data does not alter this uncomfortable fact. Furthermore, the idea of excluding all restaurants is hard to distinguish from the expressive act involved in taking them out.

And yet, it may be unnecessarily strict to reject the copyright claim without further inquiry. Perhaps our answer should depend on how the exclusion is arrived at. If Ms. Wong excluded all take out restaurants because, statistically, they have a life-span shorter than one year, that sounds

would be listed as "principal communities" in its directory of cable systems. (Microdos's selection of principal communities showed a high correlation to Warren's for which there was no evidence of independent creation.) It seems clear that the court's holding for Warren could not survive reappraisal in light of the ultimate position taken by the Eleventh Circuit in *BellSouth, supra*, 999 F.2d 1436. Warren's "system" is in fact only an idea or a method of collecting data, and as such unprotectable under the final *BellSouth* holding. See footnote 16 *supra*.

like rule driven by considerations of utility, and hence probably not copy-rightable. If on the other hand the exclusion was purely whimsical, or dictated by some personal grudge against take out food, then we have much less to lose, as a society, by allowing it a copyright.

The kind of selection and arrangement that supports a copyright is *subjective* judgment, as in the pre-*Feist* case of *Eckes v. Card Prices Update*, 736 F.2d 859 (2d Cir. 1984). In *Eckes* the plaintiff had identified certain baseball cards as "premier" cards, based on the name of the player, the team he played on, or some characteristic of the card itself such as imperfection or scarcity. The Second Circuit stressed the subjectivity of plaintiff's judgment in upholding his copyright. *Id.* at 863. The same court (though not the same panel) reiterated the point in *Kregos II*: "As long as selections of fact involve matters of taste and personal opinion, there is no serious risk that withholding the merger doctrine will extend protection to an idea."²⁰ Even *Key Publications*, for all its faults, acknowledges that "[s]election implies the exercise of judgment in choosing which facts from a given body of data to include in a compilation." It then identifies a crucial element of judgment in plaintiff's work:

Ms. Wang . . . excluded from the directory those businesses she did not think would remain open for very long, such as certain insurance brokers, take-out restaurants, and traditional Chinese medical practitioners. This testimony alone indicates thought and creativity. (945 F.2d at 513).

The consistency of the Second Circuit on this critical point of doctrine, across panels and over time, pre-*Feist* and post-*Feist*, is noteworthy and important. It was the Second Circuit, more than any other court, that

²⁰ 937 F.2d at 707. A curious, but seemingly correct, application of this rule occurs in *NADA Services Corp. v. CCC Information Services, Inc.*, 1991 W.L. 287961 (N.D. Ill. 1991). NADA publishes the *NADA Official Used Car Guide*, a compilation of benchmark prices for used cars of all models sold for the seven years preceding each edition of the Guide, and all variations on the basic model, such as different body styles and option packages. NADA collects sales information from a variety of sources, and using this data, plus analysis of economic and market trends, makes a judgment as to the appropriate resale price of each model and variation. Due to a balance of harm that favored defendant, the court denied plaintiff a preliminary injunction against a company that copied its data verbatim and wholesale. However, the court observed that if, as initial testimony suggested, "the numbers themselves result from a creative process of statistical analysis and judgment," copying the numbers could be an infringement (at p. 3). See also *Lipton v. The Nature Company*, 781 F. Supp. 1032 (S.D.N.Y. 1992), upholding plaintiff's copyright in his translations of certain hunting terms from Middle English to modern English, as well as his selection of those terms.

had rejected the sweat-of-the-brow doctrine before *Feist*, and the Supreme Court's espousal of the Second Circuit's position may fairly be read as strengthening the latter's intellectual hegemony on the issue of compilation copyright.

Hegemonic or not, the Second Circuit's approach seems to have carried the day in all circuits that have considered the issue to date. The Fifth Circuit, in upholding copyright in certain maps, strongly emphasizes the plaintiff mapmaker's "selection of sources, interpretation of those sources, discretions in reconciling inconsistencies among the sources, and skill and judgment in depicting the information." *Mason v. Montgomery Data, Inc.*, 967 F.2d 135, 139 (5th Cir. 1992). The court describes with nice concision the relationship between those aspects of expression and the merger doctrine: "it is precisely because mapmakers . . . must make choices as to selection, coordination, and arrangement that they can express the idea in a variety of maps." *Id.* at 140, fn. 7. In other words, where subjective judgment exists, the merger doctrine cannot apply.

The Fourth and Seventh Circuits now reverently cite *Feist* and the Second Circuit; reading their recent opinions one would never know they had once been bastions of the "sweat of the brow" theory. *U.S. Payphone, Inc. v. Executives Unlimited of Durham, Inc.*, 18 U.S.P.Q.2d 2049 (4th Cir. 1991);²¹ *Mid-America Title Co. v. Kirk*, 991 F.2d 417, 420 (7th Cir. 1993), *cert. denied* 114 S.Ct. 346 (1993).

One cannot leave this topic without a parting word of caution. Although the Second Circuit itself has spoken (for the most part) so clearly on these issues, it is not always certain that its clarity has percolated down to lower courts in the circuit. One somewhat troubling case in the Southern District of New York is *Corsearch, Inc. v. Thomson & Thomson*, 792 F. Supp. 305 (S.D.N.Y. 1992). The case involves the well-known trademark search firm Thomson & Thomson, accused by a competitor, Corsearch, of antitrust violations in its licensing of its database of state trademark registrations. The court found that Thomson & Thomson owned a legitimate copyright in its database and had not abused its copyright monopoly in denying Corsearch access to that database:

The court's discussion of the copyright is somewhat cursory. Regrettably so, as the database at issue is, unlike those in *Kregos II* and *Bell-South*, sophisticated and complex, and includes data coding, a matter of concern to all on-line database proprietors and users. The explanation may lie in the procedural history: Corsearch did not seek to impugn Thomson & Thomson's copyright until after trial, by a motion to supple-

²¹ The facts of *U.S. Payphone* are so sparsely discussed that we must take it on faith that plaintiff's selection and arrangement of state tariff data were in fact subjective as the court asserts.

ment the record with affidavit evidence. The court found Corsearch's evidence insufficient to rebut the presumption of copyrightability that arose from defendant's certificate of registration. The court's discussion of copyrightability is as follows:

The evidence offered by Corsearch is insufficient to render invalid T & T's copyright. As discussed above, T & T offered sufficient evidence of its selection, coordination, arrangement, enhancement, and programming of the state trademark data, as well as other contributions that establish the originality and requisite creativity, and thus copyrightability, of the TS-State database. The TS-State database is unlike the white pages of the telephone directory in *Feist*, in which the telephone company simply listed alphabetically by surname the data provided by its subscribers, creating "a garden-variety white pages directory, devoid of even the slightest trace of creativity." *Id.* 111 S. Ct. at 1296.

. . . Thus, T & T's copyright extends to its internally generated information and to its particular enhancements to the items of information collected from the state trademark records, not to the items of information themselves collected from the states. See *Kregos*, 937 F.2d at 709.

Corsearch, Inc. v. Thomson & Thomson, supra 792 F. Supp. at 322.

But what was "discussed above?" The following is the court's description of how Thomson & Thomson created its database:

T & T's DEVELOPMENT OF TS-STATE

For many years T & T has obtained trademark information (which may be in hard copy or electronic form) from the fifty states and Puerto Rico on an on-going basis. This data is then compiled, selected, and stored in T & T's internal use database ("M-204"). T & T then selects from the data contained in the internal use database and arranges the selected data in a uniform manner for TS-State so that each TS-State trademark record, from whatever source, presents similar information in the same format. Based upon its years of experience as a trademark search firm, T & T maintains that T & T's own selection and arrangement is particularly appropriate for a computerized trademark database. Where the states' trademark application forms do not call for all of the information that T & T regards as appropriate, T & T has advised the states of the type of data it wishes to collect and has provided forms to the states to facilitate collection of that data. Over the years, T & T has made changes in the items of information from the state trademark registra-

tions that it selects for inclusion in the internal use database and ultimately in the TS-State database. In addition to the selection of data from source documents collected from the states, T & T adds various types of information. For example, T & T adds to each TS-State record a code indicating whether the trademark consists of a word with a design, a word only, or a design only, permitting searches of specific types of marks.

Id. at 309.

We cannot tell from this description what criteria, if any, Thomson & Thomson used in "selecting" data, or what data it omitted. As anyone who has used its database through Dialog knows, the data included are all directly useful to anyone trying to ascertain whether a mark is available or has been co-opted. Under *Kregos II*, this utilitarian selection of data ought to be highly suspect. As for indicating whether the trademark consists of a word, design, or word-plus-design, that is pure fact and a fact so critical to trademark law that its omission would expose T&T to ridicule.

The court continues:

T & T also reviews the description of the goods or services of each state trademark record and adds for TS-State its assessment of the United States and International Class designations, even when the state itself uses no class designations or uses idiosyncratic class designations that differ from the standard United States and International Classes. Even if the state does assign a standard United States or International Class, T & T reviews the description of goods and services and sometimes exercises its own independent discretion to correct the United States and International Classes.

TS-State also includes additional "enhancements" to the data contained in each record in the internal and TS-State databases. Enhancements add to or modify the data so that the search software will be better able to locate and retrieve relevant data. Records for trademarks consisting of words with corrupted spellings (e.g., "Kar Kraft") are supplemented with their proper English equivalents. Foreign words are translated into English. Numerals are given alphabetic equivalents and vice versa. Greek letters are given Latin alphabet equivalents. Puns and slang words (e.g., "skeeter") are given proper English equivalents (e.g., "mosquito").

To enable its internal and TS-State databases of trademark information to be searched by computer, T & T organizes the data in each record into data "fields," each containing a certain type of information, such as name of the mark, date of first use, owner

of the mark, or description of the goods. T & T also adds to the record of each trademark a number of search fields, which organize the information contained in the data fields into discrete units of information. For example, TS-State organizes data concerning the date of registration of a mark into several search fields, one containing the year of registration to permit searching for marks by year, and one containing the year, month, and date of registration to permit search for marks by specific dates.

Each TS-State record contains numerous fields. A user of the database can search the fields independently or in combinations, which permits the user to obtain, for example, records of all trademarks owned by a particular company or all trademarks first used in December 1989 and registered in Michigan.

Id. at 309-310.

But surely there is no original authorship in supplementing or correcting the class designations of goods, or supplementing corrupted spellings or slang words with their proper English equivalents; or translating foreign words. These are mechanistic editorial functions, requiring no discretion or thought. Similarly, the organization of data into fields appears strictly utilitarian and mechanical, lacking any real judgment. The only act here that resonates with possible authorship is the allocation of goods to a particular class where the allocation is a judgment call. But the opinion is innocent of any evidence on this point.

The court continues:

T & T also adds "search indices" to each trademark record. Search indices are created from the data contained in certain fields in the record and permit more complete and accurate searching of that record. In the "rotating trademark index," for example, T & T breaks the trademark name into its components— prefix, suffix, embedded letter strings—each of which becomes searchable as a separate element. In order to access all of the data in the various fields, T & T creates an index for each piece of data. The search software responds to the search requests of the internal database users and TS-State database user by sorting through these indexes to pull up corresponding trademark information.

Id. at 310.

We are left with the coding of data to indicate the type of mark, and the addition of search indices. The former seems utilitarian and mechanical. The latter may perhaps involve judgment as to what elements of a mark ought to be searchable. But the record is too skimpy to tell. All in all, Thomson & Thomson's alleged authorship seems more like sweat of

the brow— admittedly on a higher plane than telephone directories— than like the selection and arrangement that *Kregos* and *Key Publication* endorse. And even if the alleged authorship were to pass the test of originality, it is difficult to see how it would survive a merger doctrine analysis—to which, as it happened, it was never subjected in the court’s opinion.

Looking ahead, it will be interesting to observe how the standards discussed above are applied. Will copyright be found to cover customer lists, for example, as many practitioners have assumed in the past?²² From one point of view, a customer list is the ultimate in subjective compilation; it is the unique product of the company that compiles it. However, where is the spark of creativity in it? A customer list is merely the accumulation of facts of which the compiler is essentially a passive recipient. The most input the compiler will ever have is to purge periodically the names of those who have not done business with it for some given period of time. *BellSouth* contains language that should give the owners of such compilations pause. Noting that the court below had considered it “selection” on plaintiff’s part to include in its yellow pages only those suburbs with business telephone service, the Eleventh Circuit dismissed this as merely a “technique for the discovery of facts.” 999 F.2d at 1441. And in discussing plaintiff’s allegedly copyrightable arrangement of listings, the court said:

. . . the ultimate appearance of a particular subscriber under a certain heading is determined by the subscriber’s willingness to purchase those listings in the BAPCO directory.

Id. at 1444.

How will emerging rules of database copyright affect databases that are in electronic form? In one sense, these databases cease to be “arranged” when reduced to electronic impulses; the data become a primordial soup from which the user may extract what he or she chooses. Yet I do not share the pessimism on this point of some practitioners who have clients in this field of endeavor. If the data are arranged before being reduced to electronic form, and if they are tagged with field or other codes on the basis of such arrangement, it should not matter that they are made available to the user in a more plasma-like state. Still, the problem suggests the scope of issues yet to be resolved, some of which have enormous financial implications.

A more worrisome question to the proprietors of such works, it seems to me, is whether the extraction of selected data by the user can constitute an infringement. I will return to this question below.

²² The issue was noted but not decided, in *Federal Election Commission v. International Funding Institute*, 969 F.2d 1110 (D.C. Cir. 1992).

II. Standards of Infringement

Assuming a plaintiff can show that some portion of its database meets the standards of copyrightability discussed above, what is the standard for assessing infringement?

The general rule, which applies here as in all copyright cases, is that to show infringement one must show access and substantial similarity. *Eckes v. Card Prices Update, supra*, 736 F.2d at 863.

What elements of the work should be assessed? *Feist* teaches that the substantial similarity for which one looks is not to the plaintiff's work as a whole, but rather to "those elements of the work that are copyrightable." *Feist, supra*, 111 S. Ct. at 1296. Moreover, a defendant may not be punished for taking facts from plaintiff's work if he does not copy its expressive selection or arrangement:

Notwithstanding a valid copyright, a subsequent compiler remains free to use the facts contained in another's publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement.

Id. at 1289. This principle is restated in *Key Publications, supra*, 945 F.2d at 514-515, as follows:

What must be shown is substantial similarity between those elements, and only those elements, that provided copyrightability to the allegedly infringed compilation.

In other words, defendant is liable only if it copied those portions of plaintiff's database that are the product of plaintiff's creative judgment.²³

What does this mean in practical terms? Some of the recent cases shed at least a flickering light on the problem.

The saga of Mr. Kregos's battle with the Associated Press reached its finale in an opinion of the Second Circuit, the fourth reported decision in the case's yo-yo-like history. *Kregos v. Associated Press*, 3 F.3d 656 (1993) (*Kregos IV*). In that opinion the court analyzed the degree of similarity between the parties' works, focussing only on the selection and arrangement to which an earlier appellate panel had conceded copyright. Of the nine data categories selected by plaintiff, defendant used six and did not use three; furthermore, defendant had added four categories that Kregos did not use. The court found, as a matter of law, insufficient overlap to show infringement.

As *Kregos II* had said, when the only thing protectable in plaintiff's work is its selection of categories—and especially when there are only

²³ *Accord*, *BellSouth Advertising & Publishing Corp. v. Donnelley Information Publishing, Inc.*, 999 F.2d 1436, 1445 fn. 22 (11th Cir. 1993).

nine of those—only a very close copy of that selection will infringe: everything else will embody the defendant's *own* subjective judgment.

The reason for doubting that the [defendant's] 1986 form infringes Kregos' form comes from the same consideration that supports Kregos' claim to a copyright . . . Kregos can obtain a copyright by displaying the requisite creativity in his selection of statistics. But if someone else displays the requisite creativity by making a selection that differs in more than trivial degree, Kregos cannot complain . . . Kregos cannot have it both ways.

937 F.2d at 710.

In a similar vein, the Second Circuit in *Key Publications, Inc. v. Chinatown Today Publishing Enterprises, Inc.*, *supra*, refused to punish defendant for taking data directly from plaintiff's directory where the ultimate selection and arrangement used by defendant were not substantially similar. In that case, defendant's Chinatown business directory contained only 2,000 listings whereas plaintiff's contained 9,000. Even though 1,500 out of defendant's 2,000 listings were taken directly from listings in plaintiff's work, the selection made by defendant was obviously radically different from plaintiff's.

Instructive by contrast is *Nester's Map & Guide Corp. v. Hagstrom Map Company*, 796 F. Supp. 729 (E.D.N.Y. 1992). In that case, plaintiff had compiled a listing of street addresses for use by New York taxi drivers. Although plaintiff included all major north-south thoroughfares in its listing it included only those cross streets that plaintiff's president, on the basis of years of experience in New York City, considered the most important and most helpful. The intervals between those cross streets chosen for inclusion varied from three to five blocks on First Avenue, and as low as one block on other avenues, but followed no particular pattern. It was thus obvious that plaintiff's selection of streets was sufficiently subjective to deserve a copyright. Furthermore, plaintiff had assigned building numbers to the intersections of the various streets it listed; although some of these numbers were accurate, some were merely useful approximations. The court found that these fictional street numbers, while not copyrightable in themselves because held out to the public as "facts," were copyrightable when combined with plaintiff's selection of cross streets. *Id.* at 733.

Defendant published a rival guide that included less than half the cross streets selected by plaintiff. Nevertheless, the court found infringement for the following reason:

Hagstrom copied Nester's list of the cross streets determined by Nesterman [plaintiff's president] to be the most prominent and useful to a cab driver. Hagstrom's list, though shorter, was en-

tirely based upon Nesterman's selection, and Hagstrom copied Nesterman's choices as to address numbers and their application to particular cross streets . . .

Hagstrom infringed Nester's copyright by copying this combination.

Id. at 734.

Key Publications and *Nester's* may seem contradictory, but on closer inspection they perfectly illustrate what one compiler can and cannot take from another. In *Key Publications* the plaintiff's compilation of facts was intended to be comprehensive (except for the exclusions of certain ephemeral businesses, as noted above), whereas in *Nester's* the compilation showed substantial selectivity.²⁴ In *Key Publications*, defendant's copying was deemed to be only a taking of raw data, whereas in *Nester's* the copying was of data to which substantial selectivity had already been applied. Defendant could not piggy-back on plaintiff's work by making, in effect, only a refinement or abridgement of plaintiff's selection and arrangement.

A nicer question would have been presented had Hagstrom's list coincided with *Nester's* on only 75% of its entries and included 25% new selections. It is not enough to say glibly that 75% of defendant's work is an infringement. We would want to hear defendant out on *why* he included each street that is also used by plaintiff. As *Kregos II* said, "if someone else displays the requisite creativity by making a selection that differs in more than trivial degree, [defendant] cannot complain." 937 F.2d at 710. At some point, the difference between the two works becomes enough to make it credible that defendant, while he might have referred to plaintiff's work, exercised his own independent judgment. No rule of thumb that can tell us where to draw that line has yet emerged from the case law. It may be that none ever will. What is "trivial" may differ from case to case. Certainly the same numerical variation—three or four items—that saved defendant in *Kregos II* would not, applied to a database of hundreds of items, have saved defendant in *Nester's*.

Although the court does not explicitly say so, it should be regarded as crucial to the outcome that plaintiff's selections had been subjective on a street-by-street basis. Had plaintiff simply included every fifth cross-street in its listing, could defendant have been enjoined from following suit? Plaintiff's selectivity would in that case have been merely the applying of a fixed rule to given data. Would that rule, even if forged in the smithy of experience, be treated as an idea or an expression?

²⁴ It must be noted, though, that the *Key Publications* court did not state whether in copying 1,500 of plaintiff's listings defendant had also copied plaintiff's exclusion of ephemeral businesses. We must assume for present purposes that this was not the case.

If we characterize the rule as purely arbitrary, rather than as having any special utility, then we could view it in two ways: as imply an idea, inseparable from its expression in the particular streets included, or instead as an expression of the larger idea of including only a periodic listing of cross streets. If we took the latter view, we would still have to consider how many such expressions were available to plaintiff as a practical matter. On the particular facts of this case, the answer is “probably not many,” suggesting that a merger of idea and expression is present. If plaintiff were lucky, it might be able to persuade the court that it should bear the burden of only those merger cases holding that where the range of expression is limited the plaintiff’s copyright will be limited to the precise expression chosen, and protected against verbatim copying. *Continental Casualty Co. v. Beardsley*, 253 F.2d 702 (2d Cir.), cert. denied, 358 U.S. 816 (1958); *Landsberg v. Scrabble Crossword Game Players, Inc.*, 736 F.2d 485, 488 (9th Cir. 1984).

In either case, a choice by defendant to include only every tenth street would surely be unassailable, no matter how heavily influenced by plaintiff’s example.

There is a good pragmatic argument for denying copyright to judgments that are rule-based rather than fact-specific: it makes for a much cleaner, and less error-prone, assessment of infringement claims. If we grant copyright to a principle of selection, defendants will always claim that they independently thought up the same principle. How can such an assertion be disproved? How can the trier of fact ascertain when an idea came into a defendant’s head? Infringement has always in the final analysis been judged by direct comparison of the parties’ works by the hypothetical ordinary lay observer, without concern as to the thought processes behind either party’s creation. *Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946). Analyzing copyright in rule-based selection forces us to try to judge those thought processes. If instead we reject copyright in any selection of facts that results from the mechanical application of any rule—at least where the universe of possible selections is narrow—we reduce the need for mind reading and heighten the probative value of any substantial overlap in selected facts. If a plaintiff’s selection is truly the result of case-by-case assessment, then any substantial similarity in defendant’s list becomes highly suspect. See, e.g., *Eckes v. Card Prices Update*, *supra*, (“we believe it impossible for appellees to produce the same list without copying”), 736 F.2d at 863; *Adventures in Good Eating v. Best Places to Eat*, 131 F.2d 809, 811 (7th Cir. 1942). Common sense about human perception makes it unlikely that any two people will form the same subjective judgment in more than a small percentage of instances. It does not require godlike wisdom to disbelieve a defendant who claims it is mere coincidence that 95% of his selections are identical to the plaintiff’s.

The *Nester's* rule that one cannot piggyback on another's selection of data has important limitations. On the facts of that case, as noted, defendant's selection of cross streets was no more than a "lite" version of plaintiff's. Infringement was unarguable. But *Feist* says unequivocally that a defendant cannot be held liable for copying facts from plaintiff's work if defendant's ultimate product "does not feature the same selection and arrangement" as plaintiff's. This has interesting ramifications. When one person takes data from a database that already embodies selection by another person, by definition he or she is copying some of the first author's selections. But if his or her final product is not "substantially similar" to the first author's product, there is no infringement. In other words, when judging infringement one must judge the two works side by side without giving weight to the defendant's act of copying plaintiff's data.

Does it follow that compiler B can download compiler A's entire database, so long as B's product, by the time it reaches the market, is not substantially similar to A's in its selection or arrangement of data? This embroils us in the evolving controversy over what may be called "intermediate copying." In *Walt Disney Productions v. Filmation Associates*, 628 F. Supp. 871 (C.D. Cal. 1986), defendant was held liable for making copies of plaintiff's work for internal use, notwithstanding its avowed intention of ultimately selling a non-infringing product. But in *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992), defendant was allowed to make copies of plaintiff's work insofar as necessary to enable it to extract from that work the uncopyrightable ideas it contained. Substitute "facts" for "ideas" in the *Sega* holding, and the language of *Feist* strongly suggests that even wholesale copying may be permissible so long as what defendant ultimately puts on the market is noninfringing.

Whether courts will take *Feist* this far or not, it seems inescapable that downloading (or other copying) from a database only those facts which the user selects according to his or her own criteria can almost never be an infringement. This has potentially enormous and painful implications for the proprietors of on-line databases. But the implications are not "some unforeseen byproduct of a statutory scheme," . . . [but] rather 'the essence of copyright' . . . and a constitutional requirement." *Feist*, 111 S. Ct. at 1290, quoting *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 589 (1985), (Brennan J., dissenting). Or as my contracts professor was fond of saying (though with irony), "you gotta break a few eggs to make an omelette."

III. Conclusion

By its decision in *Feist*, the Supreme Court swept away decades of conflicting case law. It laid down the rule that thenceforth compilations would be protected by copyright only insofar as they embodied expressive

selection, coordination and arrangement. These expressive elements, as lower courts have made clear, must be subjective in nature.

Dissenting from the *en banc* opinion in *BellSouth*, Judge Hatchett envisioned Armageddon, or at the least Götterdämmerung:

The majority's holding establishes a rule of law that transforms the multi-billion dollar classified publishing industry from a business requiring the production of a useful directory based on multiple layers of creative decision-making, into a business requiring no more than a successful race to a data processing agency to copy another publisher's copyrighted work product.

No doubt he articulates the pain felt not just by the classified publishing industry but by database proprietors generally. *Feist* and its progeny have resulted in a general lowering of the protection afforded to databases, the full implications of which remain to be explored. It may not bode well for copyright claimants but it promises a freer flow of data through our society. It is not for this author to say where lies the greater good.

INTELLECTUAL PROPERTY ISSUES IN CHAPTER 11 BANKRUPTCY REORGANIZATION CASES

by DAVID S. KUPETZ*

I. INTRODUCTION

Chapter 11 of the Bankruptcy Code provides a framework for the reorganization of eligible entities.¹ Upon the filing of a chapter 11 petition, a reorganization case is commenced and the debtor becomes a debtor in possession.² The filing of chapter 11 petition creates a bankruptcy estate which includes "all legal or equitable interests of the debtor in property as of the commencement of the case."³ The debtor in possession continues to control and possess property of the estate and is authorized to manage and operate its business unless and until otherwise ordered by the court.⁴ Chapter 11 reorganization cases involving bankruptcy estates which include intellectual property assets raise issues requiring special consideration. This article is designed to highlight selected issues arising in chapter 11 cases involving intellectual property.

II. EXECUTORY CONTRACTS

A. General Bankruptcy Law and Underlying Policies

The primary goal of chapter 11 is rehabilitation of the debtor.⁵ In furtherance of this goal, there is a long-standing principle of bankruptcy

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¹ The Bankruptcy Code is found at title 11 of the United States Code, 11 U.S.C. § 101, *et. seq.* 11 U.S.C. § 109 in combination with 11 U.S.C. § 101(9), (13), (15), and (41) sets forth the entities eligible to be debtors under chapter 11. "Persons" eligible to commence chapter 11 cases include individuals, partnerships, and corporations, but not governmental units (governmental units may be eligible to file debt adjustment cases under chapter 9 of the Bankruptcy Code).

² 11 U.S.C. §§ 301 and 1101(1).

³ 11 U.S.C. § 541.

⁴ 11 U.S.C. §§ 1107, 1108 and 1104(a). Under 11 U.S.C. § 1107(a), a debtor in possession has virtually all the rights, powers and duties of a trustee.

⁵ *Eastern Airlines, Inc. v. International Association of Machinists & Aerospace Workers, AFL-CIO, et al. (In re Ionosphere Clubs, Inc.)*, 108 B.R. 901, 937 (Bankr. S.D.N.Y. 1989) ("The paramount policy and goal of chapter 11, to which all bankruptcy policies are subordinated, is the rehabilitation of the debtor."), citing *N.L.R.B. v. Bildisco & Bildisco*, 465 U.S. 513, 104 S. Ct. 1188, 1197, 79 L. Ed. 2d 482 (1984) ("The fundamental purpose of reorganization is to prevent a debtor from going into liquidation, with an attendant loss of jobs and possible misuse of economic resources."). Another predominant policy of bankruptcy law is equality of treatment of creditors with

law that a trustee (or debtor in possession in a chapter 11 case) for the debtor's estate should not be compelled to assume (perform or pay) the debtor's obligations under a pre-bankruptcy contract that is executory and burdensome to the estate.⁶ "An executory contract does not become an asset of the estate until it is assumed pursuant to § 365 of the Code."⁷

Section 365 of the Bankruptcy Code provides that a debtor in possession or a trustee "may assume or reject any executory contract or unexpired lease of the debtor."⁸ In the context of a bankruptcy case, the issue of whether a contract is executory is a question of federal law.⁹ However, the Bankruptcy Code does not define the term "executory contract." In the legislative history of Section 365, Congress recognized that there is "no precise definition of what contracts are executory," but said that the definition "generally includes contracts on which performance remains due to some extent on both sides."¹⁰ The Supreme Court has defined contracts as being executory when "performance remains due to some extent on both sides."¹¹

The definition of executory contract applied by most courts provides that an executory contract contains "obligations of both parties that are so far unperformed that the failure of either party to complete performance would constitute a material breach and thus excuse the performance of the other."¹² Generally, a contract will be considered executory only if both

similar claims. See *Union Bank v. Wolas*, 502 U.S. 151, 112 S. Ct. 527, 533, 116 L. Ed. 2d. 514 (1991); *Sandoz v. FDIC (In re Pernie Bailey Drilling Co., Inc.)*, 993 F.2d 67, 69, n. 10 (5th Cir. 1993).

⁶ *N.L.R.B. v. Bildisco and Bildisco*, 104 S. Ct. at 1198 ("[T]he authority to reject an executory contract is vital to the basic purpose to a Chapter 11 reorganization, because rejection can release a debtor's estate from burdensome obligations that can impede a successful reorganization.")

⁷ *In re Qintex Entertainment, Inc.*, 950 F.2d 1492, 1495 (9th Cir. 1991), citing 11 U.S.C. § 365(a) and *In re Tleel*, 876 F.2d 769, 770 (9th Cir. 1989) ("Unless and until rights under an executory contract are timely and affirmatively assumed by the trustee, they do not become property of the debtor's estate."). However, see also *In re Computer Communications, Inc.*, 824 F.2d 725, 730 (9th Cir. 1987), and *Cohen v. Drexel Burnham Lambert Group, Inc. (In re Drexel Burnham Lambert Group, Inc.)*, 138 B.R. 687, 701-702 (Bankr. S.D.N.Y. 1992).

⁸ 11 U.S.C. § 365(a).

⁹ *In re Qintex Entertainment, Inc.*, 950 F.2d at 1495, citing *In re Wegner*, 839 F.2d 533, 536 (9th Cir. 1988).

¹⁰ H.R. Rep. No. 95-595, p. 347 (1977).

¹¹ *N.L.R.B. v. Bildisco & Bildisco*, 104 S. Ct. 1188, 1194, n. 6.

¹² *In re Qintex Entertainment, Inc.*, 950 F.2d at 1495, quoting *In re Wegner*, 839 F.2d at 536. This definition of executory contracts is the often cited definition offered by Professor Vern Countryman. See *Countryman, Executory Contracts in Bankruptcy: Part I*, 57 Minn. L. Rev. 436, 460 (1973). It should be noted that in recent years certain commentators have strongly criticized

parties still have material obligations that remain unperformed.¹³ In determining whether an agreement is an executory contract in the bankruptcy context, the courts examine the unperformed duties and obligations of each party.¹⁴

The Ninth Circuit has held that a computer software licensing agreement is executory.¹⁵ In *Lubrizol Enterprises v. Richmond Metal Finishers, Inc.* (*In re Richmond Metal Finishers, Inc.*), the Fourth Circuit found an industrial processes licensing agreement executory.¹⁶ Generally, courts

the Countryman definition of executory contracts. See Michael T. Andrew, *Executory Contracts in Bankruptcy: Understanding "Rejection,"* 59 U. Col. Rev. 845 (1988); Jay L. Westbrook, *A Functional Analysis of Executory Contracts*, 74 Minn. L. Rev. 227 (1989); and Michael T. Andrew, *Executory Contracts Revisited: A Reply to Professor Westbrook*, 62 U. Colo. L. Rev. 1 (1991). However, the Countryman test has been widely adopted. See, e.g., *In re Terrell*, 892 F.2d 469, 471 (6th Cir. 1989); *In re Streets & Beard Farm Partnership*, 882 F.2d 233, 235 (7th Cir. 1989); *Sharon Steel Corp. v. National Fuel Gas Distribution Corp.*, 872 F.2d 36, 39 (3rd Cir. 1989); *Draper v. Draper*, 790 F.2d 52, 54 (8th Cir. 1986); *Gloria Manufacturing Corp. v. International Ladies' Garment Workers' Union*, 734 F.2d 1020, 1021 (4th Cir. 1984).

¹³ *In re Qintex Entertainment, Inc.*, 950 F.2d at 1495; *In re AEG Acquisition Corp.*, 161 B.R. 50, 59 (Bankr. 9th Cir. 1993). *Encino Business Management, Inc. v. Prize Frize, Inc.* (*In re Prize Frize, Inc.*), 94 Daily Journal D.A.R. 11166, 11167 (Thursday, August 11, 1994), 1994 U.S. App. LEXIS 21571. Some courts have held that the correct time to determine whether or not a contract is executory for purposes of Section 365 is as of the date of the filing of the bankruptcy petition. See *Vaughan v. Continental Airlines Holdings, Inc.* (*In re Continental Airlines, Inc.*), 154 B.R. 172, 174 (Bankr. D. Del. 1993). Other courts have held that the executoriness had to exist at the time of the court hearing on a motion brought pursuant to Section 365. See *Cohen v. Drexel Burnham Lambert Group, Inc.* (*In re Drexel Burnham Lambert Group, Inc.*), 138 B.R. 687, 700 (Bankr. S.D.N.Y. 1992).

¹⁴ *In re Qintex Entertainment, Inc.*, 950 F.2d at 1495.

¹⁵ *In re Select-A-Seat Corp.*, 625 F.2d 290, 292 (9th Cir. 1980) (The licensee was obligated to pay the debtor/licensor five percent of annual net return from use of the software and the debtor was under a continuing obligation not to sell the software to third parties). Similarly, in *University of Connecticut Research & Development Corp. v. Germain* (*In re Biopolymers, Inc.*), 136 B.R. 28, 29-30 (Bankr. D. Conn. 1992), the court held that an agreement allowing the debtor/licensee to use a patent regarding the production of certain material was an executory contract because the licensor had a continuing obligation both to forebear from granting licenses of the patent to others and not to withhold permission unreasonably for the licensee's sublicensing of the patent. See also *In re Wegner*, 839 F.2d at 537 (The duty to pay money by one party is a material obligation sufficient to render a contract executory provided that corresponding materials obligations exist on the other side.).

¹⁶ *Lubrizol Enterprises v. Richmond Metal Finishers, Inc.* (*In re Richmond Metal Finishers, Inc.*), 756 F.2d 1043 (4th Cir. 1985), cert. denied, 475 U.S. 1057,

have held that license agreements are executory contracts as long as the agreement has not been fully performed on both sides, or by either of the parties to the agreement.¹⁷ However, courts have not universally found licensing agreements to be executory contracts.¹⁸

106 S. Ct. 1285, 89 L. Ed. 2d 592 (1986) (The court in *Lubrizol* held that the unperformed, continuing obligations of notice and forbearance in licensing made the contract executory for the debtor/licensor. The court found the contract executory for the licensee because it owed an unperformed and continuing duty of accounting for and paying royalties for the life of the agreement. The court also stated that the promise to account for and pay future royalties went beyond a mere debt, or promise to pay money, and was at the critical time executory.)

- ¹⁷ *In re Qintex Entertainment, Inc.*, 950 F.2d 1492 (An exclusive film license with a 25-year term was found to be executory because the licensee had the obligation to account and pay, and the licensor was required to refrain from licensing to others and to indemnify and defend the licensee from infringement). Additionally, the court referred to the licensee's obligation to colorize the film and the licensor's obligation to exercise creative control over colorization. In *Qintex*, the Ninth Circuit cited *Select-A-Seat* and *Lubrizol* which were both cases holding that license agreements were executory contracts based on facts similar to *Qintex*, except for the colorization obligations. See also *In re Three Star Telecast, Inc.*, 93 B.R. 310, 312 (D.P.R. 1988) (Television program licensing agreement was an executory contract); *In re New York Shoes, Inc.*, 84 B.R. 947, 960 (Bankr. E.D. Pa. 1988) (Trademark contract was executory); *In re Best Films & Video Corp.*, 46 B.R. 861, 869 (Bankr. E.D.N.Y. 1985) (Movie distribution contracts were executory).
- ¹⁸ See *In re Learning Publications, Inc.*, 94 B.R. 736, 765 (Bankr. N.D. Fla. 1988); *In re Stein & Day, Inc.*, 81 B.R. 263, 267 (Bankr. S.D.N.Y. 1988). "*Learning Publications* and *Stein & Day* involved book contracts between a debtor/licensee and the author/licensor. Both contracts contained clauses: (1) giving the debtor broad publication and distribution rights; and (2) giving the author royalties and accounting rights. . . . The authors had written the books and performed their contractual obligations as of the date of the bankruptcy filing. Both courts held that these book contracts did not constitute executory contracts because the author did not owe any remaining material duties to the debtor." *In re Qintex Entertainment Inc.*, 950 F.2d at 1495-96. The courts have found that agreements which constitute an outright conveyance of intellectual property rights (as opposed to traditional license agreements requiring an ongoing relationship involving mutual obligations between the parties) are not executory contracts. See *Chesapeake Fiber Packaging Corporation v. Sebro Packaging Corporation*, 143 B.R. 360, 374-375 (D. Md. 1992) ("Courts have consistently held that agreements conveying patent rights, even if they reserve continuing rights to the parties including the right of termination, constitute grants of title and are not executory in nature. . . . This [the agreement at issue in this case] was not a license agreement but rather constituted an outright grant of title. . . ."). See also *In re AEG Acquisition Corp.*, 161 B.R. 50, 59-60 (Bankr. 9th Cir. 1993).

Section 365 of the Bankruptcy Code allows a debtor in possession to reject burdensome obligations while permitting retention of those which have value to the estate. If there has been a default in an executory contract, the debtor in possession may not assume the contract unless it cures (or provides adequate assurance that it will promptly cure) such default, compensates (or provides adequate assurance of prompt compensation) for any pecuniary loss of the other party resulting from such default, and provides adequate assurance of future performance under the contract.¹⁹ If the debtor has reasonably exercised its business judgement in determining whether to reject or assume an executory contract, the debtor's decision will generally be approved by the court.²⁰

In a chapter 11 reorganization case, a debtor in possession has until confirmation of a plan of reorganization to decide whether to assume or reject an executory contract, although a creditor may request that the bankruptcy court require the debtor to make such a determination within a specified period of time.²¹ Under Bankruptcy Code Section 365(d)(2), courts may impose a reasonable deadline on the debtor in possession for determining whether to assume or reject an executory contract.²² Courts have held that the determination of a reasonable time must be based on the facts and circumstances of the case at hand.²³

The Bankruptcy Code provides that the rejection of an executory contract which had not been assumed constitutes a breach of the contract which relates back to the date immediately preceding the filing of the debtor's bankruptcy petition.²⁴ A claim resulting from the rejection of an executory contract thus becomes a prepetition unsecured claim which must be presented through the normal claims administration process.²⁵

¹⁹ 11 U.S.C. § 365(b)(1).

²⁰ *In re Richmond Metal Finishers, Inc.*, 756 F.2d at 1046, citing *N.L.R.B. v. Bildisco & Bildisco*, 104 S. Ct. at 1195.

²¹ 11 U.S.C. § 365(d)(2); see *N.L.R.B. v. Bildisco & Bildisco*, 104 S. Ct. at 1198. See 11 U.S.C. § 365(d)(4) with regard to the 60-day deadline applicable to nonresidential real estate leases under which the debtor is the lessee.

²² *In re Whitcomb & Killer Mortgage Co., Inc.*, 715 F.2d 375, 378 (7th Cir. 1983).

²³ *In re Beker Industries Corp.*, 64 B.R. 890, 896 (Bankr. S.D.N.Y. 1986).

²⁴ 11 U.S.C. § 365(g)(1). See also *Lubrizol Enterprises v. Richmond Metal Finishers, Inc.*, 765 F.2d at 1048 ("Even though § 365(g) treats rejection as a breach, the legislative history of § 365(g) makes clear that the purpose of the provision is to provide only a damages remedy for the non-bankrupt party. . . . [T]he statutory 'breach' contemplated by § 365(g) . . . provides only a money damages remedy for the non-bankrupt party. Allowing specific performance would obviously undercut the core purpose of rejection under § 365(a), and that consequence cannot therefore be read into congressional intent.").

²⁵ 11 U.S.C. § 502(g). When the debtor in possession rejects a contract, the other party cannot compel performance. It can, however, assert a claim for dam-

Section 365 applies generally, by its terms, to "an executory contract or unexpired lease of the debtor."²⁶ However, Congress has created exceptions to the general application of Section 365 by adopting amendments to the Section providing special treatment for certain kinds of executory contracts or unexpired leases. For example, Section 365 has been amended to provide special treatment for unexpired leases of real property in a shopping center, unexpired leases of nonresidential real property, and executory timeshare interests under a timeshare plan.²⁷ Additionally, Congress added Section 1113 to the Bankruptcy Code to govern the rejection of collective bargaining agreements in response to the Supreme Court decision in *N.L.R.B. v. Bildisco & Bildisco*, 104 S. Ct. 1188 (1984), and Congress subsequently added Section 1114 regarding modification of payment of retiree benefits of employees of a debtor in possession.²⁸ Similarly, following the Fourth Circuit's decision in *Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc.*, the intellectual property community sought special protection to protect licensees of intellectual property from rejection of a license agreement by a debtor in possession or trustee. This special protection was embodied in Bankruptcy Code Section 365(n).²⁹

B. Bankruptcy Code Section 365(n)

Congress enacted Bankruptcy Code Section 365(n) in 1988 to protect licensees and assignees of copyrights and other forms of intellectual property. This amendment was a reaction to the Fourth Circuit's holding in *Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc.*, that a technology licensor could unilaterally reject its license agreement under Section 365 and eliminate the right of the licensee to use the intellectual property. The *Lubrizol* court recognized the harsh result of its holding and stated that Congress had afforded special treatment for certain types of executory contracts under the Bankruptcy Code, but that the Code did not contain any comparable treatment of technology licenses.³⁰ By implementing Section 365(n) Congress sought to reverse the potentially chilling effect on the licensing of intellectual property as a result of the *Lubrizol*

ages that results from the rejection (breach). Damages generally will not make the other party whole because it will usually be paid only at the same pro-rata level as payments made to the general unsecured creditors in the bankruptcy case.

²⁶ 11 U.S.C. § 365(a).

²⁷ 11 U.S.C. § 365(b)(3), (d), (h) and (i). See also 11 U.S.C. § 1110 with regard to aircraft leases, leases of aircraft equipment, and leases of vessels.

²⁸ 11 U.S.C. §§ 1113 and 1114.

²⁹ 11 U.S.C. § 365(n).

³⁰ *Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc.*, 756 F.2d at 1048.

decision.³¹ Congress designed Section 365(n) to allow the intellectual property licensee, upon rejection of the license agreement by the debtor/licensor, the option to either “retain its rights” in the intellectual property, while continuing to pay royalties, or to treat the executory contract as terminated.

Section 365(n) provides as follows:

(n)(1) if the trustee rejects an executory contract under which the debtor is a licensor of a right to intellectual property, the licensee under such a contract may elect —

(A) to treat such contract as terminated by such rejection if such rejection by the trustee amounts to such a breach as would entitle the licensee to treat such contract as terminated by virtue of its own terms, applicable nonbankruptcy law, or an agreement made by the licensee with another entity; or

(B) to retain its rights (including a right to to [sic] enforce any exclusivity provision of such contract, but excluding any other right under applicable nonbankruptcy law to specific performance of such contract) under such contract and under any agreement supplementary to such contract, to such intellectual property (including any embodiment of such intellectual property to the extent protected by applicable nonbankruptcy law), as such rights existed immediately before the case commenced, for —

(i) the duration of such contract; and

(ii) any period for which such contract may be extended by the licensee as of right under applicable nonbankruptcy law.

³¹ H.R. Rep. No. 100-1012, 100th Cong., 2nd Sess. 6 (1988) (“[P]roponents of the legislation argue that the *Lubrizol* case has had a chilling effect on licenses of intellectual property and that businesses are becoming reluctant to rely on licensed technology knowing that the license could be taken away if the licensor files bankruptcy. Licensees sometimes used the licensed technology as the basis for an entire business. As an example, a computer manufacturer may license microchip technology from another company and use it in the computers it manufactures. Proponents of the bill told the Subcommittee at its hearing that the *Lubrizol* decision means that, if the licensor files bankruptcy, the licensor could reject its license agreement with the computer manufacturer and take back its technology, leaving the manufacturer without the technology necessary to make its product. In some fields, the license may not be able to obtain adequate substitute technology.”).

(2) If the licensee elects to retain its rights, as described in paragraph (1)(B) of this subsection, under such contract —

(A) the trustee shall allow the licensee to exercise such rights;

(B) the licensee shall make all royalty payments due under such contract for the duration of such contract and for any period described in paragraph (1)(B) of this subsection for which the licensee extends such contract; and

(C) the licensee shall be deemed to waive —

(i) any right of setoff it may have with respect to such contract under this title or applicable nonbankruptcy law; and

(ii) any claim allowable under section 503(b) of this title arising from performance of such contract.

(3) If the licensee elects to retain its rights, as described in paragraph (1)(B) of this subsection, then on the written request of the licensee the trustee shall —

(A) to the extent provided in such contract, or any agreement supplementary to such contract, provide to the licensee any intellectual property (including such embodiment) held by the trustee; and

(B) not interfere with the rights of the licensee as provided in such contract; or any agreement supplementary to such contract, to such intellectual property (including such embodiment) including any right to obtain such intellectual property (or such embodiment) from another entity.

(4) Unless and until the trustee rejects such contract, on the written request of the licensee the trustee shall —

(A) to the extent provided in such contract or any agreement supplementary to such contract —

(i) perform such contract; or

(ii) provide to the licensee such intellectual property (including any embodiment of such intellectual property to the extent protected by the applicable nonbankruptcy law) held by the trustee; and

(B) not interfere with the rights of the licensee as provided in such contract, or any agreement supplementary to such contract, to such intellectual property (including such embodiment), including any right to obtain such intellectual property (or such embodiment) from another entity.

Section 365(n) generally provides that when the debtor in possession rejects a license of intellectual property, the debtor/licensor is released from the performance of future obligations and the non-debtor licensee may elect to retain the licensed property. The Bankruptcy Code defines "intellectual property" to mean the following: (1) trade secret; (2) invention, process, design or plant protected under title 35 of the U.S. Code (the patent laws); (3) patent application; (4) plant variety; (5) work of authorship protected under title 17 of the U.S. Code (the copyright laws); and (6) mask work protected under chapter 9 of the copyright laws (part of the Semiconductor Chip Protection Act of 1984).³² Trademarks are not covered in the definition of "intellectual property" in the Bankruptcy Code.

Section 365(n) provides two options for the non-debtor technology licensee in the event that the debtor/licensor rejects the license agreement.³³ The licensee is given a choice: (1) under Section 365(n)(1)(A), it can treat the contract as terminated if the rejection would constitute a breach if the licensor was not in bankruptcy (if the debtor/licensor's failure to comply with its remaining obligations under the license amounts to the type of breach that would allow the licensee to treat the license as terminated under applicable non-bankruptcy law); or (2) under Section 365(n)(1)(B), it can retain its rights under the agreement to use the licensed intellectual property for the duration of the contract period and for any extension periods provided for as a matter of right by nonbankruptcy law (which includes lawful renewal periods provided for at the licensee's option in the contract itself).³⁴

If the first choice is made, the licensee may assert a claim against the estate for damages caused by the rejection, as a breach of contract under

³² 11 U.S.C. § 101(56). See also 11 U.S.C. § 101(57) for the definition of "mask work."

³³ 11 U.S.C. § 365(n)(1).

³⁴ 11 U.S.C. § 365(n)(1)(B); see H.R. Rep. No. 100-1012, 100th Cong., 2nd Sess., 8 (1988) (hereafter referred to as "H.R. Rep. No. 100-1012"). See also *Encino Business Management, Inc. v. Prize Frize, Inc.* (In re Prize Frize, Inc.), 150 B.R. 456, 459 (Bankr. 9th Cir. 1993); *Encino Business Management, Inc. v. Prize Frize, Inc.* (In re Prize Frize, Inc.), 94 Daily Journal D.A.R. 11166, 11167 (Thursday, August 11, 1994), 1994 U.S. App. LEXIS 21571. In re *El International*, 123 B.R. 64, 66 (Bankr. D. Idaho 1991); In re *Matusalem*, 158 B.R. 514, 525-522 (Bankr. S.D.Fla. 1993).

Sections 365(g) and 502(g) of the Bankruptcy Code. If the licensee chooses this option, the licensee forfeits any and all of its rights to continued use of the subject technology. The licensee may simply file a claim in the bankruptcy case for breach of contract damages. The claim will be treated as a prepetition, general unsecured claim.³⁵

In most instances it is likely that the second alternative allowed under Section 365(n) will be a more attractive choice for the non-debtor/licensee because, among other things, the licensee's right to use the licensed technology is preserved for the term of the contract, notwithstanding the debtor/licensor's rejection of the contract. Upon the licensor's rejection, Section 365(n)(1)(B) allows the licensee to retain its right to the technology under the contract and under any agreement supplementary to the license. The rights retained do not include a right to compel specific performance by the licensor under the contract — except for a right, to the extent that it exists in the agreement, to enforce any exclusivity provision of the contract. "In this manner, the licensor is relieved of any burdens to take additional affirmative actions under the contract such as a duty to provide training, maintenance, promotion, or updates to the licensee. The licensee is protected by being able to retain the ability to use the license in the intellectual property, but the licensor/debtor is not burdened with having to take future affirmative actions — some of which could deplete the bankruptcy estate at the expense of the general creditors — while trying to reorganize or make a fresh start."³⁶ Under this scenario, the licensee will still retain an unsecured claim for damages from rejection, as a breach of contract under Section 365(g), although damages may be less if the licensee elects to proceed under subsection 365(n)(1)(B) rather than under subsection (n)(1)(A), since the licensee still retains its rights to the intellectual property under subsection (n)(1)(B).³⁷

If the non-debtor/licensee chooses to continue to use the licensed technology notwithstanding the debtor/licensor's rejection of the license, the licensee must continue to pay all royalties due the licensor.³⁸ Further,

³⁵ 11 U.S.C. §§ 365(g) and 502(g).

³⁶ H.R. Rep. No. 100-1012, at 8.

³⁷ *Id.*

³⁸ 11 U.S.C. § 365(n)(2)(B).

the licensee waives any right of setoff³⁹ and any administrative expense claim allowable under Section 503(b) of the Bankruptcy Code.⁴⁰

If the licensee elects to continue to use the licensed property pursuant to Section 365(n)(1)(B), the debtor/licensor is required to allow the licensee access to the intellectual property and may not interfere in any way with the licensee's rights pursuant to the license agreement and any supplementary agreement.⁴¹ It is incumbent upon the licensee to request in writing such cooperation of the licensor.⁴²

The Bankruptcy Code does not contain a definition of the term "royalty payments."⁴³ In the recent case of *In re Prize Frize, Inc.*, the Ninth Circuit Bankruptcy Appellate Panel (the "BAP") determined that the term "royalty payments" must be defined broadly to include any payment for the use of intellectual property, no matter how the payment is designated in the contract.⁴⁴ Citing the legislative history of Section 365(n), the BAP stated:

The legislative history reflects that this term encompasses any payment for use of intellectual property, no matter how that pay-

³⁹ 11 U.S.C. § 365(n)(2)(C)(i). Losing the setoff results in the damage claim arising from the breach of contract being treated as a prepetition unsecured claim instead of reducing the licensee's royalty obligation dollar for dollar (which would be tantamount to a secured claim). *In re Prize Frize, Inc.*, 150 B.R. 456, 459 (Bankr. 9th Cir. 1993) ("If the licensee elects to retain its rights under the contract, the licensee must make all royalty payments due under the contract and will be deemed to have waived any right of setoff it may have with respect to such contract and any claim under Section 503(b) arising from the performance of the contract."). See also *In re El International*, 123 B.R. 64, 66 (Bankr. D. Idaho 1991). However, the doctrine of recoupment should still apply. See *Newbury Electric, Inc. v. MCI Constructors, Inc. (In re Newbury Corporation)*, 145 B.R. 998, 1000-1001, (Bankr. 9th Cir. 1992) ("Under the doctrine of recoupment, a creditor may assert as countervailing claim against a debtor's claim if both claims arise out of the same transaction. . . . The creditor's claim is essentially a defense to the debtor's claim against the creditor rather than a mutual obligation. . . . [T]he recoupment doctrine has traditionally operated as an exception to the rule [in bankruptcy cases restricting setoffs]." (citations omitted).

⁴⁰ 11 U.S.C. § 365(n)(2)(C)(ii).

⁴¹ 11 U.S.C. § 365(n)(3)(A) and (B).

⁴² 11 U.S.C. § 365(n)(4).

⁴³ *In re Prize Frize, Inc.*, 150 B.R. 456, 459 (Bankr. 9th Cir. 1993) ("There is a paucity of authorities construing Section 365(n) and none addressing the scope of this term. In a non-bankruptcy context, while the term royalty is usually employed in a restricted sense to denote periodic payment based upon productivity for a use of intangible property, authorities also define the term broadly to mean money or compensation paid for the use of intangible property.") (Citations omitted).

⁴⁴ *Id.* at 459-460.

ment is named in the agreement. Under such a definition, the fact that the payments are called license fees or the fact that the payments are based upon a flat fee rather than a percentage of sales will not preclude their treatment of [sic] royalty payments for purposes of Section 365(n)(2). If this were not the case, licensees would be allowed to continue to use property of the estate without compensating the estate simply because they labelled the payments license fees or structured the payment on a flat fee rather than a percentage basis.⁴⁵

In a very recent decision, the Ninth Circuit Court of Appeals affirmed the BAP's holding in *In re Prize Frize* that all payments due for the use of intellectual property should be analyzed as "royalties" regardless of how the payments are labelled by the parties.⁴⁶ The issue of whether "license fees" paid by a licensee for the use of technology, patents, and proprietary rights were "royalties" as that term is defined in the Bankruptcy Code was described by the Ninth Circuit as an issue of "first impression in any circuit."⁴⁷ The Ninth Circuit then followed the analysis applied by the BAP in this case and found that Section 365(n) was designed to balance the interests of the debtor/licensor and the non-debtor intellectual property licensee.⁴⁸ The Ninth Circuit Court of Appeals concluded that "the par-

⁴⁵ *In re Prize Frize, Inc.*, 150 B.R. at 460. In applying the definition of "royalty payments" to the facts at issue in *In re Prize Frize, Inc.*, the court stated:

In this case, the license agreement clearly reflects that the license fees are for the use of intellectual property. Article 4.1 of the agreement states that the license fee is in consideration of the grant of the machine licenses. The grant of the machine license was the grant of the license to utilize the proprietary rights. That there may be additional payments due upon sales, merchandizing or franchising that are specifically designated as royalty payments does not mean that the license fee is not a payment for the use of the debtor's intellectual property. Encino is arguably correct that the license fee should not be considered a royalty to the extent it is consideration for continuing affirmative obligations of performance on the part of the debtor, such as warranties and indemnification agreements. The agreement, however, reflects that the license fee is in consideration for the use of the intellectual property, not for continuing affirmative obligations of performance. We, therefore, determine that the bankruptcy court correctly determined that the license fee payments constitute royalty payments for purposes of Section 365(n)(2)(B).

Id.

⁴⁶ *In re Prize Frize*, 94 Daily Journal D.A.R. at 11167, U.S. App. LEXIS 21571.

⁴⁷ *Id.*

⁴⁸ *In re Prize Frize, Inc.*, 94 Daily Journal D.A.R. 11166, 11167, 1994 U.S. App. LEXIS 21571. The Court of Appeals stated:

Section 365(n) has struck a fair balance between the interests of the bankrupt and the interest of a licensee of the bankrupt's intellectual property. The bankrupt cannot terminate and strip the licensee of rights

ties by their choice of names cannot alter the underlying reality nor change the balance that the Bankruptcy Code has struck."⁴⁹

C. Drafting Suggestions Designed to Maximize the Protections Available Under Section 365(n) for Intellectual Property Licensees

As discussed above, in order for a licensee to be entitled to the protections of Section 365(n), the license agreement must: (1) involve a license of "intellectual property" as defined in 11 U.S.C. § 101(56); and (2) the agreement must be an executory contract.⁵⁰ One way to completely avoid the risk of rejection of an executory contract for the intellectual property licensee in a bankruptcy case is for that party, if possible, to purchase the technology outright instead of merely taking it under a license agreement.⁵¹ When addressing the issues presented by a possible future bankruptcy and rejection of the license agreement under Section 365(n), the licensee should seek both to create disincentives for rejection

the licensee had bargained for. The licensee cannot retain the use of those rights without paying for them. It is essential to the balance struck that the payments due for the use of the intellectual property should be analyzed as "royalties," required by the statute itself to be met by the licensee who is enjoying the benefit of the bankrupt's patents, proprietary property, and technology. As the BAP observed, the legislative history buttresses this commonsense interpretation of "royalties" in the statute.

Id. (citation omitted).

⁴⁹ *In re Prize Frize, Inc.*, 94 Daily Journal D.A.R. 11166, 11167, 1994 U.S. App. LEXIS 21571; *In re Prize Frize, Inc.*, 150 B.R. at 460. The licensee in *In re Prize Frize* attempted to argue before the Ninth Circuit Court of Appeals that it should not be required to pay for obligations of the debtor under the contract which were no longer being performed. The Court of Appeals stated that "[t]hese obligations raise the question whether it is proper to consider all of the license fees as royalties or whether some portion of the fees should be allocated to payment for the obligations assumed by the debtor." *Id.* The licensee had failed to raise this argument before the Bankruptcy Court or the BAP and, therefore, the Ninth Circuit Court of Appeals found that it was too late to raise the argument and that the licensee's remedy would be limited to asserting an unsecured claim for breach of the entire license agreement under Section 365(g) of the Bankruptcy Code. *In re Prize Frize, Inc.*, 94 Daily Journal D.A.R. 11166, 11167, 1994 U.S. App. LEXIS 21571.

⁵⁰ 11 U.S.C. §§ 101(52) and 365(n).

⁵¹ This would eliminate the characterization of the intellectual property agreement as an executory contract subject to rejection under Section 365. Understandably, the instances in which an outright purchase of intellectual property is feasible or warranted may be rare. Presumably, it would be too expensive for many potential licensees. Further, among other things, the licensor/owner may be unwilling to sell because it would lose control over its invention.

of the agreement as an executory contract and to create protections in the event of rejection.

1. Make Section 365(n) Explicitly Apply

The addition of Section 365(n) to the Bankruptcy Code was designed to increase the likelihood that an intellectual property licensee would receive the benefit of its bargain following the bankruptcy of a licensor it had contracted with.⁵² Because the definition of “intellectual property” set forth in Section 101(56) is limited and restrictive in scope, the licensee should attempt to characterize the property which will be the subject matter of the agreement in the terms expressly set forth in Section 101(56).⁵³ The licensee should require that the license agreement expressly provide that the parties agree that the licensed property is “intellectual property” as defined in Section 101(56) of the Bankruptcy Code and that the license agreement is governed by Section 365(n) of the Bankruptcy Code in the event that the licensor commences a case under the Bankruptcy Code. Although these provisions may have questionable validity in a later bankruptcy case by the licensor, at a minimum, they should be of value in establishing the parties’ intent at the time the agreement was negotiated and may serve as an admission in a future bankruptcy case.

Further, as discussed above, executory contracts for bankruptcy purposes involve situations where unperformed obligations remain on both sides of the agreement as of the date of the commencement of a bankruptcy case. In drafting a license agreement, the licensee should see that the agreement itself delineates, in significant detail, the scope and nature of the continuing obligations of both the licensor and the licensee over the life of the contract. In the event the licensor later commences a bankruptcy case, this should increase the likelihood that the agreement will be found to be an executory contract.

⁵² H.R. Rep. No. 100-1012, at 6 (“The purpose of the legislation is to promote the development and licensing in intellectual property by providing certainty to licensees in situations where the licensor files bankruptcy and seeks to reject the license agreement as an executory contract. . . . [L]icensees will have the assurance of being able to continue to use the licensed intellectual property after rejection, while debtor/licensors will still be able to free themselves of burdensome obligations by rejecting license agreements. . . . Under the legislation, any right in the license agreement giving the licensee an exclusive license will still be enforceable by the licensee, but other rights of the licensee cannot be specifically enforced. In this manner, rejection will not deprive the licensee of the use of the intellectual property, as happened in the *Lubrizol* case, but the licensor/debtor will, consistent with the general goal of Section 365, be relieved with the burdens of complying with the rejected agreement.”)

⁵³ See 11 U.S.C. § 101(56).

2. *Royalty Provisions*

When a debtor/licensor rejects an intellectual property license and the licensee elects to continue to use the property, the licensee is required to continue to make "royalty payments" to the licensor.⁵⁴ However, while the licensor's rejection of the license agreement does not interfere with the licensee's continued use of the property, rejection permits the licensor to avoid its continuing affirmative obligations under the agreement which might include, for example, any obligation to train the licensee's personnel, to provide marketing service functions, product service, technical service, maintenance functions, defend against infringement, or the like. Thus, when drafting the license agreement, the licensee should specify the payments ("royalty payments") related to the use of the technology and segregate out those payments attributable to the performance of collateral obligations or services such as maintenance, training, marketing or other service. If the payments are lumped into one royalty payment, upon rejection by the debtor/licensor under Section 365(n), the licensee could be required to pay the full price for the collateral obligations even if they are not being performed. Thus, if the license is rejected, and the licensor discontinues performing collateral services such as maintenance, training, or marketing or other functions, if the licensee uses adequate care in drafting the agreement, it should not be obligated to make those payments attributable to such unperformed services.⁵⁵ The licensee should only have to make the payments related to the use of the intellectual property itself.

An alternative provision could provide for a royalty rate reduction which could explicitly provide that to the extent that a royalty payment for intellectual property is attributable to the licensor's performance of collateral obligations or services, the royalty shall be reduced a defined amount if the collateral obligations are not being performed.⁵⁶ Another option would be to structure a forfeiture of the royalty upon a defined event of material breach (other than insolvency or bankruptcy). However, this drastic remedy is likely to be viewed as unenforceable even if not found to be an ipso facto provision.

⁵⁴ 11 U.S.C. § 365(n)(2)(B).

⁵⁵ See *In re Prize Frize, Inc.*, 150 B.R. at 460. In the opinion issued by the Ninth Circuit Court of Appeals in *In re Prize Frize, Inc.*, the Appeals Court points out that the licensee failed to raise before the lower courts the argument that it should not be obligated to make payments which were attributable to unperformed services. As a result, the Court of Appeals found that it was too late for the licensee to raise the argument. *In re Prize Frize, Inc.*, 94 Daily Journal D.A.R. 11166, 11167, 1994 U.S. App. LEXIS 21571.

⁵⁶ It must be kept in mind that in provisions triggering a royalty rate reduction must be based on lack of performance and not tied to licensor's bankruptcy or insolvency because ipso facto clauses are unenforceable under the Bankruptcy Code. See 11 U.S.C. §§ 365(e)(1) and 541(c)(1).

3. Assignment Provisions

Bankruptcy Code Section 365(n) governs the rejection of an intellectual property license agreement. However, this subsection does not provide for the assumption or assignment of such an executory contract. Under Section 365(f), notwithstanding any provision in the contract to the contrary, the debtor in possession may assign to a third party an executory contract if such contract is assumed and if "adequate assurance of future performance" by the assignee of such contract is provided.⁵⁷ With the exception of shopping center leases,⁵⁸ what constitutes "adequate assurance of future performance" is not defined in the Bankruptcy Code. In preparing a license agreement, the licensee should attempt to define what constitutes adequate assurance of future performance if the license is ultimately assigned to a third party in a bankruptcy case. For example, it could be explicitly stated that any such assignee must affirmatively assume all of the debtor/licensor's obligations under the agreement and/or that certain net worth or capital requirements must be met by the licensee to insure that the service, maintenance, marketing, research and development obligations originally bargained for can be fulfilled. While these kinds of provisions in pre-bankruptcy agreements may not be enforceable in the event of a future bankruptcy filing by the licensor, they may provide evidence of the intent of the parties and may serve to help guide the Bankruptcy Court in addressing this issue if it ultimately arises.

4. Define Events of Material Breach

As stated above, *ipso facto* clauses which trigger a default or remedy under the contract as a result of the debtor/licensor's insolvency or commencement of a bankruptcy case are unenforceable. Thus, the contractual language should refer to other events of default and remedies. The events which constitute a breach should be important to the licensee such as a failure to perform a significant collateral obligation or an ancillary agreement. All such events should be specifically set forth in the contract.

III. PERFECTING SECURITY INTERESTS IN INTELLECTUAL PROPERTY

The perfection of security interests in intellectual property is an area of the law which has been notable for its uncertainty and inconsistency with regard to the different requirements depending upon the type of intellectual property at issue. The primary question generally centers on whether the perfection of a security interest in intellectual property is governed by Article 9 of the Uniform Commercial Code ("UCC") even

⁵⁷ 11 U.S.C. § 365(f). The provisions governing assumption are 11 U.S.C. § 365(a) and (b).

⁵⁸ 11 U.S.C. § 365(b)(3).

though intellectual property rights are created under federal law. Section 9-104 of the UCC provides that Article 9 does not apply to a security interest subject to a federal statute "to the extent that such statute governs the rights of parties to and third parties affected by transactions in particular types of property."⁵⁹ If the proper acts to perfect the security interest have not been taken, in a bankruptcy case, the debtor in possession or trustee can avoid (eliminate) the security interest under the "strong arm" avoiding powers of 11 U.S.C. § 544(a). Several recent cases have addressed the issues of perfection of security interests in intellectual property and federal preemption with regard to copyrights and trademarks.

A. *Copyrights.*

In re Peregrine Entertainment, Inc., 116 B.R. 194 (Bankr. C.D. Ca. 1990), the court⁶⁰ addressed the issue of whether a security interest in a copyright is perfected by an appropriate filing with the United States Copyright Office or by a UCC-1 Financing Statement filed with the relevant Secretary of State.⁶¹ National Peregrine, Inc. ("NPI") was a chapter 11 debtor in possession. NPI's principal assets were a library of copyrights, distribution rights and licenses to approximately 145 films, and accounts receivable arising from the licensing of these films to various programmers.⁶² Capital Federal Savings and Loan Association of Denver ("Cap Fed") had made a \$6 million loan secured by NPI's film library. Both the security agreement and the UCC-1 Financing Statements filed by Cap Fed described the collateral as "[a]ll inventory consisting of films and all accounts, contract rights, chattel paper, general intangibles, instruments, equipment, and documents related to such inventory, now owned or hereafter acquired by the debtor."⁶³ Although Cap Fed properly filed its UCC-1 Financing Statements with three appropriate states, it did not record its security interest in the United States Copyright Office.⁶⁴ After commencing a chapter 11 case, NPI sought to avoid, recover and preserve Cap Fed's allegedly unperfected security interest for the benefit of the estate. The matter came before Judge Kozinski on cross-motions for partial summary judgment on the question of whether Cap Fed had a valid security interest in the NPI film library. NPI's theory was that in order to perfect its security interest in the copyrights and related receivables Cap Fed was required to file its security interest with the Federal Copyright Office,

⁵⁹ See UCC § 9-104(a).

⁶⁰ Circuit Judge Kozinski, sitting by designation as a District Court Judge hearing an appeal from a decision of the Bankruptcy Court.

⁶¹ *In re Peregrine Entertainment, Ltd.*, 116 B.R. at 197.

⁶² *Id.*

⁶³ *In re Peregrine Entertainment, Ltd.*, at 197-198.

⁶⁴ *Id.*

and that its failure to make such a filing allowed NPI to seize the intangible assets under the strong-arm clause of Bankruptcy Code Section 544(a).⁶⁵ Cap Fed argued that the copyrights and receivables were “general intangibles” under UCC Section 9-106, and that its UCC-1 filings properly perfected its security interest.

Judge Kozinski found that a comprehensive scope of the Federal Copyright Act’s recording provisions, along with the unique federal interests they implicate, supported the view that federal law preempts state methods of perfecting security interests in copyrights and related accounts receivable.⁶⁶ The Copyright Act provides that “[a]ny transfer of copyright ownership or other document pertaining to a copyright” may be recorded in the United States Copyright Office and that a “transfer” under the Act includes any “mortgage” or “hypothecation of a copyright,” whether “in full or in part” and “by means of conveyance or by operation of law.”⁶⁷ The court found that a security interest in receivables generated by a copyright could also be recorded in the United States Copyright Office.⁶⁸ While the court did not hold that the explicit language of the statute preempted UCC filing as a parallel method of perfecting security interests in copyrights and related receivables, the court found implicit federal preemption as a matter of public policy.⁶⁹

The court stressed the need for uniformity in the recordation and perfection scheme at issue. The court cited the benefit of a single place where an interested third party can go to determine whether a particular copyright is encumbered.⁷⁰ Further, Judge Kozinski found that the Copy-

⁶⁵ 11 U.S.C. § 544(a)(1) provides a trustee or a debtor in possession (if a trustee has not been appointed) with the rights and powers of a holder of a judicial lien to avoid security interests (among other transfers).

⁶⁶ *In re Peregrine Entertainment, Ltd.*, 116 B.R. at 199. See also *In re AEG Acquisition Corp.*, 127 B.R. at 41.

⁶⁷ 17 U.S.C. §§ 205(a), 11, 201(d)(1). See *In re Peregrine Entertainment, Ltd.*, 116 B.R. at 198-199. The licensee and/or secured creditor should always record the license agreement to protect against avoidance under 11 U.S.C. § 544(a).

⁶⁸ *Id.* at 199.

⁶⁹ *In re Peregrine Entertainment, Ltd.*, 116 B.R. 199-200 (“No useful purposes would be served — indeed, much confusion would result — if creditors were permitted to perfect security interests by filing with either the Copyright Office or state offices.”).

⁷⁰ *In re Peregrine Entertainment, Ltd.*, 116 B.R. at 200-202 (“A recordation scheme best serves its purpose where interested parties can obtain notice of all encumbrances by referring to single, precisely defined recordation system. The availability of parallel state recordation systems that could put parties on constructive notice as to encumbrances on copyrights would surely interfere with the effectiveness of the federal recordation scheme. Given the virtual absence of dual recordation schemes in our legal system, Congress cannot be presumed to have contemplated such result. The court therefore

right Act established its own scheme for determining priority among conflicting transferees and that this scheme differed in certain respects from that of Article 9 under the Uniform Commercial Code. Unlike Article 9, the Copyright Act permits the effect of recording with the Copyright Office to relate back as far as two months (17 U.S.C. § 205(d)). Accordingly, the court held that the availability of filing under the UCC would undermine the priority scheme established by Congress with respect to copyrights and that this type of direct interference with the operation of federal law weighed heavily in favor of preemption.

Judge Kozinski further concluded that state law also supported his conclusion regarding preemption. The court cited UCC §§ 9-302(3)(a) and (4) which provide that filing Article 9 Financing Statements with the Office of the Secretary of State in which a debtor is located is not "necessary or effective to preserve a security interest in property subject to . . . [a] statute or treaty of the United States which provides for a national or international registration . . . or which specifies a place of filing different from that specified in [Article 9] . . ." and that when a national system for recording security interests exists, the UCC treats compliance with that system as "equivalent to the filing of a financing statement under [Article 9], and a security interest in property subject to the statute or treaty can be perfected only by compliance therewith. . . ."71

In reaching its conclusion that the Federal Copyright Act preempts the UCC, the court rejected two other federal district court decisions holding that, under the Federal Patent Statute,⁷² secured lenders can perfect security interests in patents by filing financing statements covering "general intangibles" under Article 9 of the Uniform Commercial Code.⁷³ Judge Kozinski held that while the patent cases reflect a more narrow view of federal preemption, they can be distinguished from cases involving copyright. Under the patent statute, a security interest not recorded in the Patent and Trademark Office is vulnerable only as against subsequent "purchasers" and "mortgagees," and not lien creditors such as a trustee in bankruptcy.⁷⁴

In 1993, legislation was introduced in Congress which would, among other things, allow creditors to perfect security interests in copyrights by

concludes that any state recordation system pertaining to interests in copyrights would be preempted by the Copyright Act.").

⁷¹ UCC §§ 9-302(3)(a) and 9-302(4).

⁷² 35 U.S.C. § 261.

⁷³ See *City Bank & Trust Co. v. Otto Fabric, Inc.*, 83 B.R. 780 (Bankr. D. Kan. 1988); and *In re Transportation Design & Technology, Inc.*, 48 B.R. 635 (Bankr. S.D. Cal. 1985).

⁷⁴ See *In re Peregrine Entertainment, Ltd.*, 116 B.R. at 203-204; *In re Transportation Design & Technology, Inc.*, 48 B.R. at 639; and *City Bank & Trust Co. v. Auto Fabric, Inc.*, 83 B.R. at 782.

complying with state law.⁷⁵ As of this date, this legislation has not been enacted.

B. Trademarks

In *Joseph v. 1200 Valencia, Inc. (In re 199Z, Inc.)*, 137 B.R. 778 (Bankr. C.D. Ca. 1992), an asset purchase agreement was entered under which the purchaser pledged trademark assets as collateral for a portion of the purchase price. The seller recorded a memorandum of security agreement with the U.S. Patent & Trademark Office and filed a financing statement with the Secretary of State.⁷⁶ The financing statement contained what was found to be a defective description by incorrectly stating that the seller, instead of the buyer, had granted the security interest.⁷⁷ The seller later corrected the exhibit to the financing statement pursuant to a UCC-2 Amendment. Thereafter, the purchaser filed a Chapter 7 Bankruptcy Petition and the seller became the defendant in a preference action brought by the trustee due to the filing of the UCC-2 Amendment within 90 days of the commencement of the bankruptcy case.⁷⁸

The Bankruptcy Court held that the trademark constituted a general intangible and the perfection was required in conformance with the Uniform Commercial Code.⁷⁹ The Bankruptcy Judge cited the Uniform Commercial Code official comment to Section 9-106 where copyrights, trademarks and patents, come under the term "general intangibles" except to the extent that they may be excluded by Section 9-104(a). As mentioned above, Section 9-104 provides that Article 9 does not apply to a security interest subject to any statute of the United States, to the extent that such statute governs the rights of parties and third parties affected by transactions in particular types of property.

The court distinguished *Peregrine*, recognizing that while many of the characteristics of copyright supporting federal preemption of state law were equally applicable to trademarks (such as the unique federal interests in the subject matter as shown through comprehensive federal legislation, promotion of uniformity, and lack of situs of the personal property because of its incorporeal nature), "one critical distinction exists between the federal legislation at issue in *Peregrine* and the Lanham Act trademark

⁷⁵ H.R. No. 897 & S. 373.

⁷⁶ *In re 199Z, Inc.*, 137 B.R. at 779.

⁷⁷ What occurred was that the seller had mistakenly attached as an exhibit to the UCC-1 filing a collateral description used as an exhibit in a UCC-1 Financing Statement executed by the seller in favor of its lender.

⁷⁸ *In re 199Z, Inc.*, 137 B.R. at 779-780; see 11 U.S.C. § 547.

⁷⁹ *In re 199Z, Inc.*, at 781 ("The Uniform Commercial Code provides for perfection of a security interest through filing a financing statement conforming with its requirements with the appropriate secretary of state. In this manner, a security interest in 'general intangibles' can be perfected.").

legislation.”⁸⁰ The court held that while the Copyright Act provided expressly for the filing of any “mortgage” or “hypothecation” of a copyright including a pledge of the copyright as security or collateral for a debt, the Lanham Act provides expressly only for the filing of an assignment of a trademark, and the definition of “assignment” does not include pledges, mortgages, or hypothecations of a trademark. Therefore, the court concluded that the Lanham Act was different from the Copyright Act in that the granting of a security interest in a trademark is not the equivalent of an assignment of the trademark and that the filing in the Patent and Trademark Office was a nullity.⁸¹ The court found its conclusion to be harmonious with decisions holding that federal law does not preempt in the area of trademarks and that filing of a UCC-1 is necessary in order to perfect a security interest in such collateral. As a result, the court concluded that the recordation of the Memorandum of Security Agreement in the Patent Office did not perfect the seller’s security interest in the trademark assets and that it would next consider whether the seller properly perfected its security interest in the trademark assets under California law.⁸²

In applying California law, the court recognized that a financing statement which substantially complies with the description requirements of the Uniform Commercial Code is effective even though it contains minor errors which are not seriously misleading.⁸³ However, the court held that “[t]o be effective, a financing statement must reasonably describe the property of the debtor in which the secured party claims an interest.”⁸⁴ The court found that the financing statement was “seriously misleading” and, therefore, could not be cured as a minor error under UCC § 9-402(8). The Bankruptcy Court held that while UCC § 9-402 requires that the financing statement include “only the most basic description of property deemed to be collateral,”⁸⁵ it must still contain some “reasonable description” of the property.⁸⁶

⁸⁰ *In re 199Z, Inc.*, 137 B.R. at 782. See 15 U.S.C. §§ 1051 *et seq.* (the Lanham Act).

⁸¹ *In re 199Z, Inc.*, 137 B.R. at 782 (“Had Congress intended that security interests and trademarks be perfected by filing with the Patent Office, it could have expressly provided for such a filing, as it did in the Copyright Act.”).

⁸² *Id.*, citing *Creditors’ Committee of TR-3 Industries, Inc. v. Capital Bank (In re TR-3 Industries, Inc.)*, 41 B.R. 128, 131 (Bankr. C.D. Ca. 1984); *Roman Cleanser Co. v. National Acceptance Company of America (In re Roman Cleanser Co.)*, 43 B.R. 940, 944 (Bankr. E.D. Mich. 1984).

⁸³ *In re 199Z, Inc.*, 137 B.R. at 783, citing Cal. Comm. Code § 9402.

⁸⁴ *In re 199Z, Inc.*, 137 B.R. at 783.

⁸⁵ *In re 199Z, Inc.*, 137 B.R. at 783, citing *Biggins v. Southwest Bank*, 490 F.2d 1304, 1307-08 (9th Cir. 1973).

⁸⁶ *Gill v. U.S. (In re Boogie Enterprises, Inc.)*, 866 F.2d 1172 (9th Cir. 1989).

The court held that the sellers' initial filing of the UCC-1 Financing Statement failed to completely describe the collateral of the Debtor in which the seller claimed a security interest. Therefore, the court found that the initial UCC-1 was ineffective to perfect a security interest in the trademark assets and that the Debtor's contention that the later UCC-2 Financing Statement amended a duly perfected security interest arising from the UCC-1 filing had no validity (seller had to make this argument in order avoid admitting that the amended filing constituted a preference). In summary, the court found that neither the filing with the Patent and Trademark Office nor the UCC filings with the Secretary of State perfected the seller's claimed security interest in the trademark assets.⁸⁷

C. Patents

Under federal patent law, there is no recording required to protect the secured creditor against lien creditors such as a trustee in bankruptcy.⁸⁸ Thus, security interests in patents may be considered automatically perfected against a bankruptcy trustee as long as the security agreement and financing statement adequately identify the patents as collateral.⁸⁹ If a secured creditor desires to protect itself against outright transfers to a bona fide purchaser or a mortgagee who properly records, a recording must be accomplished with the Patent and Trademark Office.⁹⁰

⁸⁷ *In re 199Z, Inc.*, 137 B.R. at 784. The court cited *Webb Co. v. First City Bank (In re Softalk Publishing Co., Inc.)*, 856 F.2d 1328, 1329 (9th Cir. 1988), as a "remarkably similar" case in support of the court's finding that the financing statement containing an inadequate description of the collateral is ineffective.

⁸⁸ *In re Transp. Design & Technology, Inc.*, 48 B.R. 635, 639 (Bankr. S.D. Ca. 1985) ("[T]he grant of a security interest is not a conveyance of a present ownership right in the patent and, that like the creation of some other lesser rights in the patent (such as licenses) is not required to be recorded with the Patent Office.").

⁸⁹ *Id.* ("[A] bona fide purchaser holding a duly recorded conveyance of the ownership rights in a patent or a mortgagee who has recorded its interest as a transfer of title with the Patent Office will defeat the interests of a secured creditor of the grantor or mortgagor who has not filed notice of its security interest in the Patent Office. However, the trustee is in the position of a hypothetical lien creditor [11 U.S.C. § 544(a)(1)], not a bona fide purchaser.").

⁹⁰ *In re Transp. Designs & Technology, Inc.*, 48 B.R. at 640 ("[I]f the secured creditor wishes to protect itself against the debtor transferring title to the patent to a bona fide purchaser or mortgagee who properly records, then the secured creditor must bring its security interest (which is not ordinarily a transfer of title) within the provisions of the Patent Act governing transfer of title to patents. Only in that way can its debtor be barred from transferring title until the debt is repaid.").

In *In re Transp. Design & Technology, Inc.*, the Bankruptcy Court addressed a trustee's attack against a secured creditor's security interest based on the creditor's failure to record a notice of its interest in the United States Patent and Trademark Office. The creditor had a valid security agreement and had filed a UCC Financing Statement describing "general intangibles". As indicated above, the court determined that the federal statute solely governed perfection as against bona fide purchasers and subsequent mortgagees. Further, as indicated above, the court held that the federal law did not displace the UCC which controlled the relative rights of secured creditors and judgment lien claimants. The court recognized that it might appear anomalous that a secured creditor could properly perfect under the UCC and obtain perfection against other competing lien creditors and yet not be protected against a bona fide purchaser or mortgagee who recorded with the Patent and Trademark Office.⁹¹

The court went on to explain that a security interest has the following two purposes:

First, it protects the interest of a secured creditor in collateral against subsequent or competing lien claimants of its debtor. Secondly, a security interest protects the secured creditor against the debtor transferring title to the collateral free of its interests. Ordinarily, perfecting a security interest in personalty in accordance with the UCC would protect both interests of the secured creditor. However, where a federal statute, such as the Patent Act, governs one area or interest which the secured creditor wishes to protect (e.g., ownership), then the federal statute pre-empts any other method of protecting that interest and is conclusive on the manner of protecting that interest.⁹²

Although filing under the UCC would normally protect both interests of a secured creditor identified by the court, the court in *In re Transportation Design & Technology, Inc.*, held that the Patent Act mandated an additional filing to completely perfect a security interest in a patent against

⁹¹ *In re Transp. Design & Technology, Inc.*, 48 B.R. at 639-640.

⁹² *Id.* However, in *City Bank & Trust Company v. Otto Fabric, Inc. (In re Otto Fabric, Inc.)*, 55 B.R. 654, 657 (Bankr. Kan. 1985), the bankruptcy court rejected the holding of *Transportation Design & Technology* and concluded "that Patent and Trademark Office filing is an adequate filing system that entirely pre-empts UCC filings." This holding of the bankruptcy court was reversed on appeal in *City Bank & Trust Company v. Otto Fabric, Inc.*, 83 B.R. 780, 782 (D. Kan. 1988), where the district court held that "while the federal statute may preempt in part the system for perfecting security interests in patents, it is only a partial preemption. It leaves open a state filing to protect one's security interest in a patent against a lien creditor." (citing *In re Transportation Design and Technology, Inc.*, 48 B.R. 635).

subsequent bona fide purchasers (or mortgagees). Because the Patent Act did not expressly deal with the claims of other creditors, it did not govern their perfection or priority and the court rejected the trustee's attempt to avoid (as a hypothetical lien creditor under 11 U.S.C. § 544(a)(1)) the security interest at issue.⁹³

IV. CONCLUSION

The implications of a future bankruptcy case should be considered when preparing intellectual property agreements. This article has highlighted some issues which may arise in chapter 11 cases involving intellectual property assets. Licensees of intellectual property should position themselves to take advantage of the benefits of Bankruptcy Code Section 365(n) by seeking to create disincentives for the rejection of their license agreements and protections in the event of rejection. Under the current state of the law, parties seeking to perfect security interests in intellectual property should protect their interests by recording at the applicable federal office (United States Patent and Trademark Office or United States Copyright Office) as well as at the appropriate state offices.

⁹³ *In re Transp. Design & Technology, Inc.*, 48 B.R. at 639-640, applying *Waterman v. Mackenzie*, 138 U.S. 252, 11 S. Ct. 334, 34 L. Ed. 923 (1891). The court in *In re Transp. Design & Technology, Inc.*, 48 B.R. at 640, summarized its holding regarding the effect of recordation in the federal or state office with regard to patent rights as follows:

[I]f the secured creditor wishes to protect itself against the debtor transferring title to the patent to a bona fide purchaser or mortgagee who properly records [with the U.S. Patent Office], then the secured creditor must bring its security interest (which is not ordinarily a transfer of title) within the provisions of the Patent Act governing transfer of title to patents. Only in that way can its debtor be barred from transferring title until the debt is repaid. In most cases, the sophisticated lender lending on intellectual property is in the best position to decide which of its interests it wishes to protect and if sale or transfer of that property by the debtor is a substantial concern, it will perfect its security interest by recording an assignment, grant or conveyance of the patent with the Patent Office to prevent its transfer.

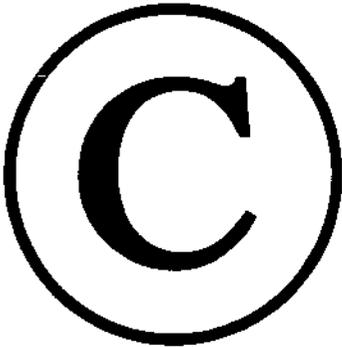
The court recognizes that this holding leaves a fairly narrow area remaining for state regulation. However, state law will still be required to resolve disputes and determine the relative rights of secured creditors and judgment lien claimants and between secured creditors, neither of whom have recorded with the Patent Office. In the absence of any overriding federal policy against it, the Uniform Commercial Code should continue to apply to the resolution of such matters.

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ARTICLES

APPROPRIATION ART AND THE IMMINENT DECLINE IN
AUTHORIAL CONTROL OVER COPYRIGHTED WORKS*

MARCI A. HAMILTON**

"Put all your eggs in the one basket and—

WATCH THAT BASKET."

Mark Twain, Pudd'nhead Wilson

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I. INTRODUCTION

Copyright law is in crisis, and it is the author embracing her bundle of rights who stands at the vortex of the controversy. The often unstated, but readily apparent, question motivating much of the discourse on copyright today is which stick in the author's bundle of rights should be sacrificed for the sake of a higher goal. For economic, philosophical, and pragmatic reasons, the configuration and size of the author's bundle is being subjected to close scrutiny by a wide array of thinkers.¹ Appropriation art, the focal

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**Associate Professor of Law, Benjamin N. Cardozo School of Law. I would like to thank Howard Abrams, Anne Dupre, Alyce McKenzie, Bill Patry, Shira Perlmutter, Jerome Reichman, Stewart Sterk, and Russ VerSteeg for their helpful comments on earlier drafts and Adam Chernichaw, Barbara Friedman, and Jonathan Sobel for their research assistance.

¹ See generally James Boyle, *A Theory of Law and Information: Copyright, Spleens, Blackmail, and Insider Trading*, 80 CALIF. L. REV. 1413, 1468-70 (1992); Stephen Breyer, *The Uneasy Case for Copyright*, 84 HARV. L. REV. 281 (1970); John Carlin, *Culture Vultures*, 13 COLUM.-VLA J.L. & ARTS

point of this rather speculative essay; provides a vivid example of the war against the author. It is a fascinating example, because it illustrates that the copyright paradigm is being challenged not only by new technological products that fit uneasily within its borders,² but also by works historically at the center of copyright discourse.

Appropriation art borrows from the world either previously existing aesthetic works, ranging from the Mona Lisa to contemporary advertisements, or primarily functional items, such as a urinal, to create "new" art.³ It belligerently challenges the historical copyright norm that attached

103, 135 (1988); Paul Geller, *The Universal Electronic Archive: Issues in International Copyright*, 25 INT'L REV. INDUS. PROP. & COPYRIGHT L. 54, 65-66 (1994) (questioning scope of moral rights); Jane Ginsburg, *Creation and Commercial Value: Copyright Protection of Works of Information*, 90 COLUM. L. REV. 1865 (1990); Wendy J. Gordon, *A Property Right in Self Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533 (1993); William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325 (1989); Benjamin Kaplan, *AN UNHURRIED VIEW OF COPYRIGHT* (1967); L. Ray Patterson, *Free Speech, Copyright, and Fair Use*, 40 VAND. L. REV. 1 (1987); Jerome H. Reichman, *Legal Hybrids Between the Patent and Copyright Paradigms*, COLUM. L. REV. (forthcoming 1994); THE CONSTRUCTION OF AUTHORSHIP: TEXTUAL APPROPRIATION IN LAW AND LITERATURE (Martha Woodmansee & Peter Jaszi, eds., 1994).

² See generally Jessica Litman, *Copyright Legislation and Technological Change*, 68 ORE. L. REV. 275 (1989); Reichman, *Legal Hybrids*, *supra* note 1; Jerome H. Reichman, *Electronic Information Tools—The Outer Edge of World Intellectual Property Law*, 24 INT'L REV. INDUS. PROP. AND COPYRIGHT L. 446 (1993); Pamela Samuelson, *Modifying Copyrighted Software: Adjusting Copyright Doctrine to Accommodate a Technology*, 28 JURIMETRICS J. 179 (discussing how software does not fit within existing copyright paradigms).

³ Both of these examples are based on the work of appropriation artist Marcel Duchamp. See Carlin, *supra* note 1 at 108-111; Willajeanne F. McLean, *All's Not Fair in Art and War: A Look at the Fair Use Defense After Rogers v. Koons*, 59 BROOK. L. REV. 373, 385 ("Appropriation is an artistic technique in which artists copy/borrow/quote elements from another's work. In some cases the totality of another's work is appropriated, as in some of the works by Richard Prince, Barbara Kruger and Sherrie Levine." (citations omitted)); see also Jennifer T. Olsson, *Rights in Fine Art Photography: Through a Lens Darkly*, 70 TEX. L. REV. 1489, 1489 (1992) ("[A]ll works of art are 'based upon one or more preexisting works.'"); cf. Jeremy Waldron, *From Authors to Copiers: Individual Rights and Social Values in Intellectual Property*, 68 CHI-KENT L. REV. 841, 883 (1993) ("When Ralph Steadman paints the familiar mouse ears on a cartoon image of Ronald Reagan, or when someone on my faculty refers to some proposed syllabus as a "Mickey Mouse" idea, they attest to the fact that this [character] is not just property without boundaries on which we might accidentally encroach . . . but an artifact that has been deliberately set up as a more or less permanent feature of the environment all of us inhabit." (citations omitted)).

value to works because they were created by the "independent," individual artist.⁴ Along the same lines, it dethrones the old-fashioned, Wordsworthian notion that creative texts are created wholly out of thin air.⁵ It is the natural aesthetic adjunct to postmodernism, with its emphasis on communities of meaning (rather than individual constructions of meaning) and its radical critique of the Enlightenment belief that the telos of progress is perfection. By its very definition, appropriation art requires artists to borrow pre-existing works, a task appropriation artists typically have undertaken without permission or payment.⁶ The question posed is whether appropriation artists should have to ask permission, pay, or both, to obtain pre-existing works in order to create cultural treasures.

Appropriation art poses an age-old question for property law in general and copyright law in specific: what do we do about conflict over property? The movement may have labelled itself "appropriation art," but the legal question raised spotlights art appropriation. Those who hold private property, including intellectual property, generally can hold one or both of two rights: the right of permission to determine who will use the work and the right to extract remuneration for use or sale of the work. Copyright law in general vests both rights in the statutorily defined author of an "original work."⁷ This rights-setting is what Guido Calabresi and Douglas Melamed labelled the "property rule"⁸ and what I will call, in the copyright context, the default setting.⁹ Except in specially designated circumstances, the first author holds these two rights. Others have suggested that art (or music) appropriation may well be such a special circumstance,

⁴ The plainest example of this approach in the American tradition appears in Justice Holmes' opinion in which he stated that a work "is the personal reaction of an individual upon nature" and even "a very modest grade of art has in it something irreducible, which is one man's alone." *Bleistein v. Donaldson, Lithographing Co.*, 188 U.S. 239, 250 (1903); see also Ginsburg, *supra* note 1, at 1881-88 (discussing individuality and authorship).

⁵ Boyle, *supra* note 1 at 1526; Peter Jaszi, *On the Author Effect: Contemporary Copyright and Collective Creativity*, 10 *CARDOZO ARTS & ENT. L.J.* 293, 299 (1992); Jessica Litman, *The Public Domain*, 39 *EMORY L.J.* 965, 1000-12 (1990).

⁶ See Carlin, *supra* note 1 at 127-28 n.104.

⁷ See generally Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutory Impulse*, 78 *VA. L. REV.* 149, 159 (1992); see also 17 U.S.C. §§ 102(a), 201 (1988 & Supp. III) (subject matter of copyright, ownership of copyright).

⁸ Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 *HARV. L. REV.* 1089, 1106-10 (1972).

⁹ It is this entrenched perspective toward property that animates the strong rhetoric of Judge Duffy which is criticized by John Carlin. John Carlin, Address at the *AALS Annual Meeting, Intellectual Property Law Section* (Jan. 7, 1994).

which should justify a departure (somehow, some way) from the existing default setting. As the following diagram illustrates, focus upon the rights of permission and remuneration brings three possibilities to light: either the second author should have to obtain permission and pay, do neither, or pay without needing to obtain permission. I have labeled each model, respectively, the "default setting," the "adverse possession model," and the "takings model."

POSSIBLE PROPERTY MODELS FOR ART APPROPRIATION

First Author Holds:	Right of Permission	Right of Remuneration
1. Default Setting (property rule)	YES	YES
2. Adverse Possession Model (other example: fair use)	NO	NO
3. Takings Model (liability rule + public's interest) Examples: compulsory license damages-only remedies ¹⁰	NO	YES

The American copyright system has already made the decision for derivative works *in general* that the first author should be privileged

¹⁰ If one were to lay out the matrix of options, given the two rights of permission and remuneration, a fourth model is theoretically possible: the original author retains the right of permission while releasing the right of remuneration. This is, essentially, a moral rights model. See 2 DAVID NIMMER & MELVILLE B. NIMMER, *NIMMER ON COPYRIGHT* § 8.21[A]-[F] (1993). As a practical matter, it is unlikely to exist in a pure sense, because the right to permission is usually backed by a right to damages. I have not included it as a viable option for the art appropriator, because it is my conviction that moral rights are not going to gain currency in our culture. One of the reasons for this is the force, both constitutional and normative, of the takings model in our consciousness, which would sacrifice authorial control in the public's interest so long as the author receives remuneration. The other reason is the necessity of the increasing commodification of copyrighted works in the growing world market in copyrighted works. See Walter Benjamin, *The Work of Art in the Age of Mechanical Reproduction*, in *ILLUMINATIONS* 217, 224-25, 231 (Hannah Arendt ed., 1968). The forces of internationalization of the intellectual property market fuels that move, as does (ironically) the reduction in formalities dictated by the Berne Convention. See *infra* notes 15-17 and accompanying text.

Finally, the moral rights model offers an unattractive model for the art appropriator in that it offers the author of the first work the capacity to block the use of the work, no matter how much money is offered. As Beryl Jones argues, moral rights are akin to censorship. Beryl Jones, Address at the 1994 AALS Annual Meeting, Intellectual Property Law Section (Jan. 7, 1994).

(through the default setting).¹¹ The issue posed by appropriation art is whether, when the second author produces a work of art, a different balance of rights should be struck. The appropriation artist is one among many voices challenging the prerogative of the first author to hinder the second author's productivity.¹² The first author's capacity to exercise one or both rights against the derivative work's author is being attacked on a variety of fronts, each of which is captured within one of the three rights-settings.

The Copyright Clause makes clear that copyright protection is to be awarded for the purpose of enriching society. We should want a system calibrated to achieve that goal. To decide whether to alter the default setting for any given category of derivative works, one should determine whether the first author or the second author is more likely to produce a work more valuable to society. Once we know the answer to that question, we will know whether to favor the first or second author.¹³ Of course, the answer may be that both are strongly contributing to society and therefore we should engage in a Solomon-like division of prerogatives.

This question is essentially factual in nature. But fact inquiries require working models. The task of this essay, therefore, is to present three models of rights-settings that might guide such an inquiry: the

¹¹ See 17 U.S.C. § 106(2) (1990) (“[O]wner of copyright . . . has the exclusive rights . . . to prepare derivative works . . .”).

¹² Gordon, *Property Right*, *supra* note 1 at 1539 (“natural rights . . . give support to the general population and to the population of creative users who need to employ others’ work”); Benjamin Kaplan, *An Unhurried View of Copyright* 49-50 (1967) (“I would suggest . . . at least as regards imaginative works, that even details can be used . . . if they are ‘improved’ by changes in which the user himself displays substantial authorship.”); Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1111 (1990) (“If . . . the secondary user adds value to the original . . . this is the very type of activity that the fair use doctrine intends to protect for the enrichment of society.”); Waldron, *supra* note 3, at 885 (“[T]his environment [composed of other people’s works] having been thrust upon us . . . is now the only one we have, so that it is now in a sense unfair to deny us the liberty to make of it what we will.”).

¹³ There are two avenues to adjusting the rights-setting for copyright property: legislative amendment through action by Congress or judicial fine-tuning of the 1976 Act’s existing remedies. From the perspective of the avant garde artist, the first suffers from the fact that it can (and probably should be) a lengthy and painstaking process. On the other hand, copyright legislation is frequently and regularly amended, which provides some hope for the art appropriator to obtain across-the-board relief. The second possibility—judicial fine-tuning—can provide adjustment in the individual case but fails to offer blanket security, or predictability, to the particular artist.

default setting, the aversion possession model, and the takings model.¹⁴ Of those three, the takings model is quickly gaining legitimacy. If one looks carefully, one can discern a trend taking shape in our copyright culture, a consensus not yet acknowledged, which would permit authors to continue to demand remuneration for their works but which would drastically reduce their capacity to control who uses their works and how. There are other means of wresting control away from the author, which the art appropriator would find appealing and which are discussed below. The takings model, however, is becoming ubiquitous and therefore deserves the most careful attention. Before turning to it, I will survey the other two models to describe the assault on the author occurring within each rights-setting, as well as the ramifications for the art appropriator.

II. THE DEFAULT SETTING AND ITS IMPOSTOR, WORK-MADE-FOR-HIRE

Despite recently joining the Berne Convention, with its emphasis on "author's rights," there are trends in the American copyright culture that would reduce the author's hold on the work. This trend away from authorial control is one, for the sake of authors and the culture, that demands close scrutiny before it is beyond our practical capacity to alter it. It also deserves careful examination because it runs directly contrary to the world norm set in the Berne Convention to which we became a signatory in 1989.¹⁵ The Berne Convention states explicitly that copyright law should be grounded in solicitude for "author's rights."¹⁶ If the trend I delineate is accurate, then our copyright culture is moving ubiquitously, though quietly and incrementally, away from the Berne Convention's directive. The reduction in author's rights is a direct response to two economic phenomena: the internationalization of the copyright market, which places pressure on national cultures to consolidate their copyright industries and rights to gain market power, and the emerging norm of universal access to information, engendered by the advent of the worldwide information superhighway.¹⁷ These economic phenomena are forcing a further commodification

¹⁴ See *supra* chart accompanying note 10.

¹⁵ The Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (1988).

¹⁶ The Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, as amended by 828 U.N.T.S. 221 (1972) [hereinafter Berne Convention] (preamble claims that all signatories are motivated by a "desire to protect . . . the rights of authors in their literary and artistic works."). Article 6^{bis} recognizes an author's moral rights. *Id.*

¹⁷ See Geller, *Electronic Archive*, *supra* note 1, at 55 (pointing to effect of worldwide superhighway on copyright paradigms); *id.* at 59 (referring to "utopia of universally networked archives [that] contemplates eventual worldwide access to the wealth of all works").

of the copyright product, which is to say that the existing copyright paradigm is being impeached by economic change.

The history of copyright does not reveal any single theoretical construct solely animating copyright law. There have long been elements of the personality basis for protection combined with elements of the Lockean notion of labor combined with market theories.¹⁸ Perhaps that is one of the reasons copyright law poses such interesting intellectual quandaries in each of its apparitions. But one can certainly identify differences in emphasis and vision over time. At this time in the American culture, the emphasis is on the continuing commodification of the work with concomitant pressures to release the author's grip on his products. Historically, the invention of money greased the way for property markets to arise at all, including the intellectual property market.¹⁹ The aesthetic work was transformed into a commodity—which made copyright law necessary—by the invention of the printing press.²⁰ Freeing the work from the author has been and likely will continue to be the further means of making the intellectual property market as fluid as it will need to be in the coming digitalized information era.²¹ Thus, the culture is becoming increasingly and decidedly product-centered, rather than author-centered.²²

¹⁸ See generally STEPHEN P. LADAS, *THE INTERNATIONAL PROTECTION OF LITERARY AND ARTISTIC PROPERTY* 1-12 (1938); PAUL GELLER, *INTERNATIONAL COPYRIGHT LAW AND PRACTICE* s2(3)(a) (1993) ("Copyright might well be said to be a right or a bundle of rights in search of a doctrine."); Paul Geller, *Toward an Overriding Norm in Copyright: Sign Wealth*, 159 *REVUE INTERNATIONALE DU DROIT D'AUTEUR* 3 (1994).

The Copyright Act of 1976 was based on a recognition of personal rights but ranked the public interest as primary and reward for authors as secondary. See *COPYRIGHT LAW REVISION, 87TH CONG., 1ST SESS., REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW* 4-5 (House Comm. Print 1961).

¹⁹ MARTHA WOODMANSEE, *THE AUTHOR, ART, AND THE MARKET: REREADING THE HISTORY OF AESTHETICS* 46-47 (1994).

²⁰ See Robert H. Rotstein, *Beyond Metaphor: Copyright Infringement and the Fiction of the Work*, 68 *CHI.-KENT L. REV.* 725, 733 (1993); see also Peter Jaszi, *Toward a Theory of Copyright: The Metamorphoses of 'Authorship'*, 1991 *DUKE L.J.* 455, 473 (discussing historical commodification of copyrighted work).

²¹ See Benjamin, *supra* note 10, at 230 (describing the modern artist's market as "beyond his reach").

²² Granted, there are isolated elements in the 1976 Copyright Act that are author-centered, such as the rather generous duration scheme tied to the length of the author's life, and the inalienable termination scheme. 17 U.S.C. § 302(a) (1990) ("Copyright . . . subsists from its creation and . . . endures for a term consisting of the life of the author and fifty years after the author's death."); 17 U.S.C. § 304(c)(5) (1990) ("Termination of the grant may be affected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.") But

these are exceptions, criticized exceptions, to the increasingly product-oriented American scheme. Critics of a lengthy duration scheme date back to THOMAS MACAULEY, *Speeches Before the House of Commons* (Feb. 5, 1841) in 8 *THE WORKS OF LORD MACAULEY* 195, 199 (Lady Trevelyn ed. 1866), (Copyright "ought not to last a day longer than is necessary for the purpose of securing the good."), cited with approval in Wendy J. Gordon *An Inquiry Into the Merits of Copyright: The Challenge of Consistency, Consent, and Encouragement Theory*, 41 *STAN. L. REV.* 1343, 1344 (1989). Modern critics include Breyer, *supra* note 1, at 324 ("even if the moral argument is given its due, which is little, extension is not justified."); BENJAMIN KAPLAN, *AN UNHURRIED VIEW OF COPYRIGHT* 115 ("any increment of benefit to the author achieved by prolonging the period of protection is quite soon outrun by the burden imposed on others."); Patterson, *supra* note 1, at 7 (Although "the scope and duration of copyright protection have been continually enlarged . . . the basic constitutional purpose of copyright—protection of learning—is best served by encouraging distribution.").

REGISTER OF COPYRIGHTS, 87TH CONG., 1ST SESS., *COPYRIGHT LAW REVISION PT. 6, SUPPLEMENTARY REPORT ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW* 90, 92 (Comm. Print 1961) ("Congress has no business inhibiting freedom of contract and paternalistically protecting the author."), cited in Benjamin Melniker & Harvey D. Melniker, *Termination of Transfers and Licenses Under the New Copyright Law*, 22 *N.Y.L. SCH. L. REV.* 589, 589-90 (1977). Other participants at the panel discussions on the termination provision were equally antagonistic. The representative of the Motion Picture Association of America stated that "the reversionary provision . . . was 'completely unacceptable to the motion picture industry.'" Howard Abrams, *Who's Sorry Now? Termination Rights and the Derivative Works Exception*, 62 *U. DET. L. REV.* 181, 215-16 (1985). The Music Publisher's Association representative argued that the termination provision was an "undue restraint on the free enterprise system." *Id.* at 217.

Professors Woodmansee, Boyle, and Jaszi have critiqued American copyright law for having as a point of reference the Wordsworthian notion of the author as a unique, creative genius. This notion operates out of a conception of the text as a mirror of or mere conduit of the writer's personality. Both Boyle and Woodmansee explicitly rely on the work of the 19th-century philosopher Fichte for precisely this conduit image. Boyle, *supra* note 1, at 1466-67; WOODMANSEE, *supra* note 19, at 51-54; see also Litman, *Public Domain*, *supra* note 5, at 1010 ("An author, be she writer, composer, or sculptor, seeks to communicate her own expression of the world."). In my view, however, they are describing a historical phenomenon that does not have a great deal of contemporary currency. See Paul E. Geller, *Must Copyright Be For Ever Caught Between Marketplace and Authorship Norms?*, in *OF AUTHORS AND ORIGINS* 178, 180 (Brad Sherman & Alain Strowel, eds., 1994) (criticizing personality theory); *infra* note 51 and accompanying text.

Even if these scholars were correct about the state of copyright doctrine, such a doctrine would be readily critiqued through twentieth-century literary criticism's plain and persuasive outstripping of the notion that a text is a representation of the author. See Rotstein, *supra* note 20, at 734. The con-

The American copyright system rewards the original elements of a work.²³ Neither the identity of the author nor the quality of the author's experience denote that which is copyrightable.²⁴ This is as it should be. The Copyright Clause says nothing about engendering the author's creative experience. Rather, it conveys to Congress the power to vest property rights in authors whose works "promote the Progress of Science and useful Arts."²⁵

The primary value of art to society lies in its challenge function, not in the cult of artistic personality. Art has a unique capacity to permit individuals to live through worlds they have not and even cannot experience in fact and thereby to view and judge their own world from a new perspective. In Henry James' words: "[A] work of art . . . makes it appear to us . . . that we have lived another life—that we have had a miraculous enlargement of experience."²⁶ Art provides the opportunity for what I have identified in the first amendment context as a "reorientation experiment." It is enlarging, enriching and fundamental to the possibility of freedom because it provides the capacity for thinking through the status quo, without commitment and without strings. Artworks, including appropriative works, are engines of challenge.²⁷

flation of the work with the personality of the artist was resoundingly debunked by the New Critics. The pendulum has swung back from the New Critics to Stanley Fish's theories of the primacy of the interpretive community, which suffers from its incapacity to account for the text as a source of meaning, through Reader Response theory, which isolates meaning in the dialectical relationship between reader and text, and finally to Professor David Bleich's contemporary and compelling notion of intersubjective reading. See generally READER-RESPONSE CRITICISM: FROM FORMALISM TO POST-STRUCTURALISM (Jane P. Tompkins ed., 1980); Marci A. Hamilton, *Art Speech* (manuscript on file with author).

²³ See 17 U.S.C. § 102(a) ("Copyright protection subsists . . . in original works of authorship."); *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282, 1287 (1991) ("The sine qua non of copyright is originality."). The source of the originality requirement according to the Supreme Court is the Constitution. *Id.* at 1288. For a comprehensive and interesting treatment of the originality requirement, see Russ VerSteeg, *Rethinking Originality*, 34 WM. & MARY L. REV. 801 (1993).

²⁴ Neither do fixation or notice. See *infra* notes 78-79 and accompanying text. See also Jessica Litman, *Copyright as Myth*, 53 U. PITT. L. REV. 235 (1991) (discussing the popular misconception that copyright vests in the work as a whole upon registration.)

²⁵ U.S. CONST., art. I, § 8, cl. 8. See Patterson, *supra* note 1, at 2, 16 (the purpose of the copyright clause was the promotion of learning).

²⁶ HENRY JAMES, *THEORY OF FICTION* 93 (James E. Miller Jr. ed., 1972).

²⁷ See *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 558 (1985) ("[I]t should not be forgotten that the Framers intended copyright itself to be the engine of free expression."). Art is just one of several means by which the First Amendment ensures that the status quo is regularly chal-

My point about the American system's focus upon the work rather than the author needs to be stated as clearly as possible, because a number of recent studies have strongly critiqued the concept of romantic authorship as though it is a viable trend within American copyright culture.²⁸ Reality seems to me the reverse: the system always rewards the original elements of the work and only sometimes the creator of the work. At one time, copyright protection was justified on the ground that creative works are the imprints of the author's personality.²⁹ Our copyright law, however, is no longer centrally defined by these 18th and 19th century notions. Since the end of the 19th century, and the heyday of romantic authorship, this country has seen the appearance and the increasing pervasiveness of incentive—rather than personality rights per se—as the justification for copyright protection.³⁰ Within the same time frame, and analogously, literary criticism has given way first to New Criticism, which identified the author as the true source of meaning for any text; then to deconstruction, which defied anyone to settle on a particular meaning for any particular text, whoever the author might have been; and finally to intersubjective reading, which identifies meaning as the interplay between text, culture, and reader. In short, literary criticism has come to look upon the personality theory as overly simplistic and misleading, and even if the occasional court invokes the rationale, it is a theory devoid of persuasive theoretical content.³¹

In sum, the existing American copyright system invariably rewards expression which is original, and less reliably the contribution of the actual creator. And even when statutory authorship resides in the imaginative

lenged (which is the most necessary means of ensuring freedom). Religion—as well as political speech—also provide competing world views that offer telling perspectives on government. For a fuller discussion of the challenge function of the First Amendment, see Hamilton, *Art Speech*, *supra* note 22.

²⁸ WOODMANSEE, *supra* note 19; Boyle, *supra* note 1, at 1461-70; Jaszi, *Author Effect*, *supra* note 5, at 304, 314.

²⁹ WOODMANSEE, *supra* note 19, at 51-54; Boyle, *supra* note 1, at 1466-67 (describing Fichtean, historical reliance on metaphor of text as a conduit of personality); Ginsburg, *supra* note 1, at 1881-93 (discussing history of personality approach to copyright protection); *see also* Litman, *Public Domain*, *supra* note 5, at 1010 (“An author, be she writer, composer, or sculptor, seeks to communicate her own expression of the world.”).

³⁰ *See* Ginsburg, *supra* note 1, at 1873 n.29 (commenting that incentive theory is now pervasive but was not as recently as the nineteenth century).

³¹ Thus, current criticisms of romantic authorship seem to me to be batting at a straw man. *See generally* WOODMANSEE, *supra* note 19; Boyle, *supra* note 1; Jaszi, *Metamorphoses*, *supra* note 20.

creator of the work, copyright protection is founded solely on qualities of the work, not the identity or quality of the author.³²

The product over which the author has control has also been devolving. The author does not obtain dominion over the whole of any work. Neither the 1909 nor the 1976 Act vest copyright in the entirety of any work; both protect only the copyrightable *elements* of a work, easily leaving large portions of any work unprotected.³³ The author of a work receives protection only for that expression which is original and receives no statutory protection for ideas, facts, borrowings from copyrighted expression, or borrowings from public domain works. Thus, at the theoretical level, the vast majority of any work is not protected by our copyright system.³⁴ The cases have hardly failed to take this principle into account, given the courts' struggle to identify copyrightable (original) elements ver-

³² Robert Rotstein rightly points out that copyright law has "banished the author" as a "central animating concept." Rotstein, *supra* note 20, at 737. If the genius of the author were the motivating and normative force behind copyright protection, one would have expected the courts (either consciously or unconsciously) to have erected a doctrine of judicial deference to established or well-respected authors and artists. Yet, as the doctrine now stands, the courts engage in intense scrutiny of the two works at issue in a copyright case, not the genius-quality of their respective authors.

³³ The 1976 Act states that "[i]n no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work." 17 U.S.C. § 102(b). Moreover, copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work. . . . The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

Id.

The 1909 Act, ch. 391, § 3, 61 Stat. 654 (1947), *repealed by* Pub. L. No. 94-553, 90 Stat. 2541 (1976) (codified at 17 U.S.C. §§ 101-810 (1982)), stated that copyright "shall protect all the copyrightable component parts of the work copyrighted. . . ." *See also* ch. 391, § 7, 61 Stat. 655; *Stewart v. Abend*, 495 U.S. 207, 234 (1990).

The principle that protection does not extend to the entirety of a work has been the state of affairs in the American system at least since *Stowe v. Thomas*, 23 F. Cas. 201 (C.C.E.D. Pa. 1853) (No. 13,514), was decided, though the decision most credited for the distinction between copyrightable and noncopyrightable elements is *Baker v. Selden*, 101 U.S. 99 (1879). *See generally* Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPYRIGHT SOC'Y 209, 228 (1982).

³⁴ Some have argued as a practical matter that there are too many cases in which ideas have received protection. *See, e.g.*, Jessica Litman, *Copyright and Information Policy*, 55 LAW & CONTEMP. PROBS. 185 (1992). But such a cri-

sus uncopyrightable elements, beginning with *Baker v. Selden*³⁵ and culminating in *Feist Publications, Inc. v. Rural Telephone Service Co.*³⁶

The introduction of derivative rights into copyright doctrine has been presumed universally to be an expansion of the author's rights.³⁷ Yet, while a derivative right adds a stick to the author's bundle of sticks, the sum of the author's power in the market has not necessarily been enlarged. During the heyday of the concept of romantic authorship, the eighteenth and nineteenth centuries, the work was depicted as an entire text. Works were envisioned as indivisible wholes, created out of thin air by the genius author.³⁸ But the very concept of derivative work rights institutes a revolution in the "work." The existence of the derivative work right subtly alters how we look at all texts. By presupposing that any text might not be wholly original, it reinforces the idea/expression dichotomy's tendency to disaggregate the text, which has a historical pedigree at least as distinguished as romantic authorship.³⁹ The derivative work right makes it necessary to dissect every text into its constituent parts: ideas, facts, unoriginal expression, public domain material, pre-existing copyrighted material, and finally original expression. Only the latter receives copyright protection. Couple the devolution of the text with twentieth century philosophy's and literary criticism's insistence that meaning arises from within communities and not from pristine individuals, and not only do we know that we, as scholars, need not now take the notion of romantic authorship too seriously, but also that the author's net property ownership

tique amounts to one of the courts' implementation of the doctrine, not the doctrine itself.

³⁵ 101 U.S. 99 (1879).

³⁶ 111 S. Ct. 1282 (1991).

³⁷ Section 106(2) of the 1976 Copyright Act gives authors the exclusive right to "prepare derivative works based upon the copyrighted work." 17 U.S.C. § 106(2). See generally Goldstein *supra* note 33; Gordon, *Property Right*, *supra* note 1.

³⁸ Early in the eighteenth century, books were being described as the "author's property, . . . the child of his inventions, the brat of his brain," a pair of metaphors that defies dissection of the work. MARK ROSE, *AUTHORS AND OWNERS: THE INVENTION OF COPYRIGHT* 39 (1993).

³⁹ 2 NIMMER, *supra* note 10, § 203[D] p. 2-34 (1993) (the idea/expression dichotomy has long animated the courts); Amy B. Cohen, *Copyright Law and the Myth of Objectivity: The Idea Expression Dichotomy and the Inevitability of Artistic Value Judgments*, 66 IND. L.J. 175, 198 (1990) ("The view that the 'expression' in a work of art can be distinguished from the 'ideas' it expresses can be traced to Plato."); Edward Samuels, *The Idea-Expression Dichotomy in Copyright Law*, 56 TENN. L. REV. 321, 322 (1989); see also ROSE, *supra* note 38, at 77 (citing eighteenth century discussion of distinction between ideas and texts).

may not have increased to the extent decried, despite the appearance of derivative rights.

The default setting is the worst scenario for the art appropriator, because she must both obtain permission and pay for the use of pre-existing works. On the other hand, it is the best rights-setting for the appropriates. In the American copyright culture, however, the default setting is not the bulwark for the first author that it might seem to be at first blush.

Even the default setting in the United States, which generally secures the rights of payment and permission to the first author, has exhibited a transformation away from authorial control over the work.⁴⁰ The work-made-for-hire doctrine has transformed the usually author-protective default setting into a means by which authors lose everything.⁴¹ Employers, as defined by agency law, and commissioning parties for a large number of works are, by statutory directive, the "author" of works by their employees.⁴² Since passage of the 1976 Copyright Act, an increasing and alarming number of our cultural artifacts are works made for hire.⁴³ For many works, the statutorily defined "author" who receives copyright protection is a far cry from being the nineteenth century's romantic author in a garret, or even a less romantically conceived laborer.⁴⁴ The work-made-for-

⁴⁰ See 17 U.S.C. § 201(b). "In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title." *Id.*

⁴¹ See also Paul E. Geller, *Must Copyright Be For Ever Caught Between marketplace and Authorship Norms?*, in *OF AUTHORS AND ORIGINS* 171 (Brad Sherman & Alain Strowel, eds., 1994) (employing work-made-for-hire as example of marketplace norm rather than authorship norm). The peculiarly American work-made-for-hire doctrine is to some degree contrary to the spirit of the Berne Convention. Most of the world recognizes the somewhat more author-friendly concept of shop rights, which limit the employer's copyright ownership only to works held to be within the scope of the employee's employment. See Jerome H. Reichman, *Overlapping Proprietary Rights in University-Generated Research Products*, 17 *COLUM.-VLA J.L. & ARTS* 51 n.12 (1992) ("Traditionally, countries following the French tradition recognize only natural persons as authors and do not allow corporate entities to be the first owners of copyright."). Congress rejected that option when considering the 1976 Act, and designated the employer the "author" of the work. See Marci A. Hamilton, *Commissioned Works as Works Made for Hire Under the 1976 Copyright Act: Misinterpretation and Injustice*, 135 *U. PA. L. REV.* 1281, 1293 (1987).

⁴² See 17 U.S.C. §§ 101, 201(b) (1990); *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989).

⁴³ Hamilton, *Commissioned Works*, *supra* note 41 at 1319; Telephone Interview with Mary Beth Peters, Acting Register of Copyrights, (Mar. 1994).

⁴⁴ Many of the ordinary words used in the copyright statute are terms of art. See, e.g., 17 U.S.C. § 101 (defining "copies" as "material objects, other than pho-

hire doctrine duplicates the default setting, but in a perverse way, by taking the creative author out of the rights picture altogether and replacing him with a market player.⁴⁵

Work-made-for-hire is a straightforward, if radical, means of wresting control over a work away from the author in American culture. If Professor Martha Woodmansee is correct that the notion of the romantic genius at one time replaced the Renaissance notion of the author as one of many contributors to a final product,⁴⁶ then we have come full circle. Through the operation of the work-made-for-hire doctrine,⁴⁷ we live in an era wherein the Renaissance era's categorization of the author as just another cog in the wheel is alive and well.⁴⁸ Mark Rose has identified work-made-

norecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." See also Litman, *Copyright as Myth*, *supra* note 24, at 246-47.

⁴⁵ The joint authorship doctrine also illustrates how loose the fit is between copyright property ownership and the genius of the author. Where a number of authors have collaborated in the creation of a work, only those who have contributed original expression receive copyright protection. Even though one of the members of the project may have provided the brilliant insight necessary to turn the project into a valuable work, that collaborator will not be considered a joint author for purposes of copyright law unless he has provided original expression as well. See, e.g., *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989); *Whelan Assocs., Inc. v. Jaslow Dental Laboratory, Inc.*, 609 F. Supp. 1307, 1318-19 (E.D. Pa. 1985), *aff'd*, 797 F.2d 1222 (3rd Cir. 1986), *cert. denied*, 479 U.S. 1031 (1987).

In addition, joint owners share the proceeds of the work equally regardless of the extent of the contribution of any particular joint author. Even where one author contributes 90 percent of the originality and the other only contributes 10 percent, they share the proceeds equally. See 17 U.S.C. § 201(a) ("The authors of a joint work are coowners of copyright in the work."); *Childress v. Taylor*, 945 F.2d 500, 505 (2d Cir. 1991).

⁴⁶ WOODMANSEE, *supra* note 19, at 49.

⁴⁷ See generally 17 U.S.C. §§ 101, 201(b); *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989).

⁴⁸ The "individualistic assumptions of romantic authorship," make no sense out of the persistent presence of work-made-for-hire status in our copyright culture or its voracious vitality. Jaszi, *Author Effect*, *supra* note 5, at 293. When an employer achieves work-made-for-hire status, he gets not only assignable rights in the work but rather becomes "the author." The doctrine, which has long been an aspect of American copyright law, reflects a philosophical viewpoint that is fundamentally at odds with notions of romantic authorship. It began as a judicially created doctrine—driven by American conceptions of the labor relationship and the property rights of the employer—and was codified in the 1976 Copyright Act. See 17 U.S.C. §§ 101, 201(b). Since 1978, the effective date of the 1976 Act, it has become the norm in many industries, see Hamilton, *Commissioned Works*, *supra* note 41, at 1306, and now accounts for over 50 percent of American copyright

for-hire status as a "legal fiction" embedded within romantic conceptions of genius authorship,⁴⁹ while Peter Jaszi has called it a "reverse-twist on individualistic 'authorship'."⁵⁰ But their attempts to squeeze the explosion in work-made-for-hire status into the rubric of romantic authorship are unpersuasive. The statutory transfer of authorship from creator to employer breaks the romantic authorship mold. The rhetoric may remain, but economic interests, not a belief in the genius-qualities of authors, are driving the shape of the copyright market.

Let there be no mistake about it: we have undergone a revolution in the distribution of copyright rights as a result of the enactment of the 1976 Act, in large part because of the codification of the work-made-for-hire doctrine. This revolution is thoroughly capitalistic in its values, but it is, more interestingly, reverse-Marxist. The means of wealth-accumulation are not devolving to the workers, but rather are solidifying as rights in the hands of the owners. Far from seeing the notion of romantic authorship come to fruition in the American system, another, parallel strand in the historical development of copyright has gained both force and tremendous momentum: the concentration of power over copyrighted materials in the hands of publishers (a category which includes motion picture producers).⁵¹ At the same time that we have permitted publishers to increase their copyright rights so dramatically, we have also permitted them to consolidate into oligopolies. Not only have the values of possessive individualism that grounded the concept of romantic authorship been stripped away, but also the relative bargaining power between creators and purveyors has been tipped toward the publisher. These twin developments turn romantic authorship into a subject properly reserved to historians. As a central concept animating contemporary American copyright culture, the romantic author is dead, but the copyright market is thriving.

The effect on the appropriation artist of the work-made-for-hire doctrine is that he no longer can deal with another creative author in his efforts to obtain use of a pre-existing work, but rather with an employer, a company. In these days, that company is likely to be one of the members of the copyright industry oligopoly. The bargaining dynamics change dramatically as the relative market positions of the two parties become skewed. As a result of the work-made-for-hire phenomenon, the first author has lost all, while the second author has been demoted in her relative bargaining stance. The winners, of course, are the copyright industries.

registrations by the most lucrative copyright industries. Telephone interview with Mary Beth Peters, Acting Register of Copyrights (March 1, 1994).

⁴⁹ ROSE, *supra* note 38, at 138.

⁵⁰ Peter Jaszi, *Metamorphoses*, *supra* note 20, at 487.

⁵¹ ROSE, *supra* note 38, at 31-91.

This is a diminution in the first author's power over the pre-existing work that does the appropriation artist no favors.⁵²

The pervasive work-made-for-hire doctrine is no mere legal fiction that simply replaces one fungible party with another. Rather, it is a radical new reality that completely subverts authorial control. It is contrary to the Berne Convention's directives, but it is simply one among many examples of the reduction in authorial control over particular works in this culture. In fact, the paradigm of the default setting may be at fault. Stuck in that paradigm of having to provide both permission and remuneration rights, but buckling to the seemingly irresistible pressures of increasing commodification, we have shut out the individual, creative author altogether. Better perhaps to consider other rights-settings that would permit the creative author to retain some presence.

For the art appropriator who is not satisfied with the default setting, there are two more appealing possibilities. In the best of all possible worlds, she can hope for the use of copyrighted works without the obligation of payment or permission. Fair use⁵³ and the adverse possession model provide the lines of argument to that end. In the alternative, she will hope for a world wherein at least permission is not necessary.⁵⁴ The takings model is a possible candidate to that end. The question for each model is when and whether the second comer should prevail over the first in possession.

Before turning directly to the adverse possession model, however, it is necessary to say a brief word about the nature of this project. I do not turn to the following two property models on the assumption that it is possible or appropriate to squeeze the copyright model into a pre-existing property model. Resort to real property metaphors to explain intellectual

⁵² From the other side of the equation, the work-made-for-hire doctrine also affects the appropriation artist who does a commissioned work for a collective work, such as a magazine or a motion picture. "A 'work made for hire' is . . . a work specially ordered or commissioned for use as a contribution to a collective work, [or] as part of a motion picture or other audiovisual work . . ." 17 U.S.C. § 101. Such works are not works made for hire unless a written agreement is entered into between the parties, but since the 1976 Act, most of the collective work industries have made work-made-for-hire status a prerequisite to business. See Hamilton, *Commissioned Works*, *supra* note 41 at 1306; cf. *Carter v. Helmsley-Spear, Inc.*, 1994 U.S. Dist. LEXIS 6447 (S.D.N.Y.); *Rubloff v. Donahue*, 1994 U.S. Dist. LEXIS 4657 (N.D. Ill.). As a result, the appropriation artist loses her status as "author" of the work, which is to say her right to make money from the work and the right to require permission for others to use it.

⁵³ See 17 U.S.C. § 107 (1990).

⁵⁴ For obvious reasons, the art appropriator is unlikely to have serious interest in the moral rights model, discussed *supra* note 10, which would defeat the remuneration right but preserve the permission right.

property has a distinguished historical pedigree.⁵⁵ Yet, one of the pitfalls for contemporary intellectual property scholars looking to other property models is that they may assume that existing property models themselves can satisfactorily explain and justify intellectual property law themselves.⁵⁶ This is a cardinal error. As sociologist Niklas Luhmann has brilliantly argued, systems of communication (which is to say any socially-constructed system) have a tendency to autopoiesis (which is a lovely word for internal self-definition and self-reference).⁵⁷ In other words, once the system of intellectual property relations was set in motion, there was a likelihood that it would spin off into a developed system of internally defined and internally justified concepts.⁵⁸ The hope of *explaining* our intellectual property system through sole reference to property law in general is undermined by its autopoiesis. Systems, however, despite their tendency to internal self-relation and isolation, do not exist in a vacuum. Rather, their nature is dynamic rather than static.⁵⁹

Change and insight arise within a system through irritation to the system from its environment.⁶⁰ That environment is composed of the as-yet unarticulated data of our universe and other contingent systems. The copyright system is backgrounded by (and in Luhmann's terms, irritated by) the entirety of our private property law. Thus, it is inevitable that we will find ourselves turning to other property law for problem-solving models when quandaries are posed by the intellectual property system, even as we reject them as a sufficient basis for explaining the system. I turn then to a series of property models of conflict not to force copyrighted property into them but rather to discover if they can evoke a correlative solution to the art appropriation conundrum.

⁵⁵ See ROSE, *supra* note 38, at 90 (stating that "reifying metaphor of literary property as a landed estate was . . . well established by the middle of the eighteenth century").

⁵⁶ Cf. Linda J. Lacey, *Of Bread Roses and Copyrights*, 1989 DUKE L.J. 1532 (1989); Gordon, *Owning Information*, *supra* note 7, at 149.

⁵⁷ NIKLAS LUHMANN, *ECOLOGICAL COMMUNICATION* 23 (1986).

⁵⁸ The difficulty of fitting intellectual property into the adverse possession conflict model demonstrates how autopoietic the intellectual property system has become. See *infra* notes 71-79.

⁵⁹ Professor Arthur Jacobson has written an illuminating critique of Luhmann's theory of autopoietic law in which he emphasizes the dynamic element of systems (especially legal systems) and criticizes Luhmann for emphasizing autonomy over dynamism. See Arthur J. Jacobson, *Autopoietic Law: The New Science of Niklas Luhmann*, 87 MICH. L. REV. 1647, 1653 (1989).

⁶⁰ LUHMANN, *supra* note 57, at 13.

III. LETTING THE SECOND AUTHOR TAKE WITHOUT PERMISSION OR PAYMENT

There are two possible approaches that would let the art appropriator defeat both the first author's permission right *and* her remuneration right—the copyright fair use doctrine and the real property model of adverse possession.

A. Fair Use

The argument for fair use across the spectrum of art appropriation is so weak that even appropriation art advocates cabin their arguments significantly. Some small category of art appropriation may naturally satisfy the standard of fair use,⁶¹ as John Carlin⁶² and Beryl Jones⁶³ have suggested, but surely not all. Suffice it to say that we ought to tread carefully in this area for two reasons: (1) it would be difficult to draw a principled line between art appropriation and copying in general and (2) we do not provide free canvas, paints or brushes to make sure artists paint in the service of promoting the arts; why should we necessarily provide free substrate in every instance, especially when the taking is substantial? Note also that in the private property world, the government defeats *both* the permission right and the remuneration right only in the extreme examples of government prerogative: the exercise of the police power and the tax power. Likewise, it makes sense to take care before resorting to fair use on a category basis, unless one's goal is to take the legs out of the default setting altogether. In any event, suggestions of nuanced treatment of fair use for certain categories tend to turn into court decisions that are based on the categorization itself rather than careful treatment of the fair use factors, and that is bad for fair use jurisprudence in general.⁶⁴

Fair use does increase the commodification of a work, i.e., its capacity to flow through the system without strings, but it also sets the market value of portions of the work at zero. That seems an extreme solution to the appropriation artist's claimed need to use the work. For these reasons, I will spend the majority of my discussion of a permission-free, remuneration-free option for art appropriators on the more theoretically challenging adverse possession model.

⁶¹ See generally 17 U.S.C. § 107; William Patry & Shira Perlmutter, *Fair Use Misconstrued: Profit, Presumptions, and Parody*, 11 CARDOZO ARTS & ENT. L.J. 667 (1993); Steven Shonack, Comment, *Postmodern Piracy: How Copyright Law Constrains Contemporary Art*, 14 LOYOLA L.A. ENT. J. 281 (1994).

⁶² Carlin, *supra* note 1 at 106.

⁶³ Beryl Jones, Address at the AALS Annual Meeting, Intellectual Property Law Section (Jan. 7, 1994).

⁶⁴ The best contemporary example is the muddled law on parody and fair use. See generally Patry & Perlmutter, *supra* note 61, at 689.

B. *The Adverse Possession Model*

Adverse possession permits squatters, after a substantial amount of time has passed, to obtain rights in real property without permission from and without remuneration to the first owner.⁶⁵ At the heart of most arguments in favor of the art appropriator, including those who would advocate fair use, is the familiar justification of adverse possession: the second comer deserves the rights in the property because she is making a socially beneficial contribution vis-a-vis the property while the lax first owner is "sitting" on his rights. "I am making a beneficial contribution to society," says the art appropriator, "out of a work that would never have been used in this way and therefore (implicitly relying upon the adverse possession model) the work should be awarded to me without strings (permission or remuneration). The first author is sitting on such rights, and I should be permitted to exploit them for the betterment of us all."

This analogy, however, proves too much. It operates from a misunderstanding of the socially beneficial use that is rewarded in adverse possession. In the world of real property, freedom from the obligations of permission and remuneration is not rewarded simply because the second comer makes a valuable contribution to society that the first owner did not. If that were true, your neighbor's act of planting flowers in a neglected corner of your yard would be sufficient for him to obtain immediate ownership of the corner. Rather, the second comer, through her acts, fulfills a particular societal need: the need to have a reliable chain of title,⁶⁶ which, as the following discussion should illustrate, is reinforced by persistent notice of ownership.

Professor Carol Rose has written a very interesting article in which she argues that the first owner receives rights in property through one of two theoretical means.⁶⁷ First, there is the Lockean theory of labor wherein the mixing of labor with existing, unowned elements gives the laborer the right to the property created. In other words, property is a deserved reward for labor.

In contrast, the theory of consensus holds that "the original owner got title through the consent of the rest of humanity."⁶⁸ Rose argues that the common law of adverse possession is based on a commingling of these theories. It rewards the "one who performs useful labor on land at the expense of the lazy owner who does nothing," and a study of the cases

⁶⁵ See Richard A. Epstein, *Past and Future: The Temporal Dimension in the Law of Property*, 64 WASH. U. L.Q. 667, 689 (1986).

⁶⁶ Stewart E. Sterk, *Neighbors in American Land Law*, 87 COLUM. L. REV. 55, 67 (1987).

⁶⁷ Carol M. Rose, *Possession as the Origin of Property*, 52 U. CHI. L. REV. 73 (1985).

⁶⁸ *Id.* at 74; cf. JOHN RAWLS, *A THEORY OF JUSTICE* (1971).

shows that the most important thing that the property-rights claimant can do is to *communicate* ownership.⁶⁹ She sums it up as follows:

Possession as the basis of property ownership, then, seems to amount to something like yelling loudly enough to all who may be interested. The first to say, "This is mine," in a way that the public understands, gets the prize, and the law will help him keep it against someone else who says, "No, it is *mine*." But if the original communicator dallies too long and allows the public to believe the interloper, he will find that the interloper has stepped into his shoes and has become the owner.⁷⁰

The doctrine of adverse possession can provide guidance on the conflict between authors over a work, only if rights in copyright materials rest on the same theoretical bases of labor and notice. They decidedly do not, for three reasons.

First, despite the fact that many commentators have accepted the Lockean theory of property as an obvious analogue to intellectual property, it offers at best a loose and actually a distorting fit. Copyright is not awarded for labor per se, but rather for the incremental social contribution made by the product.⁷¹ Labor itself as a justification for protection is definitively taboo after *Feist Publications, Inc. v. Rural Telephone Service Co.*,⁷² and I would argue in the very structure of copyright protection. Copyright is granted only by virtue of the *original qualities of the product*, not by the fact of labor or the identity or creative experience of the laborer. The individual who spends years of effort or, more appropriately in this day of pop culture oligopoly, millions of dollars, to produce a work that is not original gets no copyright protection. Accidental, unintentional, effortless productions of original works garner the same copyright protection as original works requiring mountains of imaginative or intellectual activity.⁷³ Locke's purposiveness requirement is nowhere to be found in the contemporary American system of protection.⁷⁴

⁶⁹ Rose, *supra* note 67, at 80.

⁷⁰ *Id.* at 81.

⁷¹ See *supra* notes 24-25 and accompanying text.

⁷² 111 S. Ct. 1282 (1991).

⁷³ See *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F.2d 99, 105 (2d Cir. 1951) (stating that copyright would subsist even in "inadvertent" alterations of a public domain work). Authorial motive is irrelevant to either copyrightability or infringement. See *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 722 F.2d 988, 998 (1983) (infringement by "subconscious copying").

⁷⁴ See Gordon, *supra* note 22.

Second, the Copyright Act's notice requirement is under current doctrine voluntary.⁷⁵ Perfectly protected copyright property can flow through the culture without notice of any kind. Indeed, the trend is away from notice, not toward it.⁷⁶ The twin drives of the Berne Convention and the internationalization of copyright protection are taking us away from any firm notice requirement to a regime where protection will not be signalled by any physical attribute of the object.

Additionally, the fixation requirement does not denote the copyrighted work. Although the 1976 Act requires that works must be "fixed in a tangible medium of expression,"⁷⁷ fixation itself does not reliably indicate that the work is copyrighted. Plenty of works fixed in a tangible medium are not copyrightable or are no longer copyrighted. For example, the white pages of a telephone book⁷⁸ or a play that has fallen into the public domain are certainly fixed but not copyrighted. Moreover, encountering or experiencing a work in an unfixed manifestation, such as an oral poem, is no guarantee that the work is not fixed. Nor is it a guarantee that it will not be fixed in the future. Although it is a condition precedent for copyright protection, fixation simply does not denote the copyrighted work.

Thus, neither labor nor notice nor fixation reliably denote copyright property ownership. Ownership of copyright in this day and age is not tantamount to yelling loudly to all who will hear. To the contrary, it can be silent, even furtive.⁷⁹ The sole denotative aspect of copyrightable ma-

⁷⁵ See 17 U.S.C. § 401(a) (1990) ("[A] notice of copyright . . . may be placed . . .") (emphasis added). Under the 1909 Act, general publication with lack of notice sent the work into the public domain. 17 U.S.C. § 19, ch. 391, 61 Stat. 658 (1947) (repealed). The Berne Convention Implementation Act of 1988 changed the notice provision from mandatory to voluntary. See Pub. L. No. 100-568, § 7, 102 Stat. 2853 (1988).

⁷⁶ The world norm is that notice is not required for copyright protection to attach. See MELVILLE B. NIMMER & DAVID NIMMER, 3 NIMMER ON COPYRIGHT § 17.08 (1993) ("most foreign countries do not require a copyright notice or any other formalities as a condition to copyright under their respective domestic laws.").

⁷⁷ See 17 U.S.C. § 102(a).

⁷⁸ See *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 111 S. Ct. 1282, 1295 (1991) (white pages not copyrightable).

⁷⁹ Worldwide, unpublished works are given the highest order of protection under copyright norms. Authors in moral-rights countries, including France, Germany, and Japan have the exclusive right to control their unpublished works. This right is known as the *droit de divulgation*. See John M. Kernochan, *The Distribution Right in the United States*, 42 VAND. L. REV. 1407, 1423 (1989); Carl H. Settlemyer III, *Between Thought and Possession: Artists' "Moral Rights" and Public Access to Creative Works*, 81 GEO. L.J. 2291, 2293 (1993); Diane Conley, *Author, User, Scholar, Thief: Fair Use and Unpublished Works*, 9 CARDOZO ARTS & ENT. L.J. 15, 43 n.123 (1990)

material is original expression, a feature which does not provide off-the-cuff identification, but rather demands *assessment* of the work against the universe of similar works. In sum, the adverse possession model serves mainly to illuminate what copyright property is not.

Despite the forgoing, let us assume for a moment that copyrightable property does share sufficient similarities with real property to make adverse possession a model worthy of serious consideration on other grounds. It still would supply little succor to the art appropriator. Although adverse possession does permit second comers to take without payment or remuneration, it only does so after a proven and comparatively long period of time. Because of the value of stability in property ownership, the first owner is given the benefit of the doubt that she will assert ownership of the property in the near future even if she is not doing it right now. For the art appropriator to justify getting the work without permission or remuneration then, she must find a way around the benefit-of-the-doubt principle and a persuasive argument for cutting off all property rights before the limited term of ownership has significantly progressed, let alone expired.⁸⁰ Moreover, she must justify why an assertion of rights in the pre-existing work is not enough to justify the first author's retention of rights in the derivative work. These are significantly harder arguments to make than the already uphill battle faced by the adverse possessor.

(“Under French law . . . the *droit de divulgation* constitutes an absolute right on the part of authors to refuse to disclose their work.”). Furthermore, the right continues in perpetuity, passing to an author's heirs after death. Christine L. Chinni, *Droit D'auteur versus the Economics of Copyright*, 14 W. NEW ENG. L. REV. 145, 153 (1992).

In the United States, unpublished, unavailable works are as protected—if not more so after *Harper and Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985)—under copyright law as are published works. In contrast, a recent amendment to the U.S. Copyright Act may make it easier to appropriate unpublished works: “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.” 17 U.S.C. § 107 (as amended).

⁸⁰ The conflict between the benefit-of-the-doubt principle and the art appropriator's project was made crystal clear in the *Campbell v. Acuff-Rose* oral argument before the Supreme Court. In that case the author of the pre-existing work was singer-songwriter Roy Orbison and the art appropriator was rap musician Luther Campbell of Two Live Crew. Before the Court, the lawyer for Orbison argued that they had not been sitting on the right to make a rap song out of “Pretty Woman.” To the contrary, they were planning on entering the rap field when they deemed it appropriate. Campbell's lawyer responded that Two Live Crew, through their version of “Pretty Woman,” had made a contribution to society that simply was not going to be made (and was even blocked) by Orbison's people. See *Campbell v. Acuff-Rose Music, Inc.*, 114 S. Ct. 1164 (1994) (Transcript of Oral Argument).

Finally, setting aside the fact that copyright property shares none of the denotative aspects of real property as well as the benefit-of-the-doubt principle, the core adverse possession-like argument of the art appropriator—that she is making uniquely socially valuable uses of an underutilized pre-existing work—falls far short of proving that she should be able to take it without payment or permission. From the perspective of the adverse possession model, the argument travels far afield. There is no rule that the first owner of real property must make every possible and imaginable use of her property for the good of the society. One of the rights that accompanies property ownership is the right not to make certain uses. As Carol Rose has persuasively shown, there is nothing in the adverse possession model that would justify transferring ownership simply because the second comer *can* make beneficial uses of the property. The first owner must default in his ownership responsibilities at the same time that the second comer is yelling loudly. It is the *failure* of the first to assert ownership coupled with the activity of the second that justifies the free, unpermissive transfer of property. By analogy, the second author's artistic (i.e., valuable) use should not be enough in itself to justify depriving the first author of a use simply because he has not taken advantage of it.

In sum, the adverse possession model—despite strong intuitive and normative force—simply does not provide an acceptable model for taking the rights in the copyrighted work away from the original producer and awarding them to the art appropriator without payment or permission. A middle road may remain open for the art appropriator: payment without permission, the takings model.

IV. THE TAKINGS MODEL: WHERE PAYMENT TRUMPS PERMISSION

Finally, I turn to a model with promise for the appropriation artist—the takings model, as derived from the Fifth Amendment. The Fifth Amendment states: “nor shall private property be taken for public use, without just compensation.”⁸¹ The takings clause permits government to defeat the property owner's permission right so long as it guarantees the remuneration right and so long as the government's action is in the society's larger interest. While caution is generally exercised in resolving property conflicts against the first owner through an adverse possession model (i.e., without permission or remuneration),⁸² the payment-only model has considerable force in our culture.⁸³

⁸¹ U.S. CONST. AMEND. V.

⁸² See *supra* note 65 and accompanying text.

⁸³ See *Boomer v. Atlantic Cement Co.*, 26 N.Y.2d 219, 223 (1970) (ordering permanent damages rather than an injunction where award of damages was likely to provide incentive to defendant to cease engaging in nuisance be-

Ironically, the trend toward the takings model has gained momentum in the same era that the United States has signed onto the Berne Convention and its emphasis on personality rights, which would argue in favor of protecting authorial control over a work as well as remuneration.⁸⁴ The trend away from personality rights, however, is not a trend that is isolated to the United States alone. The treatment of cinematic works around the world has only followed the Berne-dictated personality model by engaging in outlandish legal fictions. In Europe, the *director* holds rights in the motion picture, even though the work is by necessity the product of a number of creative authors.⁸⁵

This decision to defeat the permission right while enshrining the remuneration right is what Calabresi and Melamed labelled a liability rule, as opposed to the property rule.⁸⁶ What the takings model adds to the liability rule is that the decision to defeat the permission right must be made, under constitutional mandate, in the public's interest.⁸⁷

havior, despite general rule that injunctions should issue if the damage caused is not insubstantial); *Brown v. Voss*, 105 Wash.2d 366, 370 (1986) (approving damages-only award where the use imposed no burden on the servient estate); Gordon, *Owning Information*, *supra* note 7, at 196-99 (describing restitution doctrine as requiring obligation of payment even when the defendant has done nothing "wrong"); Sterk, *supra* note 66, at 69-74.

⁸⁴ Berne Convention, (Paris Text) Article 6^{bis}(1), ("Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.").

⁸⁵ See PAUL E. GELLER, *INTERNATIONAL COPYRIGHT LAW AND PRACTICE* (1990); SAM RICKETSON, *THE BERNE CONVENTION FOR THE PROTECTION OF ARTISTIC WORKS 1886-1986* (1987).

⁸⁶ Calabresi & Melamed, *supra* note 8, at 1106-10.

⁸⁷ *Id.* at 1106. Calabresi and Melamed offer eminent domain as an example of a liability rule, but the constitutional dimension of the takings doctrine is neglected by them. They equate rules in accident cases with eminent domain in the sense that they both are examples of market failure that force us away from the property rule. In so doing, they paper over the takings clause's directive that the taking must be for "public use," *i.e.* in the public's interest. That requirement significantly distinguishes the takings model from other liability rule examples. Courts frequently reach liability rule determinations on the basis of the relevant interests of the parties without contemplating the larger public's interest. See, *e.g.*, *Boomer*, 26 N.Y.2d 219. Like the takings model, copyright law is constitutionally required to serve the public's interest. See *infra* note 90 and accompanying text; see also *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 976 (1981) (suggesting damages-only remedy is appropriate "when great public injury

Takings jurisprudence has made it easier and easier for government to engage in a taking. It has developed to the point where the question of public use is not one that particularly troubles the courts. They are more than willing, eager even, to presume that if a duly appointed or elected body has determined that a particular taking is in the public's interest—be it a taking to build a GM plant, the condemnation of intangible contractual rights to keep a football team, or the feat of landlord's rights in Hawaiian rental housing so that private property will be distributed throughout the populace—it is in the public's interest for constitutional purposes also.⁸⁸ Thus, if Congress says the taking is in the public's interest, it most likely will be held to be so as a matter of constitutional takings law.

But what does public use have to do with the conflict over rights of private individuals in private art? Lurking behind all copyright discussions of competing property rights, including the appropriation art conundrum, is the Copyright Clause of the Constitution.⁸⁹ It provides that "Congress shall have power to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Rights to their respective Writings and Discoveries."⁹⁰ In short, the Constitution has laid down a specific public purpose to be achieved by the copyright system in general, which presumably should be honored when the system makes exceptions in its pattern of rights. That public purpose is the promotion of science and the useful arts. Were Congress to follow the takings model in the copyright context in particular cases, it would be cabined by this constitutional instruction.

In any copyright context, including the art appropriation context, I am inclined to believe that the default setting is the model most likely to accomplish this end. By creating property barriers to what will be on the artist's palette, we create the likelihood of a more diverse array of works,

would result from an injunction) (emphasis added). As Professor Howard Abrams has noted,

it is generally accepted that the underlying purpose and philosophy of the Copyright Clause is to benefit the public by providing an economic incentive to authors in the form of limited monopoly control over the commercial exploitation of their works. The monopoly is sanctioned because it encourages the production of intellectual works for ultimate public use and enjoyment.

Howard B. Abrams, *The Historic Foundation of American Copyright Law: Exploding the Myth of Common Law Copyright*, 29 WAYNE L. REV. 1119, 1185 (1983).

⁸⁸ See Thomas Merrill, *The Economics of Public Use*, 72 CORNELL L. REV., 61, 61-63 (discussing takings cases).

⁸⁹ U.S. CONST., art. I, § 8, cl. 8.

⁹⁰ *Id.*

except for those works that absolutely *require* the pre-existing work. There is some truth to the old chestnut that necessity is the mother of invention.

The question posed by art appropriators is when, if ever, to leave the model of the default setting behind. Takings jurisprudence provides some guidance on this question. As Professor Tom Merrill has suggested, constitutional takings are appropriate in cases of thin markets, which are examples of market failure.⁹¹ On my terms, market failure in the copyright context occurs when the most socially valuable uses are being consistently blocked.⁹² Perhaps parody is an example of such a failure; the first author is so unlikely to give permission for the parody and the parody is so socially valuable that a takings model may be appropriate in that circumstance.⁹³ Particular categories of appropriation art⁹⁴ might also fall into that category.⁹⁵ Thus, we return to the nub of the problem: the factual question of which rights setting will produce the most valuable works. It deserves further study.

The reply since *Bleistein v. Donaldson Lithographing Co.*⁹⁶ has been that we should not engage in such an inquiry. Didn't Justice Holmes himself forbid us from engaging in just such an evaluative inquiry? The an-

⁹¹ See Merrill, *supra* note 88, at 76 (defining thin market as "any situation where a seller can extract economic rents [high transaction costs] from a buyer"); cf. Wendy J. Gordon, *Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors*, 82 COLUM. L. REV. 1600, 1614-15 (1982) (arguing that market failure justifies resort to fair use).

⁹² Market failure is a problem posed in general by "knowledge goods." See ROBERT P. BENKO, PROTECTING INTELLECTUAL PROPERTY RIGHTS: ISSUES AND CONTROVERSIES 21 (1987).

⁹³ Cf., *Rogers v. Koons*, 960 F.2d 301, 311 (2d Cir.), *cert. denied*, 113 S. Ct. 365 (1992) (parodist permitted to use more of a work than ordinary copier); *Elsmere Music, Inc. v. National Broadcasting Co.*, 623 F.2d 252, 253 n.1 (2d Cir. 1980) (*per curiam*) ("A parody is entitled at least to 'conjure up' the original.").

⁹⁴ As David Sanjek and Beryl Jones have made clear, there are a number of different categories loosely grouped under the appellation "appropriation art." See Addresses by David Sanjek & Beryl Jones at the AALS Annual Meeting, Intellectual Property law Section (Jan. 7, 1994).

⁹⁵ One problem, of course, with the argument that rights should be adjusted for the appropriation artist by the legislature is that the movement may be passe by the time the legislature can bring itself to act definitively. See, e.g., Edward J. Sozanski, *When Art Was More Than a Commodity*, PHILA. INQUIRER, Jan. 23, 1994, at H1, H6, col. 3 (discussing "how spiritually and intellectually undernourished art has become"). As discussed *supra* note 13, the alternative is adjustment of the rights-setting through judicial fine-tuning of the remedy.

⁹⁶ 188 U.S. 239 (1903).

swer is a definitive no. Justice Holmes warned the bench, not society, nor even more important for copyright law, Congress, about making such aesthetic judgments.⁹⁷ Certainly there is no harm caused by a retrospective evaluation of the relative worth (measured in market terms or according to professional judgment) of pre-existing and derivative works. If we cannot judge degrees of social value between works, how is it that so many of us know that the motion picture *Rear Window*⁹⁸ should not be enjoined by the owner of the underlying short story?⁹⁹ Is that not an example of just such an evaluative comparison? In any event, plenty of researchers in psychology, psychiatry, and the arts, especially art education, have been able to do very interesting research into the phenomenon of creativity.¹⁰⁰ And more important for the project of determining the social value of different works of art, art critics make just such comparisons as a matter of course, as do the various markets for works, from the fine art market to the popular market. We have built the edifice of our copyright system on intuitions and guesses about which rights-setting will fulfill the mandate of the Copyright Clause to benefit society. We could use some reliable empirical information about the conditions favorable to optimal art production in our existing society, both in quality and quantity. Frankly, if the National Endowment for the Arts, the Copyright Office, or Congress itself is every looking for something truly productive to do with their budgets devoted to art, this project would be enlightening and deeply beneficial to society at large, far more than, say, direct subsidization of individual works.¹⁰¹

⁹⁷ See *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.") (emphasis added). Indeed, one wonders, in our era of expert witnesses and a plethora of art critics whether Holmes would have been inclined to rest his formulation of the doctrine on the lack of expertise of the judge. On his reasoning, judges should not be deciding medical malpractice or environmental claims either. With that in mind, a series of damages-only copyright decisions might accomplish as much for the society's quest for socially valuable works as would a congressional task force.

⁹⁸ *Stewart v. Abend*, 495 U.S. 207 (1990) (court held that under copyright law, owner of underlying rights in short story could prevail over owner of derivative rights in motion picture).

⁹⁹ See *Stewart*, 495 U.S. at 250-51 (Stevens, J., dissenting); cf. *Universal City Studios v. Sony Corp. of Am.*, 659 F.2d 963, 976 (9th Cir. 1981), *rev'd on other grounds*, 464 U.S. 417 (1984) (damages or royalties more appropriate than the "harsh and drastic" remedy of an injunction).

¹⁰⁰ See VerSteeg, *supra* note 23, at 827 n.94 (citing sources on creativity).

¹⁰¹ There is another unanswered factual query in the copyright conundrum posed by appropriation art, which is relevant to choosing between the three models posed. What actual barriers stand in the way of the art appropriator: money, permission or both? If it is money, is it because the artist cannot

Without reliable research on the question whether the first or the second author generally has benefitted society more, however, the march of history is likely to make the choice for us between the default setting and the takings model. For better or for worse, recent history illustrates that the United States copyright system has been moving incrementally closer in all of its manifestations to the takings model. Take, for example, the Supreme Court's recent dictum in *Campbell v. Acuff-Rose Music, Inc.*,¹⁰² which warns against injunctions in derivative works cases, and its First Amendment jurisprudence, which stigmatizes injunctions against speech.¹⁰³ Think about the remedy by the lower court in *Stewart v. Abend*:¹⁰⁴ the court denied injunctive relief (which is tantamount to defeating the permission right) and ordered damages (which enforces the

afford to pay, does not want to pay, or does not think to ask if he should pay? If it is permission, is it because appropriation art is treated like parody, in that it has the potential to be unflattering to the pre-existing work, or that it never occurs to the artist to ask? Cf. Carlin, *supra* note 1 at 127-28 n.104 (stating that in general appropriation artists have not bothered to ask permission or to offer payment); Litman, *Copyright as Myth*, *supra* note 24, at 246 (discussing how the process of authorship makes it impracticable for authors to request permission prior to commencing work.).

¹⁰² 114 S. Ct. 1164 (1994).

¹⁰³ See *Campbell*, 114 S. Ct. at 1171 n.10; see also Leval, *Fair Use*, *supra* note 12, at 1130-35; Note, *Remedies for Copyright Infringement: Respecting the First Amendment*, 89 COLUM. L. REV. 1940 (1989) (suggesting that courts should be sensitive to First Amendment concerns when issuing copyright injunctions); Hon. James L. Oakes, *Copyright and Copyremedies: Unfair Use and Injunctions*, 18 HOFSTRA L. REV. 983, 992-97 (1990) (same); Paul Goldstein, *Copyright and the First Amendment*, 70 COLUM. L. REV. 983, 1033 (1970) (same). The First Amendment, of course, only cautions against injunctions aimed at constitutionally protected *speech*, a category which does not cover every copyrightable work. The care with which courts approach injunctions in general (especially in the First Amendment context) suggests that the takings model—enforcement of the right of remuneration coupled with sacrifice of the right of permission—may have more force in real and private property law than we would be led to believe by Calabresi and Melamed's characterization of the property rule as the default setting for ordinary property. Injunctions are explicitly permitted under § 502 of the 1976 Copyright Act. See also *Nicholson v. Georgia Dept. of Human Resources*, 918 F.2d 140, 144 (11th Cir. 1990) (copyright injunctions do not violate the first amendment, but at least in the context of derivative works, they should not be granted lightly); *American Direct Marketing, Inc. v. Azad Int'l Inc.*, 783 F. Supp. 84, 97-98 (E.D.N.Y. 1992) ("The Ninth Circuit, which shares the Second Circuit presumption of irreparable injury, has suggested apportionment of profits as an alternative to preliminary injunctions.") (citations omitted).

¹⁰⁴ 495 U.S. 207 (1990).

remuneration right).¹⁰⁵ The denial of an injunction in a copyright infringement suit is nothing other than a refusal to enforce the author's right of permission; while damages enforce her right to remuneration. Consider Professor Gordon's suggestion of damages-only remedies.¹⁰⁶ Look at our

¹⁰⁵ See *Stewart*, 495 U.S. 207; see also *Universal City Studios, Inc. v. Sony Corp. of Am.*, 659 F.2d 963, 976 (1981), *rev'd on other grounds*, 464 U.S. 417 (1984) (awarding damages over an injunction); *Kepner-Tregoe, Inc. v. Carabio*, 203 U.S.P.Q. 124, 131 (1979) (when damages are assessed, no further injunctive relief is necessary) 3 MELVILLE B. NIMMER, *NIMMER ON COPYRIGHT* § 13.05 [E][4][e], at 13-91 ("Ordinarily it would be improper, and even an abuse of discretion for a court to deny a permanent injunction where liability and a threat of continuing infringement have both been established. But if one looks to other areas of property law it is clear that a property owner may be denied a permanent injunction against further violations of his property right where such an injunction would work a substantial injury to the public interest as well as to that of the particular defendant. In such circumstances the property owner may be awarded, in lieu of an injunction, a reasonable royalty for the further use of his property. The courts might well conclude the photocopying practices for private use, particularly in the area of scientific writings, involve just such a public interest, so that a judicially created compulsory license as a substitute for injunctive relief could be found appropriate.") (emphasis added). See also Kaplan, *supra* note 1, at 73 ("Courts have sometimes forgotten that an injunction does not go of course; the interest in dissemination of a work may justify a confinement of the remedy to a money recovery."); Paul Goldstein, *Copyright and the First Amendment*, 70 COLUM. L. REV. 983, 1030 (1970) ("an award of damages should be preferred to the injunctive remedy.").

Judge Leval, for one, has taken the position that injunctions should be used in only the most egregious "acts of piracy." Judge Pierre N. Leval, Address at the *Cardozo Arts & Entertainment Law Journal* symposium on Copyright in the 21st Century, in 13 *CARDOZO ARTS & ENT. L.J.* 2 (forthcoming). This position is also evidenced in several of his cases. See *Salinger v. Random House*, 650 F. Supp. 413, 426 (S.D.N.Y. 1986) *rev'd* 811 F.2d 90 (2d Cir. 1987) (injunction issued); *New Era Publications v. Henry Holt & Co.*, 695 F. Supp. 1493, 1525-28 (S.D.N.Y. 1988); *rev'd* 873 F.2d 576 (2d Cir. 1989) (majority rejected Leval's reasoning but nevertheless declined to issue an injunction on the basis of the doctrine of laches. C.J. Oakes concurred with the majority opinion but split on this issue. *Id.* at 595. Judge Oakes agreed with Leval that "enjoining publication of a book is not to be done lightly." *Id.* at 596.).

¹⁰⁶ Goldstein, *supra* note 33, at 236-38, 249 (1983) (arguing in favor of damages rather than injunctive remedies in derivative work cases); Gordon, *Owning Information*, *supra* note 7, at 259 (arguing that injunctions produce overdeterrence in derivative works and suggesting that damages-only remedies may be appropriate in derivative work suits in general). The problem, of course, with damages-only remedies meted out by courts, rather than legislated compulsory licensing, is that they add in a strike-suit cost. In either situation, the putative defendant will be permitted to copy the work for a fee. The defendant who pays for the compulsory license only pays for the market value of the work (assuming a functional market valuation sys-

statutory compulsory licenses.¹⁰⁷ They are nothing more than the legislative decision to suspend the right of permission while protecting the concomitant right of remuneration. Indeed, if you think about it, the blanket licensing schemes of ASCAP and BMI, although voluntary contractual arrangements, bear the same earmarks: the author releases the right to give permission to every particular user (copier) of the work in exchange for ensuring a right to remuneration.¹⁰⁸ Note that the American Society of Magazine Photographers recently has instituted its own license clearinghouse for its members.¹⁰⁹ Consider Professor Jerome Reichman's suggestion that information works on the margins of the copyright paradigm are best served by a liability rule¹¹⁰ and Professor Jane Ginsburg's suggestion that low-authorship works should be governed by a compulsory license.¹¹¹ Finally, examine our media monoliths; in the currently existing copyright marketplace, permission may be a moot point (given that the oligopolistic company is simply asking permission of itself) but payment is real, although only a matter of adjusting internal ledger sheets.¹¹² Second only to the default setting, the takings model has come, even without our bidding, to permeate our copyright mentality.

tem in the compulsory licensing scheme), however, while the defendant who pays a damages remedy has also paid for the cost of the suit or a fee to the plaintiff not to bring suit in the first place which is over and above settlement value of the use.

¹⁰⁷ See 17 U.S.C. §§ 115, 116 (1990); 17 U.S.C. § 115(c) (establishing royalty payments under the existing compulsory license provision for the rental, lease, or lending of phonorecords.) *as amended by Record Rental Amendment of 1984*, Pub. L. No. 98-450, 98 Stat. 1727; Germany's copyright law provides for compulsory remuneration to authors by manufacturers of equipment capable of copyright infringement, such as copy machines, tape recorders and video cassette recorders. COPYRIGHT LAWS AND TREATIES OF THE WORLD, 10a (1986).

¹⁰⁸ MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW, § 8.22 (1989) ("The performing rights society is the means by which [rights holders] . . . police, license, and otherwise administer the potentially valuable but elusive performance right. Their membership consists of musical copyright owners who have pooled their copyrights and have authorized the performing rights society to both represent them in licensing these works to users and policing unauthorized performances. In addition, the performing rights society collects royalties and distributes them to the membership.")

¹⁰⁹ See *A Closer Look at the ASMP Copyright Licensing Agency*, 11 ASMP BULLETIN 1, 8 (June 1992) (describing and discussing copyright licensing agency for magazine photographers).

¹¹⁰ Reichman, *Legal Hybrids*, *supra* note 1.

¹¹¹ See Ginsburg, *supra* note 1, at 1924-36.

¹¹² See generally BEN BAGDIKIAN, MEDIA MONOPOLY (1983); HERBERT I. SCHILLER, CULTURE, INC. (1989).

For each example listed above, a different reason might be given for adopting the takings model. For example, blanket licensing schemes are invoked to solve pervasive enforcement problems¹¹³ and to help individual authors cope with the onslaught of potential users in the impending electronic age;¹¹⁴ limiting aggressive use of the injunctive remedy in derivatives works cases would seem to solve a public goods problem;¹¹⁵ while compulsory licenses have been touted as solving both transaction cost problems as well as reducing the overweening monopoly power of the author.¹¹⁶ Whatever the reason chosen, however, the takings model has been the solution of choice to the particular problem posed. So might the same be true for the access problem posed to appropriation artists by the default setting. The pervasiveness of the takings solution across the boundaries of discrete copyright dilemmas indicates that it is an emerging paradigm in copyright law that may well threaten to lead the way for all copyright property in the twenty-first century.

The choice of the takings model is reinforced in an age of complex multimedia, and the information superhighway that is being engineered at this moment by each of the leading telecommunications companies and the federal government.¹¹⁷ Couple the explosion in the availability of copyrighted works to the individual user with the universal reduction in notice requirements. What you get is the mind-boggling difficulties of administration of a system based on permission rights coupled with the evisceration of the normative structure upon which we based the necessity of asking permission in the first place.¹¹⁸ It is exceedingly unsatisfying to ask

¹¹³ *Broadcast Music, Inc. v. Columbia Broadcasting Sys.*, 99 S. Ct. 1551, 1554 (1979). (ASCAP and BMI formed because of the impracticability of negotiating licensing agreements and policing copyright infringers.)

¹¹⁴ See *A Closer Look at the ASMP Copyright Licensing Agency*, 11 ASMP BULLETIN 1, 8 (June 1992) (describing magazine photographers' newly instituted licensing agency as response to "onset of an electronic era").

¹¹⁵ See John Cirace, *When Does Complete Copying of Copyrighted Works for Purposes Other than for Profit or Sale Constitute Fair Use? An Economic Analysis of the Sony Betamax and Williams & Wilkins Cases*, 28 ST. LOUIS U. L.J. 647, 657 (1984).

¹¹⁶ Ginsburg, *supra* note 1, at 1925-27 (citing transaction costs and an increase in public distribution as reasons for compulsory licenses); Midge M. Hyman, *The Socialization of Copyright: The Increased Use of Compulsory Licenses*, 4 CARDOZO ARTS & ENT. L.J. 105, 111-12 (1985) ("The primary reason for the use of the compulsory license is the elimination of transaction costs.") (footnotes omitted); Robert S. Lee, *An Economic Analysis of Compulsory Licensing in Copyright Law*, 5 W. NEW ENG. L. REV. 203 (1982).

¹¹⁷ See also Audio Home Recording Act of 1992, Pub. L. No. 102-563, § 1, 106 Stat. 4248 (1992).

¹¹⁸ See also Geller, *Electronic Archive*, *supra* note 1, at 55-56. I may be wrong on this score. The fact that these developments are occurring in the context of the electronic media makes it possible that there will be sophisticated and

someone to find the author to ask permission if there is no necessary indication on the mass-distributed, even worldwide distributed, work, who the author is or where he can be found.¹¹⁹ But it is no more unsatisfying (and no more technologically difficult) to ask users to pay for their use of works on the network than it is to ask them, say, to pay their telephone bills. Add impossible administration and the sense of injustice arising from a permission right in an age without notice requirements to the ease of tracking use and therefore requiring payment, and what you get is compulsory licenses, BMI, ASCAP, blanket licensing schemes, and a sharp reduction in the injunctive remedy. In other words, a proliferation of the takings model.¹²⁰

If the author's grip on the work is an impediment to the commodification necessary in a digitalized world market, we need to determine the best means of releasing that grip. The American market is doing it wholesale at one level, through the work-made-for-hire doctrine and the increasing consolidation of the copyright industries. At a different level, but achieving the same end, advocates of user's rights and a more broadly read fair use doctrine would require first authors to relinquish complete control in a wide variety of circumstances. Both the work-made-for-hire version of the default setting and the adverse possession model cut the first author out of the picture altogether. In contrast, the takings model gives the work more liquidity in the market as it preserves an income stream to the creative source of the work (or to the entity to whom the creative source has assigned rights for remuneration). The takings model requires the appropriation artist to pay for that which she uses, but it permits her to choose from the full panoply of copyrighted cultural artifacts. It is a Solo-

trustworthy electronic tracking of works, which would simplify some of the difficulties posed. It remains to be seen, however, whether such tracking will be able to serve to identify the author of one particular work out of a plethora of works as well as it surely will be able to track what the user has used.

¹¹⁹ Far from helping artists and authors, the reduction in formalities seems to be leading away from strong enforcement of their property rights. Indeed, the reduction in formalities is leading Congress to move to a position of ensuring that significant numbers of potential infringers cannot be held liable even for damages. As the debates over the Copyright Reform Act of 1993 made clear, the continuing reduction in formalities is being accompanied by pressure to reinforce and expand the innocent infringer defense—in short, to make certain that individuals who do not know if they are infringing cannot be successfully sued for damages. See CONG. REC. H10311 (Nov. 20, 1993) (statement of Rep. Coble).

¹²⁰ The failure of the default setting of copyright law in the context of our information and works explosion has already been noted. See Bruce L. Flanders, *Barbarians at the Gate: New Technologies for Handling Information Pose a Crisis Over Intellectual Property*. 22 AM. LIBRARIES 668 (July 1991).

mon-like division of the property, but it seems intuitively fair in a postmodern era that no longer buys into the notion that works are the conduits of their authors' personalities. At least at the level of a heuristic, the takings model looks like the solution that promises society a bountiful cultural harvest from both artists and their appropriators.

V. CONCLUSION

The author has been under siege in the United States. There has been an explosion in work-made-for-hire status, which, by statutory edict, transforms an employer into an author and an artist into a paid lackey. User's rights advocates increasingly have criticized the scope (and, frankly, the existence) of the author's derivative work right. At the same time, the coming to age of the derivative work right has meant that a smaller and smaller segment of any text is entitled to copyright protection. The ethos of the information superhighway, which makes it possible for the world to have access to the entire world's creative productivity, privileges the concept of access, rendering authorial control over a work, especially the capacity to reject access, suspect. Literary criticism's persuasive rejection of the notion that the text is an imprint of the author's personality also has raised fundamental questions about our explanations for rewarding the creative author with property rights at all. Finally, there is appropriation art, which self-consciously and directly has challenged the notion that a great artist must create art out of thin air. Its ethos *requires* borrowing for the production of cultural artifacts.

One can only speculate *why*, when push comes to shove, the takings model has been embraced in so many different ways in the American copyright system. Further research into the historical and normative forces behind the model I leave to a later day. Suffice it to say for now that the takings model would seem to be very closely linked to the rise of the incentive rationale for copyright beginning in the late nineteenth century and to the deconstruction of romantic authorship in this century.

In this country and this century, the model's force must have no little relationship to the model's constitutional soundings. The takings model identifies a property faultline in our culture. How curious in the supposed era of the Berne Convention and the concomitant explicit recognition of personality rights that remuneration may turn out to be the intuitively sought-after, rock-bottom right (and not authorial permission). Since signing onto Berne, Congress has taken only halting and timid steps to fulfill its mandate of moral rights protection.¹²¹ The slow pace, sometimes

¹²¹ See Visual Artists' Rights Act, 17 U.S.C. §§ 101 (providing narrow definition of "work of visual art"), 106A (1990) (providing limited rights of attribution and integrity for small category of works of visual art) ("VARA"). The weakness of the American version of moral rights is hard to overstate. Not

attributed to the power of the publishing and motion picture industries, however, may have more to do with our underlying bedrock system of property protection than the failure of artists to win points in Congress. The electronic era is bringing this bedrock into the foreground. We seem to have outstripped Berne before we ever joined her.¹²²

We are already moving toward a permission-less, remuneration-only system. As we do, we move farther and farther away from the notion of the author as a rights-holding genius and closer and closer to the notion of the work as a commodity of challenge. The takings model naturally parallels that development, as the advent of the information superhighway with its high volume of works and users implicitly demands the reduction in authorial control offered by the takings model. Appropriation artists should benefit from such a development. For the author, with her bundle of rights, the takings model is both good news and bad news. The bad news is that she is being forced to relinquish what is to her a valuable stick in the bundle. The good news is that she is not being asked to relinquish them all. We have yet to see whether this trend away from authorial control is good news or bad news for society as a whole.

only is VARA all we have at the federal level that could possibly be identified as a moral rights scheme, and not only is it applicable to a tiny number of works, and not only does it provide a much more constricted set of rights than, say the French scheme, for that narrow category of works, it also permits authors to waive their rights, a concept alien to any thoroughgoing moral rights scheme.

¹²² See also Geller, *Electronic Archive*, *supra* note 1, at 69 ("international copyright has to be codified anew, as comprehensively, simply, and clearly as possible").

A PRACTICAL GUIDE TO POLAND'S NEW COPYRIGHT STATUTE

By KATHERINE E. SCHUELKE* AND BIANKA ALICJA KORTLAN**

Since its markets opened to the West in 1989, Poland has been viewed as a land of both promise and peril by those involved in the creation, manufacture, and sale of goods involving intellectual property rights. With a population of over 38 million, which is nearly twice that of Hungary and the Czech Republic combined, Poland is the largest consumer market in Central Europe and one of the largest on the continent. For the past few years, however, Poland has also been Europe's largest producer, consumer, and exporter of pirated computer programs and sound recordings.¹

In an effort to promote foreign trade and investment by decreasing the perils of doing business in Poland,² the Polish government took several steps during the past four years to improve the legal environment for own-

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¹ Industry representatives have estimated that approximately 90 percent of computer software and 95 percent of sound recordings available in Poland in the past few years were pirated copies. See, e.g., *Better Copyright Protection Planned*, Polish News Bull., March 30, 1992; Michael Dornemann, *Eastern European Music Market is Full of Promise; Despite Piracy, Labels Should Jump Into Region Now*, Billboard, August 29, 1992, at 6.

² In 1990, as part of the bilateral Treaty Concerning Business and Economic Relations between Poland and the United States, the Polish government agreed generally to provide for adequate protection of intellectual property rights and specifically to: extend copyright protection to computer programs; provide product as well as process patent protection for pharmaceutical and chemicals for a term of twenty years from the date a patent application is filed; protect integrated circuit layout designs (mask works); protect against unfair competition, including misappropriation of proprie-

ers of intellectual property rights.³ The most important of these steps was the passage of the Law on Copyright and Neighboring Rights of February 4, 1994, which became effective on May 23, 1994.⁴ The new copyright statute improves on the 1952 statute that it replaces by: (1) generally extending the term of protection from life of the author plus 25⁵ years to life of the author plus 50 years; (2) expanding and clarifying the categories of copyrightable subject matter; (3) adding protection for neighboring rights; (4) providing for expanded civil remedies and stiff criminal sanctions for infringement of copyrights; (5) clarifying the rights of employers and producers vis a vis those of creators and performers; (6) eliminating many restrictions on alienation of economic rights; and (7) narrowing the range of permissible unremunerated uses of protected works. Owners of rights in copyrighted works who are willing to invest in preventative measures and enforcement actions will undoubtedly find that the new copyright statute, together with other laws such as the unfair competition statute, trademark statute, and even the penal code, will make it far easier to protect valuable intellectual property rights in Poland.⁶

tary information; and adhere to the Paris Act of the Berne Convention for the Protection of Literary and Artistic Works.

³ See, e.g., Law on Inventive Activity of October 19, 1972, as amended by the Law of April 16, 1993, Dz. U. Nr. 26, poz. 117 (hereinafter the "Patent Statute"); Law on the Protection of Topographies of Integrated Circuits of October 30, 1992, Dz. U. Nr. 100, poz. 498; Law on the Combating of Unfair Competition of April 16, 1993, Dz. U. Nr. 47, poz. 211 (hereinafter the "Unfair Competition Statute").

⁴ Dz. U. Nr. 24, poz. 83 (hereinafter "1994 Copyright Statute"). While Poland managed timely to satisfy most of its treaty obligations concerning protection of intellectual property, *see supra* note 2, efforts to revise Poland's 1952 copyright statute dragged on long past the 1992 deadline. The 1952 copyright statute was actually the subject of reform efforts for over 30 years. Many Polish government officials, legal experts, and entrepreneurs recognized the need for reform, but numerous changes in the government as well as other legal, economic, and social priorities slowed Poland's adoption of a new copyright statute until February 1994.

⁵ Under the 1952 statute, the duration of economic rights was generally life of the author plus 20 years. See Law on Copyright of July 10, 1952 (hereinafter "1952 Copyright Statute"), Art. 26, Par. 1. The statute was amended in 1973 to extend the period to life of the author plus 25 years.

⁶ As written, Poland's intellectual property laws now provide protection that is nearly equivalent to that available in most Western countries. Some commentators have argued that it was a mistake for Poland to agree to adopt such strong intellectual property laws at this stage of its economic development because there is no evidence indicating that such laws will lead to increased foreign investment, and they may actually stifle the growth of certain domestic industries. See, e.g., Piotr Dominiak, *Kneeling Before the White House: Interview with Prof. Stanislaw Soltysinski, an Expert in Protection of Intellectual Property*, Polish News Bull., March 28, 1991; Tomasz

This article will address some of the practical aspects of protecting rights in copyrightable works, with particular emphasis on the two industries that suffered the most from Poland's widespread piracy and also possess some of the greatest growth potential—computer software and sound recordings. Part I provides an overview of the new copyright statute's general provisions as they relate to all works. Part II examines issues of concern to creators, economic rights owners, and users of computer programs: the scope of copyright protection of computer programs, the copyright owner's rights in this type of work, and alternative legal theories for protecting software. Part III discusses issues of concern to the music industry in Poland, specifically, the legal basis for protecting sound recordings in Poland, protection against unremunerated uses, and the role of collecting societies. In Part IV, the article addresses some of the practical aspects of enforcement.

I. AN OVERVIEW OF POLAND'S NEW COPYRIGHT LAW

The new copyright law has deep roots in the European tradition of copyright legislation. Its fundamental structure is based on the division between "authors' rights" and "neighboring rights" as opposed to the unified copyright concept of the Anglo-American system. The law substantially complies with the basic requirements of adopted European Union directives relating to copyright law (in the case of computer programs, the Polish law practically assimilates the text of the EU Software Directive), and the law is sufficient to permit Poland immediately to join the Rome and Geneva Phonograms Conventions and the latest (1971) Paris text of the Berne Convention for the Protection of Literary and Artistic Works (hereinafter "Berne").⁷

A. *The Subject Matter of Copyright*

The basic principles of copyright protection in Poland are similar to those in other European countries and the United States.⁸ The copyright statute protects "a work," which is defined as "any manifestation of creative activity of an individual nature, no matter in what form it comes into

Saniec, *Problems With Polish—U.S. Treaty (Part 2)*, Polish News Bull., May 14, 1991.

⁷ In fact, Poland became a member of Berne (Paris Text) on October 22, 1994. As of this writing, Poland has not yet committed to joining the Rome and Geneva Phonograms Conventions.

⁸ Poland has a civil law system in contrast to the Anglo-American common law system. The foreign legal practitioner who is unfamiliar with civil law systems should therefore be aware that many terms used in the copyright statute may be defined in other more general statutes, such as the Civil Code, rather than in the copyright law itself.

being and regardless of its value, purpose or manner of its expression.”⁹ Thus, two basic requirements must be satisfied for a work to be subject to copyright protection: it must (1) result from creative activity and (2) possess individual characteristics.¹⁰

What elements must be present in a work to qualify it as a “result of a creative activity” with “individual characteristics?” The statute does not define these terms, and the Polish courts will be called upon to decide the amount of necessary “creativity” and “individuality/originality” on a case-by-case basis. Decisions of Poland’s Supreme Court interpreting earlier copyright statutes¹¹ support the argument that “creative activity” is any activity that is more than routine or mechanical in nature.¹² When this requirement is combined with the requirement that a work possess individual characteristics, the standard of originality under Polish law is similar to that applied by courts in the United States: the work should be recognizable as originating from the creator (“author’s own”) in the sense that the particular work could not independently be created in the exact same form by all other creators working in the same field of creative activity.¹³

The copyright statute does not specify which elements of “a work” are or are not protectable. Unlike Section 102 of the United States Copyright Act, the Polish copyright statute does not explicitly exclude from protec-

⁹ 1994 Copyright Statute, Art. 1, Par. 1. All citations to the 1994 Copyright Statute are based on the English translation prepared by Bianka Alicja Kortlan and published by the Polish Scientific Publishers PWN, 1994. It is reproduced as the Appendix to this article.

¹⁰ Some commentators have argued that yet another requirement must be satisfied before a work becomes a subject of copyright, namely, that the work be a result of a human activity. This argument is based on the statutory requirement that the work be a result of a “creative activity.”

¹¹ Because Poland is a civil law country, court decisions do not serve as precedent as they do in common law systems such as the United States. Even decisions of Poland’s Supreme Court are not binding on lower courts except as the law of the case. In practice, statutory interpretations of the Supreme Court often are treated as guiding principles and are likely to be followed by lower courts.

¹² See, e.g., orz. SN z 31.III.1938 r. [Decision of the Supreme Court of March 31, 1938], OSP 1938, poz. 545 (the arrangement and compilation of information in a table of a book was sufficiently creative even though similar tables had previously been used); orz. SN z 5.III.1971 r. [Decision of the Supreme Court of March 5, 1971], OSN 1971, poz. 213 (a gravestone may be the subject of copyright protection as an architectural work), orz. SN z 25.VIII.1972 r. [Decision of the Supreme Court of August 25, 1972], OSN 1973, poz. 105 (changes in the coloring of a previously published graphic work were sufficiently creative to entitle the revised version to copyright protection).

¹³ However, as in the United States, it is theoretically possible under Polish copyright law to prove that the exact same work was independently created.

tion ideas, procedures, scientific principles, etc.¹⁴ Nonetheless, various provisions of the new statute¹⁵ as well as decisions of Polish courts interpreting the 1952 copyright statute¹⁶ support the conclusion that under Polish copyright law—just as under U.S. law—ideas, etc. are not protected.

The enumeration of copyrightable works in Article 1, Paragraph 2 is meant to be illustrative only. It should be expected that judges will keep pace with advances in technology and will interpret the new law as providing protection for any work that meets the criteria of Article 1, Paragraph 1 even if it does not appear among the types of works specified in the statute.

Two quite surprising categories of works appear on Article 1, Paragraph 2's list of copyrightable subject matter: stringed musical instruments and industrial designs. "Stringed musical instruments" are included at the initiative of members of parliament who were concerned mainly with protection of instruments produced for the use of folk musicians as such instruments are usually quite elaborate and often substantially different from the instruments used by classical musicians. It is, of course, quite a superfluous category, as even without the enumeration, the copyrightable elements of any musical instrument (if there are any) may be subject to protection. "Industrial designs" were inserted into the law at the last parliamentary debate just before the law was passed.¹⁷ Generally, the scope

¹⁴ The statute does, however, exclude the following categories of works from protection: normative acts or their official drafts, official documents, materials, marks and symbols, published patent descriptions and protected design specifications, and simple news reports. See 1994 Copyright Statute, Art. 4.

¹⁵ See, e.g., *id.* Art. 2, Par. 4 (a work merely inspired by the work of another creator is not a derivative work); Art. 74, Par. 2 (ideas and principles forming any element of a computer program are not protectable).

¹⁶ See, e.g., orz. SN z 8.II 1978 r. [Decision of the Supreme Court of Feb. 8, 1978], OSPiKA 1979, poz. 52 (the factual information contained in a scientific publication is not protected by copyright law); orz. SN z 24.XI. 1978 r. [Decision of the Supreme Court of Nov. 24, 1978], ICR 185/78 (the "idea" contained in a scientific work is not protected and is part of the "free" elements of the work). Ideas and other aspects of works that are denied protection under copyright law may enjoy protection under other statutes, including the Unfair Competition Statute (which protects trade secrets), the Patent Statute, (which protects certain inventions), and Article 23 of the Civil Code (which protects privacy principles). In addition, contractual protection may exist according to the terms of a particular agreement.

¹⁷ Industrial designs will probably also include some "ornamental designs," which are defined in and previously were protected solely on the basis of a 1963 governmental decree. See Decree of the Council of Ministers of January 29, 1963, on the protection of ornamental designs, Dz. U. nr. 8, poz. 45 (ornamental designs, which are any new form of an object expressed in the shape, surface characteristics, arrangement of lines, in a drawing or in colors, that give an individual and original appearance, are designed for indus-

of protection for "industrial designs" should include only the copyrightable elements of works with some industrial application such as furniture, fashion designs, lamps, fashion jewelry, etc.

Collective works constitute a separate category of protected subject matter, and their creative selection, arrangement and compilation may qualify for protection irrespective of whether the materials or works used in the collection are themselves copyrightable.¹⁸ As examples of such works, the statute names collections, anthologies, selections and data bases.¹⁹ The statute also separately discusses derivative works, illustratively listing among them translations, alterations and adaptations.²⁰ One need not obtain the permission of the creator of the original work to create a derivative work, but to use or exploit the new work in any way without first obtaining such permission would constitute an infringement unless economic rights in the original work have already expired.²¹ The creator of a derivative work must also acknowledge the creator and title of the original work on copies of the derivative work.²²

Protection arises from the moment a work "comes into being."²³ As in some European copyright systems, such as in France and in Germany, copyright protection under the Polish statute attaches to a work from the moment it is created in a form perceivable by others.²⁴ Therefore, unfixed

trial or manufacturing reproduction, and are aesthetic rather than functional, may be protected for 5 years, with an additional five year extension, from the date of filing an application with the Patent Office of the Republic of Poland). Because ornamental designs may now enjoy dual protection of varying duration, the courts may be called upon to decide to what extent designs whose protection has expired under the Council of Ministers' Decree but not under the copyright law are in the public domain.

¹⁸ 1994 Copyright Statute, Art. 3.

¹⁹ A new Directive on the Protection of Databases is being prepared by the Council of the European Union; the last published draft is dated October 4, 1993. The proposed directive would also protect data bases as collective works.

²⁰ 1994 Copyright Statute, Art. 2, Par. 1.

²¹ *Id.*, Art. 2, Par. 2.

²² *Id.*, Art. 2, Par. 5.

²³ *Id.*, Art. 1, Par. 3. The Polish term for "comes into being" is "ustalony." By contrast, the Polish term for "fixed" is "utrwalony." Thus, no fixation is required for a work to be protected. See orz. XN z 29.IX.1979 r. [Decision of the Supreme Court of September 29, 1979], 4 CR 353/79; OSN 1980, Nr. 2, poz. 40 (film script need not be in written form to be protected; oral presentation is sufficient under copyright statute). In fact, the economic rights owner is given the exclusive right to fix a work. See 1994 Copyright Statute, Art. 50, Par. 1.

²⁴ The Berne Convention leaves it to national laws to decide whether to require "fixation" before protection attaches. See Art. 2, Par. 2 of the Berne Convention (Paris Text). See also Stephen M. Stewart, *Int'l Copyright and*

performances, improvisations, and works expressed through an oral presentation are all subject to copyright protection. That aspect of the Polish copyright law significantly differentiates it from the American system, where copyright protection attaches only from the moment the work was "fixed in some tangible medium of expression."²⁵ The lack of a fixation requirement could conceivably lead to evidentiary problems in copyright disputes if there is no physical embodiment evidencing exactly what was created.

As is the rule in all Berne countries,²⁶ a creator need not register a work nor satisfy other formalities such as marking the work with copyright notice to receive protection under the copyright statute.²⁷ Nonetheless, because the meaning of the © symbol is nearly universally known, owners of rights in copyrightable works may be well advised to mark works with copyright notice as it may have a deterrent effect on many infringers.

Foreign parties who publish works outside the territory of the Republic of Poland are entitled to protection under the copyright law pursuant to international treaties such as Berne.²⁸ Additionally, works published simultaneously in Poland and abroad, works published for the first time in the Polish language and works whose author or co-author is a Polish citizen are protected under the statute.²⁹ Neighboring rights are treated separately.³⁰

Except as to computer programs, which are discussed in Section II, and neighboring rights,³¹ the new copyright statute applies to:

1. works which first come into being after May 23, 1994,
2. works in which copyrights under the previous regulations have not expired, and
3. works in which copyrights under the previous regulations have expired but that pursuant to the new law are restored, with the exception of the period between the expiration of protection under the previous regulations and the effective date of the new law.³² The new law applies to phonograms and videograms prepared after May 23, 1994, as well as those that

Neighbouring Rights Sec. 4.05, at 52 (Butterworths 1989) (comparison of the fixation requirements in common law and civil law jurisdictions).

²⁵ See 17 U.S.C. Sec. 102(a).

²⁶ Poland became a signatory to the Berne Convention (Rome Text) in 1928.

²⁷ 1994 Copyright Statute, Art. 1, Par. 4.

²⁸ *Id.*, Art. 5.

²⁹ *Id.*

³⁰ See 1994 Copyright Statute, Arts. 90, 96, and 99.

³¹ See *id.*, Arts. 125, 126.

³² *Id.*, Art. 124. No provisions were included taking into account the interests of parties who relied on works' public domain status.

were prepared or broadcast up to 20 years before the law's effective date.³³

B. *Duration of Economic Rights*

The new statute increases the period of protection for economic rights from the life of the author plus 25 years to the life of the author plus 50 years for most types of works.³⁴ For joint works, the fifty-year period is measured from the death of the last surviving creator.³⁵ If the copyright owner is someone other than the creator and ownership arose by virtue of the copyright law—for example, under the work-for-hire provisions discussed below—protection of economic rights lasts for 50 years from the date the work is published or if unpublished from the date it was created.³⁶ The duration of economic rights in sound recordings is 50 years from the recording date as compared to 10 years under the prior law.³⁷ If a work is published for the first time within the last ten years of the period of protection, the duration of economic rights is extended an additional ten years.³⁸

C. *Copyright Ownership*

Copyright protection vests in the creator of a work unless the copyright statute specifies otherwise.³⁹ Copyright includes both economic rights, which are transferable, and personal rights of creators, which are not.

Co-creators are co-owners of copyright;⁴⁰ they may contractually define their share of ownership in the work or accept the legal presumption that they share in the copyright equally.⁴¹ In the absence of an agreement, a co-creator may also apply for a court order determining his or her share

³³ *Id.*, Art. 126.

³⁴ *Id.*, Art. 36, Par. 1.

³⁵ *Id.*

³⁶ *Id.*, Art. 36, Par. 3.

³⁷ *Id.*, Art. 95. As noted below, protection of sound recordings under the 1952 statute was never clearly established by court decisions. See *infra* note 141 and accompanying text. However, Art. 27, Par. 3 of the 1952 Copyright Statute stated that economic rights in "an adaptation of a musical work to a mechanical device" expired ten years after the adaptation.

³⁸ 1994 Copyright Statute, Art. 38. For example, if an author's unpublished manuscript is discovered and first published forty years after her death, the owner of the economic rights in the manuscript will have 20 years rather than 10 to exploit the work.

³⁹ *Id.*, Art. 8, Par. 1.

⁴⁰ *Id.*, Art. 9, Par. 1.

⁴¹ *Id.*

of copyright ownership based on a determination of the applicant's proportional creative contribution to the work.⁴²

While a co-creator may exercise copyright in those parts of a work that are the product of his or her individual effort and that are an autonomous part of the work (i.e., music composed to be part of a song),⁴³ a co-creator may not exercise copyright in the whole work without first obtaining the permission of all the others.⁴⁴ For those accustomed to the American treatment of joint works whereby any co-owner may exercise economic rights in the entire work, this aspect of the Polish copyright statute is an example of the importance of planning ahead and careful contract drafting when dealing with the creation of copyrightable works.⁴⁵

1. Economic Rights of Creators

Except in the limited circumstances enumerated in the statute or as otherwise provided by contract, the creator of a work has the exclusive rights to use and to exploit the work in all so-called "fields of exploitation" and to receive remuneration for the use of the work.⁴⁶ Article 50's list of the separate fields of exploitation includes a few that do not appear in the U.S. Copyright Act, such as "fixation"⁴⁷ and "introduction into circulation."⁴⁸ "Introduction into circulation" is defined as a transfer of ownership of a copy of the work by a rightsholder or other kind of exploitation of the copy done with his or her permission.⁴⁹ This right has been narrowed by an exhaustion principle similar to the "first sale" doctrine established in Section 109 of the U.S. Copyright Act. Once a copy of a given work has been "introduced into circulation," the copyright holder's con-

⁴² The court's determination should be guided by the principles of co-ownership set forth in Article 197 and following of the Polish Civil Code.

⁴³ This principle seems to apply only to the exercise of economic rights in a work. The statute does not clarify whether a co-creator may exercise "personal rights" in respect of his or her autonomous contribution to a work.

⁴⁴ 1994 Copyright Statute, Art. 9, Par. 3.

⁴⁵ At the outset of their work together, co-creators may wish to enter into agreements granting each other perpetual licenses to exercise economic rights in the whole work. Otherwise, a co-creator may end up in the unenviable situation of needing to obtain such permission after a professional or personal relationship has deteriorated.

⁴⁶ *Id.*, Art. 17. These exclusive rights are referred to throughout the copyright statute as "economic rights"—in contrast to "personal rights."

⁴⁷ *Id.*, Art. 50, Par. 1. As discussed *supra* p. 7, Polish law, unlike U.S. law, does not require fixation before copyright protection vests.

⁴⁸ 1994 Copyright Statute, Art. 50, Par. 3.

⁴⁹ *Id.*, Art. 51, Par. 1. For further explanation of the troublesome term "introduction into circulation" (a novelty in the Polish copyright jurisprudence), see E. Traple, *Prawo Wprowadzania do Obrotu*, ZNUJ PzWIOWI, z. 57 s. 105.

trol over further circulation of that copy is gone except with respect to the rental or lease of the work.⁵⁰

Determining when someone other than the creator may acquire ownership of economic rights in a work is one of the most important functions of any copyright law. The new Polish copyright statute goes a long way towards resolving this issue in a manner consistent with the principles of a free market economy. However, as noted in the following two sections, the new law undermines those principles in several instances in an effort to protect creators.

2. *Acquiring Economic Rights by Contract*

One of the principal defects of Poland's communist-era copyright statute was that it did not provide for full alienation of economic rights. The 1952 law dictated specific terms to be included in certain types of contracts, such as those between authors and publishers. For example, the previous statute provided that in certain publishing contracts the publisher was obliged to remit royalties to the author every three months and generally to bear the cost of proof-reading the manuscript.⁵¹ Moreover, the Council of Ministers was given the power to establish the principles and rates of remuneration of authors and also to issue sample agreements for all types of works.⁵² Contracts containing provisions in violation of the guidelines issued by the Council of Ministers were invalid.⁵³

For the most part, the new copyright statute permits parties involved in the creation and use of copyrightable works—for example, employer and employee or producer and performer—to contract freely concerning the specific terms of their business relationship and the transfer or licensing of economic rights in works. It introduces an important principle of alienability of economic rights⁵⁴ and also permits parties to contract

⁵⁰ *Id.*, Art. 51, Par. 2. The importation right has been restricted by an international exhaustion rule that is much broader than the one operating within the European Union because it applies to all countries with which Poland has concluded an agreement establishing a free trade zone and not only to countries with which it is bound by a customs union (as is true of the EU's international exhaustion doctrine). See *id.* Art. 51, Par. 3. For a general discussion of the exhaustion doctrine in the European Union, see Warwick A. Rothnie, *Parallel Imports* n.18 and related text (Sweet & Maxwell 1993); see also European Union Rental Directive of November 19, 1992, Art. 9, Par. 2.

⁵¹ 1952 Copyright Statute, Art. 40, Par. 4; Art. 42, Par. 1.

⁵² *Id.*, Art. 33, Par. 1.

⁵³ *Id.*, Art. 33, Par. 2.

⁵⁴ 1994 Copyright Statute, Art. 41, Par. 1(1).

around numerous provisions of the law that would govern in the absence of a contrary agreement.⁵⁵

As a result, a party acquiring economic rights in a work must carefully consider all issues that may be covered by the agreement. For example, a movie production company that enters into an agreement to acquire "all economic rights" in a screenplay may not have grounds to object if the scriptwriter later sold the right to develop a television series based on the original screenplay. Under Article 46, the creator retains the exclusive right to authorize the making of a derivative work, even if the contract provides for the transfer "of all economic rights," unless it specifically states that the right to create derivative works has also been transferred. Similar provisions in other sections could also prove to be pitfalls for the unwary contract drafter.⁵⁶

A contract for transfer of economic rights must be in writing⁵⁷ and should clearly specify the fields of exploitation to which it applies.⁵⁸ In the absence of a clearly specified transfer of a right, the law presumes that the creator intended to grant a license.⁵⁹

The new copyright statute continues its predecessor's practice of protecting authors against overreaching publishers and producers.⁶⁰ For example, transfers of rights to "all works or all works of a certain kind of the creator which are to be created in the future" are invalid.⁶¹ Thus, for example, an author or song writer may not enter into an exclusive publishing

⁵⁵ See, e.g. *id.*, Art. 12 (unless employment contract contains contrary provision, employer may acquire economic rights in employee's work under work-made-for-hire doctrine); Art. 43, Par. 1 (if contract does not specify that transfer of economic rights is without charge, creator is entitled to remuneration).

⁵⁶ See, e.g. *id.*, Art. 10 (unless a contract provides otherwise, a creator who combines a separate work with the separate works of other creators for the purpose of joint dissemination may demand that the remaining creator(s) obtain her permission prior to disseminating the whole work); Art. 45, Par. 1 (creator is entitled to a separate remuneration for the use of his or her work in each field of exploitation unless otherwise provided in the contract); Art. 66, Par. 1 (the term of a licensing agreement is automatically five years unless the contract specifies otherwise).

⁵⁷ *Id.*, Art. 53.

⁵⁸ *Id.*, Art. 41, Par. 2. If a contract is ambiguous with respect to the fields of exploitation that it covers, Article 65 of the Polish Civil Code would require a court to interpret the contract according to the mutual intent of the parties.

⁵⁹ 1994 Copyright Statute, Art. 65.

⁶⁰ It should be noted though that many other European copyright laws also contain various restrictions on the freedom to contract.

⁶¹ Art. 41, Par. 3. There were heated debates in the Polish parliament concerning article 41, both in regards to the adoption of the principle of alienability and the issue of restrictions on alienability in the circumstances described above.

agreement covering future works even though it may be financially beneficial to do so. Another limitation on free alienability is contained in Article 41, Paragraph 4 which states that a contract may apply only to fields of exploitation known at the time the contract is concluded, thereby precluding parties from bargaining at the outset for use of a work in connection with technology that may be developed in the future. The new law also protects creators against negotiating a poor deal: if there is an egregious disproportion between the royalty and the benefits ensuing to the acquirer of the economic rights or to the licensee, the creator may demand that the court increase the royalty.⁶²

3. *Economic Rights of Employers in Employee-Created Works*

For businesses hiring personnel who may be involved in the creation of copyrightable works in Poland, one aspect of the old copyright law that was particularly troublesome was the lack of a broad work-made-for-hire rule.⁶³ Economic rights in works created within the scope of an employee's job responsibilities, on company time, and with the employer's resources generally belonged to the employee. The new copyright statute establishes a work-made-for-hire principle that is similar to the American rule but, as noted below, it also differs in certain important respects.

Under Article 12, economic rights in works created by an employee within the scope of his or her employment duties as specified in an employment contract will pass to the employer upon acceptance of the work unless the copyright statute or the employment contract provide other-

As the battle was won by producers and publishers on the first issue, the authors' and performers' representatives prevailed on the second.

⁶² *Id.*, Art. 44. It remains to be seen whether the courts will interpret this provision as entitling creators to a share of profits generated by the acquirer's efforts—for example, a music producer's successful marketing of an unknown musician's work—or whether courts will be concerned only with rectifying situations where there has been a gross disparity in bargaining power.

⁶³ Under the 1952 statute, there was a work-for-hire doctrine with respect to employee-created artistic industrial designs, designs, plans, architectural or technical drawings intended for industry or construction, and works intended for business publicity and promotion. See 1952 Copyright Statute, Art. 12, Par. 1. The Polish Council of Ministers was given the power to decree that ownership of copyright in other types of works belonged to the state-owned enterprise that employed the creator, but in practice there was no general work-for-hire doctrine as exists in the United States. *Id.*, Art. 12, Par. 2.

wise.⁶⁴ Works created on a commission basis are not considered works made for hire.⁶⁵

Where there is a question as to whether a work is made for hire, Article 12 provides that the scope of the employee's duties, as defined in the employment contract and under general principles of Polish labor law, will decide the conflict.⁶⁶ If the employment contract does not specifically define the employee's duties, the purpose of the employment contract and the mutual intent of the parties will be taken into consideration by a court in determining who owns the economic rights in a work.⁶⁷ The mere fact that an employee uses the employer's resources or creates the work on company time will not in itself suffice to establish the existence of a work made for hire.⁶⁸

Although the employment contract need not necessarily be memorialized in writing, a carefully written contract may substantially eliminate the possibility of ownership disputes at a later date as illustrated in the following hypothetical. Imagine the owner of a computer hardware company who requires a sales person to execute a labor contract carefully spelling out the employee's job duties in the areas of marketing, customer relations, financial issues, and other matters related to sales. The definition of the employee's job duties does not mention anything about writing in-

⁶⁴ 1994 Copyright Statute, Art. 12, Par. 1. There are three exceptions to the general work-made-for-hire rule of Article 12: (1) scientific writings, *see id.* Art. 14, (2) audiovisual works, *see id.* Art. 70; *see also infra* pp. 19-20, and (3) computer programs, *see* 1994 Copyright Statute, Art. 74, Par. 3, *see also infra* pp. 28-29.

⁶⁵ In contrast to Polish law, U.S. copyright law provides that commissioned works may be considered works made for hire in certain circumstances. The United States copyright act provides that "a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, [is a work made for hire] if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." 17 U.S.C. Sec. 101 (emphasis added). *See also Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1985) (construing work-made-for-hire provision of U.S. copyright act).

The Polish Copyright Statute does not contain a reference to specially ordered or commissioned works similar to that found in the U.S. statute, under Polish law, the creator of a work is the owner of economic rights unless a contract or the law provides otherwise.

⁶⁶ 1994 Copyright Statute, Art. 12, Par. 1.

⁶⁷ *Id.*

⁶⁸ *See, e.g., orz. SN z 23. VII. 71 r.* [Decision of the Supreme Court of July 23, 1971], II CR 244/71 (a work was not made for hire even though the employee's use of the employer's resources was in violation of his considered employment duties).

structional books. Nonetheless, the employer asks the sales person to write a book, during work hours, that discusses techniques for marketing and selling computers and that could be used to train the company's other sales people. When the employee resigns, the employer continues to use the book to train new employees and ends up being sued by the ex-employee for copyright infringement.

The outcome of this hypothetical dispute is likely to be very different under Polish law than under U.S. law. Because the employee created the work at the employer's request and on company time, the employer would be the owner of rights in the work under the United States Copyright Act and the ex-employee's infringement suit would fail.⁶⁹

Presuming that the employment contract narrowly defined the employee's job duties and did not explicitly mention duties relating to writing instructional materials, the former employee would have a much better chance of establishing infringement under the Polish copyright statute. Article 12 provides that the employer acquires rights in an employee-created work only within the limits ensuing from the purpose of the employment contract. In this hypothetical, the purpose of the employment contract concerns sales and marketing activities, not writing books. Thus, the employer would not likely be able to establish any economic rights in the instructional materials.

To avoid such pitfalls, employers must try to foresee all areas in which the employee's services will be required and define the employee's job duties in the employment contract so as to include any creative work resulting from such services. In the above hypothetical, the employer might have anticipated that the employee would be involved in training other sales people. The contract of employment could have stated that the employee might be requested to write instructional materials as part of her job duties related to training other staff. If an employee creates a valuable work that does not directly relate to the purpose for which the employee was hired, the employer may request that the employee enter into an agreement supplementary to the regular employment contract that clearly transfers ownership rights or grants a license to the employer.⁷⁰

⁶⁹ See 17 U.S.C. Sec. 201 (the employer or other person for whom the work was prepared owns all the rights comprised in the copyright unless the parties have expressly agreed otherwise in a written instrument signed by them).

⁷⁰ While Polish law would not require the employer to provide additional consideration beyond the employee's normal compensation for such a contract to be enforceable, if the contract does not state that the transfer of economic rights or the granting of the license was made without consideration, the creator may be entitled to remuneration, *see* 1994 Copyright Statute Art. 43, Par. 1.

Another important difference between the U.S. and Polish work-made-for-hire doctrines relates to the scope of rights acquired by the employer. Under the U.S. Copyright Act, the employer owns all of the rights comprised in the copyright unless the parties have expressly agreed otherwise in a written instrument signed by them.⁷¹ By contrast, the economic rights acquired by an employer under the Polish copyright statute may be limited by the purpose of the employment contract and the mutual intent of the parties. In other words, the employer acquires the right to exploit a work only within those fields of exploitation that relate to the purpose of the employment contract and as intended by the parties; economic rights that do not pass to the employer stay with the employee.

The sales person hypothetical discussed above shows the importance of this limitation. Assuming the book is a work made for hire because the employment contract specifies that the employee's job duties include writing instructional materials to be used in the employer's training program, the rights acquired by the employer would be limited to those uses needed to train employees. In this scenario, the former employee probably could not prevent the employer from continuing to use the book for training purposes but she probably could prevent the employer from selling it to other companies⁷² and might also be able to stop the employer from making a training film based on the book.

The Polish work-made-for-hire rule differs from United States law in one other significant respect. Under Section 201(b) of the United States Copyright Act, an employer is the *author* of a work made for hire for all copyright law purposes. Under the Polish copyright statute, copyright does not vest in the employer but in the employee, and economic rights pass to the employer only later—upon acceptance of the work.⁷³ It follows that the employee will forever retain his or her personal rights in the work.⁷⁴ Moreover, if the employer has not begun to disseminate the work within two years of its acceptance, the employee may give the employer notice in writing that it must begin disseminating the work within a reasonable time period.⁷⁵ If the employer fails to disseminate the work within this time period, the rights acquired by the employer together with the ownership of the object on which the work has been fixed, revert to the

⁷¹ 17 U.S.C. Sec. 201(b).

⁷² However, any economic rights actually acquired by the employer pursuant to Article 12 would be fully transferable. See 1994 Copyright Statute, Art. 41, Par. 1.

⁷³ 1994 Copyright Statute, Art. 12, Par. 1. This is not true of scientific writings, audiovisual works, and computer programs. See *supra* note 64.

⁷⁴ See *infra* pp. 20-22 for a discussion of creators' personal rights under the Polish Copyright Statute.

⁷⁵ 1994 Copyright Statute, Art. 12, Par. 2.

employee.⁷⁶ Fortunately for employers, the copyright statute permits the parties to the employment relationship to contract out of this situation.⁷⁷

4. *Economic Rights in Audiovisual Works*

The new copyright law treats audiovisual works differently than other forms of copyrightable works: economic rights *vest* in the producer.⁷⁸ In other words, the producer owns all economic rights from the moment the audiovisual work is created in contrast to an employer who acquires economic rights only upon acceptance of the work and who risks losing them if the work is not disseminated within two years of acceptance.⁷⁹ Additionally, unlike a publisher of a magazine—who acquires economic rights only in the periodical as a whole and not in the individual stories or photographs⁸⁰—, the producer of an audiovisual work is presumed as a matter of law to have acquired economic rights in works commissioned for or incorporated into the audiovisual work within the scope of the audiovisual exploitation of the work.⁸¹

The creator of a work constituting an autonomous part of an audiovisual work, such as the screenplay for a film, still possesses personal rights as well as economic rights outside the audiovisual exploitation of the work.⁸² However, these rights may not be exercised with prejudice to the producer or other creators of autonomous aspects of the audiovisual work.⁸³ For example, the writer of the screenplay would retain the right to

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Id.*, Art. 70, Par. 1.

⁷⁹ See *supra* notes 75-76 and accompanying text. However, if the producer does not disseminate a work commissioned for inclusion in an audiovisual work within five years from the date of acceptance of the work, the creator of the commissioned work may authorize the dissemination of the work within another audiovisual work. 1994 Copyright Statute, Art. 72.

⁸⁰ 1994 Copyright Statute, Art. 11. The publisher of a periodical may of course acquire economic rights in the individual stories and photographs by contract.

⁸¹ *Id.*, Art. 70, Par. 2. The producer is obliged to remunerate the director, scriptwriter, creators of musical works, and performers in the audiovisual work through the appropriate collecting society in an amount proportional to the producer's receipts from dissemination of the audiovisual work in cinemas and other public performances as well as from rental or lease of the work. *Id.*, Art. 70, Par. 3. The co-creators of the audiovisual work and the performers may waive representation by a collecting society if the waiver is in writing. *Id.*, Art. 70, Par. 4. For the sake of convenience, a producer who exploits a Polish audiovisual work abroad or who exploits a foreign audiovisual work in Poland may compensate the individual creators and the performers in a lump sum. *Id.*, Art. 70, Par. 5.

⁸² *Id.*, Art. 70, Pars. 1 and 2.

⁸³ *Id.*, Art. 70, Par. 1.

authorize the preparation of a derivative work such as a book but not a television series since this would infringe the producer's economic rights in the field of audiovisual exploitation of the work.

5. *Personal Rights of Creators*

Poland's new copyright law follows the European model in protecting the personal (moral) rights of creators. Personal rights "protect the bond between the creator and his or her work, which is indefinite in duration and *not subject to waiver or transfer*, and in particular comprises the right":

1. to claim authorship of the work;
2. to designate the work with one's own name or pseudonym or make it available anonymously;
3. to inviolability of the content and form of the work and of proper usage of the work;
4. to decide when to make the work available to the public; and
5. to supervise the manner in which the work is used.⁸⁴

A creator whose personal rights have been threatened or infringed may demand termination of the infringing activities and that steps be taken to remedy the consequences of the infringement.⁸⁵

When the owner of the economic rights in a work is not the creator, the creator's exercise of personal rights could theoretically limit the ability of the economic rights owner fully to exercise those rights. For example, a screenwriter who has assigned all economic rights to a script to a film director could object to changes made to the script by the director on the grounds that the changes destroy the original form and content of the work. A legal dispute involving the screenwriter's objections could result in costly delays in the film's production.

A creator's assertion of personal rights could be motivated by financial as well as creative concerns. It is not hard to imagine how a creator who is unhappy with the agreed-upon compensation for transfer of economic rights might seek to use one or more personal rights as leverage to renegotiate the terms of the transfer particularly where the work has turned out to be more valuable than originally anticipated. There are as yet no judicial decisions interpreting the new copyright law that would indicate how a court might balance the personal rights of creators against the economic rights of the copyright owner. It is likely, though, that creators' exercise of personal rights will not significantly hinder business transactions and will serve the creator only as a type of "safety valve" in cases of gross overreaching by a stronger contractual partner.

⁸⁴ *Id.*, Art. 16.

⁸⁵ *Id.*, Art. 78, Par. 1.

Nonetheless, it may be prudent for a party acquiring copyright ownership in Poland to specify in the agreement of transfer a method for quickly resolving personal rights disputes so that they cannot be used as a form of economic blackmail. For example, the parties to a contract for the transfer of economic rights might agree on a neutral mediator who would hear disputes, thus permitting the parties to bypass costly and time-consuming court litigation in the event of a later disagreement.⁸⁶

D. Allowed Uses of Protected Works

The scope and number of allowed uses of copyrighted works was one of the most hotly contested issues during the legislative debates concerning the new copyright statute. The 1952 copyright statute reflected the Communist government's desire to broaden the public's access to cultural goods at the expense of authors, producers, and publishers. The law established broad categories of allowed uses and stated that the Council of Ministers could permit the publication, revision, and adaptation of a published work for theater, cinema or radio *without the author's consent* for the purpose of promoting science and culture.⁸⁷

Although the categories of allowed uses have been narrowed in the new copyright statute, the law provides for several overbroad allowed uses that may prove incompatible with the Paris text of the Berne Convention and the TRIPs text of GATT. For example, works broadcast via satellite or ground network by another radio or television station may be disseminated with the aid of a community antenna and a cable network, provided it is done as a simultaneous, integral, and free dissemination of radio and TV programs and is designed for a designated audience located within a single building or in single family houses encompassing up to 50 households.⁸⁸ The copyright owner is not entitled to compensation for this use.⁸⁹ Other allowed uses are discussed in Sections II and III.

A positive development for copyright owners is the establishment of what is known as a "private copying levy" to compensate copyright owners and producers of copyrighted works for revenues that they lose from private copying. Manufacturers and importers of recording equipment, like sound recorders and photocopying machines, and "blank media" for making copies, such as cassette tapes, must pay a fee of 3% of the price of such

⁸⁶ Under article 697 of the Polish Code of Civil Procedure, courts may enforce alternative dispute resolution provisions in business agreements except those involving labor relations. Consequently, disputes between employers and employees involving works that were made pursuant to an employment contract are not subject to arbitration.

⁸⁷ 1952 Copyright Statute, Art. 16, Pars. 1 and 2 (emphasis added). *See also id.* Arts. 17-23.

⁸⁸ 1994 Copyright Statute, Art. 24, Par. 1.

⁸⁹ *Id.*, Art. 24, Par. 3 and Art. 34.

products.⁹⁰ The fee will be divided 50-25-25 between creators, performers, and producers of phonograms and video recordings, respectively; in the case of photocopying machines, 100% of the fee is to be paid to authors.⁹¹

E. The Fund for the Promotion of Creativity

Poland's massive economic restructuring has brought financial hardship to many segments of society, including many artists, writers, musicians, and performers. To help replace shrinking government subsidies of the arts and to make up for the lack of private funds, the new copyright statute provides for the establishment of a "Fund for the Promotion of Creativity," which is to be administered by the Minister of Culture and Arts.⁹² The Fund's resources are to be used for stipends and other social assistance for creators of copyrightable works, and to publish works of special cultural and scientific value as well as publications for the blind.⁹³

The Fund's income will come principally from two sources, the first of which is very controversial.⁹⁴ Producers and publishers of copies of literary, musical, fine art, photographic, and cartographic works whose copyright protection has expired must pay to the Fund 5-8% of their gross sales receipts from the sale of copies of such works.⁹⁵ Book publishers in particular have complained that this fee is likely to discourage the publication of classics and other public domain works because it will cut into already low profit margins. The second principal source of income for the Fund will be penalties assessed against copyright infringers as discussed in Section IV below.⁹⁶

II. PROTECTION OF COMPUTER PROGRAMS

Computer software companies face tremendous growth potential in Poland: there are an estimated 18-20 office workers for every computer in Poland compared to an average of two workers per computer in the United States.⁹⁷ The penetration of computers in Poland's private sector is also very low: it has been estimated that only 20 percent of computers are owned by individuals.⁹⁸ With the passage of the new copyright statute

⁹⁰ *Id.* Art. 20. A draft regulation has been approved by the Polish government setting the note at 3%.

⁹¹ *Id.*, Art. 20, Par. 2.

⁹² *Id.*, Art. 111, Pars. 1 and 2.

⁹³ *Id.*, Art. 113.

⁹⁴ *Id.*, Art. 112.

⁹⁵ *Id.*, Art. 40 (emphasis added). This is a so-called *domain publique payant*.

⁹⁶ *Id.*, Art. 79, Par. 2. See *infra* p. 44.

⁹⁷ Wieslaw Migut, *Planning to Plug In*, *The Warsaw Voice*, May 15, 1994, at A2, A3.

⁹⁸ *Id.*

and the resulting decrease in piracy, software companies should be encouraged to increase their investments in Poland. Both domestic and foreign software companies will benefit from the fact that the new statute provides much clearer coverage of computer programs and more effective means to stop professional copyright infringers.

Although piracy was clearly the impetus behind the computer industry's push for a revised copyright statute, other, more complex copyright issues are likely to be the focus of software companies' attention in coming years. Now that it is clear that the copyright statute protects computer programs, new, more difficult questions will arise. What is the scope of copyright protection for computer programs? Where will the courts draw the line between infringement and permissible borrowing of unprotected elements of preexisting programs? How will the law balance the sometimes competing interests of creators, economic rights owners, and users of computer programs? While the new statute touches on each of these issues, aspects of these questions will likely go unanswered for many years until the Polish courts have had the opportunity fully to address them.

This section looks at these questions and others that may be of concern to companies that are using, distributing, and/or developing original computer programs in Poland. This section first examines the scope of protection of computer programs under the new copyright statute. Next, the section discusses the rights of creators, economic rights owners, and users of computer programs as set forth in the new law. Finally, it analyzes alternative legal theories for protecting computer programs.

A. *The Scope of Copyright Protection of Computer Programs*

In the Polish-American Business and Economic Treaty of March 1990, the Polish government obliged itself to "extend copyright protection to computer programs as literary works."⁹⁹ One would presume from this statement that there was no legal basis for protecting computer programs under Poland's 1952 copyright statute. Not surprisingly, the 1952 statute did not mention computer programs. But courts in many countries have extended copyright protection to computer programs under existing legislation that did not specifically mention this type of work,¹⁰⁰ and the general view among Polish legal scholars was that computer programs were protectable as literary works under the 1952 copyright statute.¹⁰¹

⁹⁹ See *supra* note 2 for further information concerning the obligations assumed by Poland under the treaty in the area of intellectual property rights.

¹⁰⁰ See, e.g., 1 David Bender, *Computer Law: Software Protection Section Sec. 3B.04* (1993) (discussing different countries' copyright treatment of computer programs).

¹⁰¹ See, e.g., Janusz Fiolka, *Protection of Computer Programs in Poland in Light of the New Copyright Law*, *Copyright World* (April 1994), at 18.

Despite these scholarly opinions, foreign software companies, who still dominate the Polish market, chose not to test the scope of the 1952 copyright statute, and, as a result, piracy of computer software was both widespread and blatantly practiced. Until the new statute became effective, large outdoor markets were held in Warsaw every weekend where pirated programs were sold for about the equivalent of \$1.00 per computer disk. The percentage of pirated programs used in Poland was estimated at over 90%; even government agencies reportedly used illegally copied software.¹⁰²

It was in recognition of the scope of copyright piracy in Poland that the legislators decided to grant a general amnesty for illegally copied computer programs.¹⁰³ Under Article 124, Paragraph 3 of the new statute, the owner of a copy of a computer program created prior to February 23, 1994 may not be held liable for copyright infringement occurring prior to that date, and the owner may, without compensating the copyright owner, continue to use the program to the same extent as it was used under the old law.¹⁰⁴ More extensive use of the program, including copying and distribution, is now prohibited.

In exchange for this amnesty, a majority of the legislators agreed to provide explicit and comprehensive copyright protection for computer programs. Computer programs are treated like literary works except as specified in Article 77.¹⁰⁵ Copyright protection encompasses all forms of a

¹⁰² See *Better Copyright Protection Planned*, Polish News Bulletin (March 30, 1992).

¹⁰³ See 1994 Copyright Statute, Article 124, Paragraph 3.

Ironically, approximately a year before the passage of the new law, the Court of Appeals in Gdansk issued a decision holding that a computer program may be protected as a work of a scientific or literary character pursuant to Section 1 of the 1952 copyright statute as long as the program is original and fixed in some way. See *orz. SA z 28.I.1993 r.*, OSA 1993, Poz. 216. In reaching this conclusion, the Court of Appeals referred to decisions of West European courts in which computer programs were protected under copyright statutes that did not specifically mention this type of work. However, because of the general amnesty granted in the new copyright statute, this decision will not be relevant in future cases (except as to issues not addressed in Article 124, Paragraph 3 of the new law).

¹⁰⁴ Article 124, Par. 3 became effective on February 23, 1994, the date the statute was published by the Polish government; all other provisions became effective on May 24, 1994. See 1994 Copyright Statute, Art. 129.

¹⁰⁵ *Id.*, Art. 1, Par. 2; Art. 74, Par. 1. The parliamentary debate on the content of computer program protection was extremely contentious, and the majority's agreement to protect computer programs as literary works was reached just before the special parliamentary commission on the revision of the copyright law wound up its work in December 1993. At that time, the legislators decided to insert into the statute the translated text of the EU Software Directive of 14 May 1991, with only minor changes. See *id.*, Arts. 74-77.

computer program's expression, including documentation pertaining to design, manufacture, and usage.¹⁰⁶ Economic rights in a computer program generally last for the life of the author plus 50 years.¹⁰⁷

As is true of all works, a computer program must be the result of creative activity of an individual nature to be copyrightable.¹⁰⁸ Defining the necessary level of creativity/originality in computer programs is more difficult than with purely creative works since most computer programs are primarily functional and often are based on certain building blocks previously used in earlier programs. In the only published case applying the 1952 copyright statute to a computer program, the Court of Appeals in Gdansk held that a program is protectable if it contains elements that are individual to the programmer.¹⁰⁹ From this decision and the Polish Supreme Court's treatment of other types of functional works under the 1952 statute,¹¹⁰ one may draw the conclusion that the courts will not require a high level of creativity for computer programs as has happened in some other countries.¹¹¹

What is likely to be a more difficult problem for the courts is defining which elements of a computer program are protectable and which are not. The law states that the ideas and principles forming the basis of any element of a computer program, including interfaces, are not subject to copyright protection.¹¹² But the statute gives no clues as to how to draw the line between protectable expression and unprotectable ideas and principles— by, for example, denying protection to features that are necessary to use a particular applications program with a particular operating system program. This issue will likely be addressed in future judicial decisions just as it has been in the United States and other countries, i.e., in cases of

¹⁰⁶ *Id.*, Art. 74, Par. 2.

¹⁰⁷ *Id.*, Art. 36, Par. 1. If the copyright owner is someone other than the creator and ownership is acquired by virtue of the copyright statute (as is the case with works for hire), copyright protection lasts for 50 years from the date the program is created. *Id.*, Art. 36, Par. 3.

¹⁰⁸ *Id.*, Art. 1, Par. 1.

¹⁰⁹ See orz. SA z 28.I.1993 r. [Decision of the Court of Appeals of January 28, 1993], OSPiKA 1993, POZ. 216.

¹¹⁰ See *supra* note 12.

¹¹¹ See, e.g., 1 David Bender, *Computer Law: Software Protection Section*, Sec. 3B.04[12] at 3B-36.16 (1983) (1985 German Supreme Court decision defined standard of copyrightability of computer programs that was somewhere between U.S. copyright law notion of "originality" and U.S. notion of "invention" under patent statute).

¹¹² 1994 Copyright Statute, Art. 74, Par. 2. The Polish term for interfaces is "Iączca." It is not, however, defined.

non-verbatim copying, where the defendant claims that similarities do not relate to protected elements.¹¹³

B. The Copyright Owners Rights in Computer Programs

The copyright in a computer program, as with other types of works, comprises both economic and personal rights. But the statute establishes certain important differences in the scope of these rights as well as the way in which economic rights may be acquired from the creator of a computer program.

Economic rights in a computer program normally vest in the creator; if the program was created by an employee within the scope of his or her employment, economic rights vest in the employer unless the employment contract specifies otherwise.¹¹⁴ The work-made-for-hire provision of Article 74, which is specific to computer programs, differs from the general work for hire provision of Article 12 in two ways. First, economic rights vest in the employer upon creation of the program; the employer need not accept the computer program or take other steps to acquire economic rights. Second, under Article 74, the economic rights acquired by the employer are not limited "by the purpose of the employment contract and the mutual intent of the parties."¹¹⁵ This second difference could have real economic consequences for the employer. For example, if an employee writes a computer program that the employer originally intends to use only in its internal operations, the question arises whether the employer's economic rights include the right to sell the program to other businesses. Because Article 74 does not contain the same limitation found in Article 12, the employer acquires all possible economic rights in employee-created computer programs unless a written agreement specifies otherwise.¹¹⁶

¹¹³ See, e.g., *Computer Associates Int'l Inc. v. Altai Inc.*, 982 F.2d 693, 23 U.S.P.Q.2d 1241 (2d Cir. 1992) (court engaged in so-called "abstraction-filtration-comparison" analysis to determine which elements of a program were protectable expression and which were unprotected ideas); *Apple Computer, Inc. v. Microsoft Corp.*, 799 F. Supp. 1006 (N.D. Cal. 1992) (finding numerous elements of computer programs' graphical user interface to be unprotectable ideas); William S. Coats, *International Jurists Follow U.S. Lead*, San Francisco Daily Journal, March 30, 1994, at 17 (discussing decisions of Canadian and British courts that have adopted analytical framework employed in American judicial decisions concerning copyright protection of computer programs).

¹¹⁴ 1994 Copyright Statute, Art. 74, Par. 3.

¹¹⁵ For a discussion of this limitation see *supra* at pp. 17-18.

¹¹⁶ Polish courts follow the rule of statutory interpretation *lex specialis derogat legi generali*, which requires the application of the more specific provision over the more general. Because Article 74, Paragraph 3 relates specifically to computer programs, it should apply over the more general work-for-hire rule contained in Article 12.

The copyright owner's economic rights include reproduction, translation, adaptation, distribution, renting, and leasing of the program.¹¹⁷ A violation of any of these exclusive rights permits the copyright owner to seek the civil remedies and imposition of the criminal penalties discussed in Section IV below.¹¹⁸ The statute limits the copyright owner's exclusive rights by defining certain permissible, unremunerated uses of computer programs by the owner of a lawfully acquired copy.¹¹⁹ These provisions are closely modeled after the European Union Directive on the Legal Protection of Computer Programs.

For example, the owner of a copy of a program has the right to reproduce it while installing, displaying, using, transmitting, and storing it and also to translate, adapt, or alter the program, including to correct errors, if such activities are necessary to use the program for its intended purpose and are not prohibited by contract.¹²⁰ The owner of a copy of a program also has the right, without the copyright owner's consent, to make a back-up copy although it may not be used concurrently with the original copy.¹²¹ Additionally, the owner of a copy of a program may observe, study, and test the functioning of the program in order to learn its ideas and principles if this is done during the installation, display, application, transmission, or storage of the program.¹²²

The copyright statute also adopts the compromise reached in the European Union concerning reverse engineering of computer programs. Under Poland's new copyright statute, reverse engineering is permissible

¹¹⁷ 1994 Copyright Statute, Art. 74, Par. 4.

¹¹⁸ If the owner of copyright in a computer program is contemplating initiating an action based on infringing activities that took place before February 23, 1994, it will be limited in doing so by the general amnesty provision discussed *supra* notes 103-04 and accompanying text.

¹¹⁹ Article 77 excludes computer programs from the coverage of certain allowed uses that apply to other types of works. See 1994 Copyright Statute, Art. 23 (permissible personal use of a copy of a work extends to the owner's relatives and friends); Art. 27 (scientific and educational institutions may, for didactical or research purposes, use published works in the original and in translation, and prepare copies of fragments of a published work for such purposes); Art. 28 (libraries, archives, and schools may lend copies of published works without charge); Art. 30 (scientific and technical information and documentation centers may make copies of fragments of published works).

¹²⁰ *Id.*, Art. 74, Par. 4(1) and (2); Art. 75, Par. 1. Article 75, Paragraph 1 states that "the contract" may provide that the copyright owner's consent is required before the program owner may reproduce or adapt it pursuant to Article 74, Paragraph 4(1) and (2). Although the statute is not entirely clear, the term "contract" appears to refer to a license as well as a contract of sale.

¹²¹ *Id.*, Art. 75, Par. 2(1).

¹²² *Id.*, Art. 75, Par. 2(2).

in a much narrower range of circumstances than has been permitted in at least one court decision under the U.S. Copyright Act.¹²³ Article 75, Paragraph 3 permits the owner of a lawfully acquired copy of a computer program to reproduce and decompile the code if necessary to obtain information needed to achieve interoperability of an independently developed computer program with the original computer program. However, the information sought through decompilation must not be available from other sources and reverse engineering may be performed only as to those parts of the original computer program that are necessary for achieving interoperability.¹²⁴ Information acquired through reverse engineering may be disclosed only to those persons needed to achieve interoperability, and it may not be used to develop, manufacture, or distribute a program of essentially similar form as the original program or to pursue other infringing activities.

In view of the functional nature of computer programs, the legislators wisely limited creators' personal rights in computer programs to the right to claim authorship and the right to decide whether to make it available anonymously or with the creator's name or pseudonym.¹²⁵ Since the computer programmer's personal rights do not include the right to control the form and proper use of the work, for example, the programmer could not object to adaptations made in the program by a user except to the extent such changes might constitute an infringement of economic rights.¹²⁶

C. *Alternative Legal Theories for Protecting Computer Programs*

With the passage of the new law, copyright will almost certainly become the primary legal basis for protecting computer programs in Poland just as the law has developed in most countries. But the creator of a computer program should also look to trade secret, trademark, and contract law as legal bases for protecting certain aspects of programs not covered by copyright law or to supplement copyright protection. However, unlike the United States Patent Act, the Polish patent statute specifically denies protection to computer programs.¹²⁷

¹²³ In *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 24 U.S.P.Q.2d 1561 (9th Cir. 1992), the Ninth Circuit held that a software developer could permissibly reverse engineer a program when necessary to discover a program's unprotected ideas and that this information could be used to develop a program to be sold in the same market as the reverse-engineered program.

¹²⁴ 1994 Copyright Statute, Art. 75, Par. 2(3).

¹²⁵ 1994 Copyright Statute, Art. 77.

¹²⁶ See, e.g., *id.*, Art. 74, Par. 4(2).

¹²⁷ Patent Statute, Art. 12, Par. 4. However, the patent office has granted patents for a few inventions that make use of a computer program. See Fiolka *supra* note 101, at 19.

The trade secrets provisions of the unfair competition statute may be an effective means to protect highly secret aspects of computer programs—such as source code—that might be disclosed to a joint venture partner, an employee, or another individual with whom the copyright owner has a confidential relationship. The unfair competition statute prohibits the transfer, disclosure, or use of trade secrets, which are defined as technical, trade, or organizational information not known to the public and that have been the subject of appropriate confidentiality measures undertaken by the owner.¹²⁸

The statute does not specify what security measures the owner of information must take to maintain trade secret protection. However, it may be advisable for the owner of trade secret information to take such precautions as labeling proprietary information “Confidential” and using confidentiality agreements with joint venture partners, independent contractors, and others who may have access to the information. Under the statute, employees are prohibited from transferring, disclosing, or using trade secrets for a period of three years after the termination of their employment unless the employment contract specified otherwise or the information is no longer secret. Nonetheless, to prevent valuable information from losing its secret status, employers should probably advise employees in writing of their confidentiality obligations.

Article 11 of the unfair competition statute is very broad in that it does not specifically require that the trade secret information have been obtained through improper means for a violation to have occurred. However, it is likely that courts will interpret this provision in light of Article 3 of the statute, which defines an act of unfair competition as an illegal or improper activity.¹²⁹ Except for the more obvious examples of improper conduct—such as industrial espionage—it may be difficult for businesses to determine when the acquisition of trade secret information is improper until the courts have had the opportunity to rule on this issue. If trade secret information is acquired in good faith and for consideration, there is no violation of the statute,¹³⁰ but a court may still require the recipient of the information to pay an appropriate fee for the use of the trade secrets.¹³¹

Provisions of the unfair competition statute and Law on Trademarks of January 31, 1985 might also be used to prevent persons from copying a computer program and distributing it without authorization under the reg-

¹²⁸ Unfair Competition Statute, Art. 11.

¹²⁹ See *Ustawa o zwalczaniu nieuczciwej Konkurencji. Komentarz*, red. J. Szwaja, Urząd Antymonopolowy W-wa 1994 (interpreting Polish unfair competition statute).

¹³⁰ Unfair Competition Statute, Art. 11, Par. 3.

¹³¹ *Id.*, Art. 11, Par. 3.

istered or unregistered trademark of the party owning rights in the program. This could be an effective weapon against copyright pirates. The unfair competition statute also broadly proscribes any activity in violation of the law or fair practice if it threatens or violates the interest of another entrepreneur or consumers.¹³² The creator or economic rights holder of an original computer program might assert that this provision prohibits a competitor from creating and distributing a program that is not identical to but nonetheless copies the "look and feel" of an earlier program since this might result in consumer confusion. It is uncertain whether such an argument would be successful as the full scope of the unfair competition statute has not yet been tested in the Polish courts.

Finally, in business relationships where computer programs are being developed or used, it may be prudent to spell out carefully in a written agreement the parties' rights in such programs. For example, the owner of economic rights in a computer program who provides a copy of the program to a joint venture partner may be surprised to learn that it may not own any rights in a revised version of the program created by the joint venture partner in the absence of a written agreement to the contrary.¹³³ Additionally, if the joint venture agreement grants a broad license to use the original computer program, the creation of the derivative work might not constitute an infringement.¹³⁴

III. ISSUES OF CONCERN TO THE MUSIC INDUSTRY

Representatives of the music industry, including recording companies and performers, were involved at all stages of the debates concerning Poland's new copyright law. Two issues that were of special concern during these debates were (1) rampant piracy of music cassettes,¹³⁵ and (2) unremunerated public performances, broadcasts, and other uses of sound recordings and musical works by radio and television. The new copyright law addresses the first issue by explicitly protecting sound recordings¹³⁶

¹³² *Id.*, Article 3.

¹³³ See 1994 Copyright Statute, Art. 2, Par. 1 (derivative work is protected under copyright law without prejudice to rights in the original work). See also text at note 21, *supra*.

¹³⁴ This conclusion depends on whether the license is broad enough to include the creation, use and exploitation of derivative works. See *id.* Art. 2, Par. 2 (use and exploitation of derivative work is dependent on permission of creator of original work).

¹³⁵ Cassettes are the favorite sound carrier of phonographic pirates because they are easy to duplicate, unlike CDs, and sell for prices that are appealing to large segments of the population.

¹³⁶ Until Poland joins relevant international agreements, however, protection for foreign sound recordings still cannot be based entirely on the copyright law. See *infra* n.156.

and imposing tough criminal sanctions and strong civil remedies for copyright piracy. The new law also establishes performance rights in sound recordings and narrows the range of permissible uses of sound recordings and musical works. To assist members of the music industry in monitoring commercial uses of phonograms by broadcasters and establishments where recorded music is being performed and in collecting appropriate royalties, the law provides for the establishment of organizations for the collective administration of copyrights and neighboring rights.

A. The Legal Bases for Protecting Sound Recordings in Poland

For the music industry, Poland's economic transformation has brought the promise of economic growth but also the problem of large-scale piracy. Poland is one of Europe's largest consumers of sound recordings, but unfortunately it has also been Europe's largest producer, consumer, and exporter of pirated sound carriers for the past few years. From 1989 to 1992, over 95% of both Polish and foreign sound recordings sold in Poland were illegally copied.¹³⁷ Thanks in large measure to a series of intense public awareness antipiracy campaigns launched by the music industry in 1992,¹³⁸ that percentage fell substantially by the end of 1993, to 70% for foreign recordings and 15% for Polish recordings.¹³⁹

Unfortunately, inadequacies in the 1952 copyright statute hindered the music industry's efforts to eradicate piracy.¹⁴⁰ The statute was unclear on the issue of protection afforded to sound recordings, and a well-established interpretation of the law (which was also reflected in the policies adopted by the Polish collecting society representing authors) denied claims of copyright protection to phonograms.¹⁴¹ With the enactment of

¹³⁷ Statistics provided by the International Federation of Phonographic Industries ("IFPI").

¹³⁸ These campaigns, which took the form of anti-piracy concerts, radio and TV programs, press articles, etc., were designed to change the public image of a "cassette pirate" as a likable fellow delivering hard-to-obtain Western music novelties to the nation's young generation and also to direct the attention of enforcement authorities to piracy as a type of economic crime.

¹³⁹ This decrease encouraged all of the world's major recording companies (EMI, Sony, Warner, BMG, and PolyGram) to increase their investments in Poland and to release a wider catalogue of recordings to the Polish market.

¹⁴⁰ However, using existing copyright protection for the graphic design of phonogram covers, as well as the law on unfair competition and the general criminal code's provisions against fraud, representatives of the sound recording industry and Polish government authorities were able to start an enforcement campaign, which resulted in bringing piracy levels down to manageable levels.

¹⁴¹ It was possible, however, on the basis of Article 3, Paragraph 1, Article 13, and Article 27, Paragraph 3 of the 1952 copyright law to derive a 10-year protection for sound recordings as "adaptations of musical works for mechanical

the new copyright statute, protection of sound recordings is now firmly established in Poland; this change in the law has already resulted in a dramatic drop in piracy levels.¹⁴²

Under the new statute, the protection of sound recordings follows the European rather than the American model: sound recordings are not objects of copyright protection but instead are protected as neighboring rights.¹⁴³ The division of copyright into "authors' rights" and "neighboring rights" no longer signifies two groups of unequal rights. International recognition of the growing importance of the creative and economic contribution of neighboring rights holders has caused a gradual closing of the gap in the rights enjoyed by authors, performers, and producers.¹⁴⁴ Despite these positive changes, protection for sound recordings is often limited to only a few exclusive rights, and, in Poland, the closed catalog of rights for sound recordings compares negatively with the open-ended rights offered to authors. For example, the rights of public performance and broadcasting are granted in the form of the "right to equitable remuneration"¹⁴⁵ rather than full rights to authorize or prohibit the performance of a sound recording.

musical instruments." Together these provisions arguably provided for copyright protection for phonograms by treating sound recordings as derivative works as is the case in the United States. See J. Bleszynski, *Prawo Autorskie i Prawa Pokrewne* at 23, WP, 1994.

¹⁴² By the summer of 1994—only a few months after the new copyright law came into force—piracy fell to below 20% for all sound recordings.

¹⁴³ See 17 U.S.C. § 102(a)(7) (1978). Cf. *id.*, § 101 (definition of "derivative work" includes sound recordings). Under the continental copyright regime, performing artists, producers of phonograms and videograms, and broadcasting organizations as well as the products of their labor, are protected under the system of so-called neighboring or related rights. Since performances, phonograms, and broadcasting programs are created on the basis of works protected as "authors rights," these new creations were named rights "neighboring" on authors rights, or generally speaking, neighboring on copyright.

¹⁴⁴ Among the effects of this historical division still remaining today, the most notable is that the "originality" requirement that forms the basis of protection for "authors' rights" works does not apply in the case of neighboring rights. Sound recordings, for instance, are protected in most European jurisdictions simply by reason of independent fixation. Infringement does not depend on whether a copyrightable ("original") part of the recording was taken but simply on whether any part of the recording was copied.

¹⁴⁵ The right to "equitable remuneration" is similar to the U.S. "compulsory license" with the difference that the amount of remuneration is negotiated rather than defined by statute. In contrast to Poland though, the United States glaringly remains as the only developed country in the world still denying altogether performance rights to sound recordings. Without doubt this significantly limits the effectiveness of the United States in its battle to

Article 94 defines the producer of a phonogram¹⁴⁶ as a person or entity under whose name or business name the recording was first prepared.¹⁴⁷ The new statute establishes a presumption that phonograms sold without the name or business name of the producer were illegally prepared.¹⁴⁸ The producer of a sound recording has the exclusive right, without prejudice to the rights of authors or performing artists, to reproduce, introduce into circulation, rent and lease the recording for 50 years from the recording date.¹⁴⁹ The producer also has a right to equitable remuneration for a public performance or broadcast of a recording.¹⁵⁰

While the reproduction right does not need explanation, the exact scope of the "introduction into circulation" right¹⁵¹ will need to be tested in practice. Generally, it will allow the producer to decide when to publish the recording, the manner and extent of its distribution, including the territory on which a given recording will be authorized for public dissemination. Since this right is limited by the principle of exhaustion, the producer's control over copies ends with 1) the sale of a copy of a particular sound recording and 2) any act of exploitation of a particular copy of a phonogram.¹⁵² The precise scope of the right described as "lease" will likewise need to be established by practice. By analogy to similar rights present in other European laws, however, it appears that the exercise of

establish adequate copyright protection for its own works in other parts of the world.

¹⁴⁶ The word "producer" has several meanings: (1) the person who actually records and mixes the recording into a finished phonogram; (2) the company or the person who bears the financial risk in making the recording and who then contractually, or on the basis of the work-made-for-hire doctrine, comes into possession of copyright to the whole phonogram; and (3) the company that manufacturers reproduced multiple copies of the recording. In the context of copyright law protection, the term "producer" refers to the second of these alternative meanings.

¹⁴⁷ The word "prepared" ("sporządzony") rather than "fixed" was used in the statute, but the only logical conclusion in analyzing the intent of this provision is that the first fixation of the phonogram is being referred to here (and not a "preparation" of the pirate copy, for example), as well as phonograms that are compilations of sound recordings that were fixed earlier in whole or in part.

¹⁴⁸ 1994 Copyright Statute, Art. 102. This provision was inserted as an anti-piracy measure.

¹⁴⁹ *Id.*, Art. 94, Par. 2 and Art. 95.

¹⁵⁰ *Id.*, Art. 94, Par. 3.

¹⁵¹ See *supra* notes 49-50 and accompanying text for a further discussion of this right.

¹⁵² Probably any act of public exploitation of a copy authorized by the rightsholder (like rental or lending) may exhaust the distribution right for that particular recording.

control over public lending constitutes part of that right.¹⁵³ Public performance and broadcasting rights, broadly granted,¹⁵⁴ will also include the right to remuneration for cable or satellite transmission.

All the rights granted to phonogram producers will endure for 50 years from the preparation¹⁵⁵ of the recording. Protection extends to phonograms prepared after May 23, 1974,¹⁵⁶ by producers having their residence in the territory of the Republic of Poland, or producers protected on the basis of relevant international agreements.¹⁵⁷

¹⁵³ Based on an analysis of Article 28, which contains exemptions from remuneration granted to libraries, archives, and schools for lending of their collections, one must come to the conclusion that in all other cases lending must be authorized by the rightsholder. For a discussion of this issue, see Teresa Grzeszak, *Prawo Autorskie i Prawa Pokrewne*, 20 P.P.H. 1, 12-14 (May 1994).

¹⁵⁴ Unlike the listing of rights in the "authors rights" section, see 1994 Copyright Statute, Art. 51, the performance and broadcasting rights in Article 94 have not been limited by enumeration of the various means of signal delivery. Therefore, pursuing the general rule of statutory interpretation under Polish law that unless limited, the right should be interpreted in all its forms, producers of phonograms and videograms should be remunerated for any act of broadcasting and public performance of their recordings other than those unremunerated uses specifically defined in the statute. See *id.* Arts. 23, 35.

¹⁵⁵ See *supra* note 37.

¹⁵⁶ See 1994 Copyright Statute, Art. 126, par. 3. Thus, sound recordings were given a 20-year, so-called, retroactive protection. ("Retroactive protection" seems to be a bit of a troublesome misnomer; in most jurisdictions truly *retroactive* protection without adequate protection for the interest of reliance parties is unconstitutional. What this kind of regulation creates, however, is a *prospective* right in earlier recordings). A full, 50-year prospective right in earlier recordings will need to be adopted once the GATT/TRIPs agreement becomes binding on Poland. According to Article 14 of TRIPs, the "retroactivity" principle embodied in Art. 18 of the Berne Convention will also apply to sound recordings.

¹⁵⁷ Not being a member of any of the international agreements protecting interests in sound recordings (like the Rome Convention of 1961 or the Geneva Phonograms Convention of 1971), Poland protects directly, under its copyright law, only recordings prepared by producers residing in Poland (it may be worth noting, that unlike in the U.S., under European legal regimes only international agreements that *specifically* relate to a given right will be applicable to that particular right. Compare Section 104 of the U.S. Copyright Act). Foreign companies must protect their interest under the unfair competition law, general principles of the civil and criminal codes, and by using authors' rights principles of the new copyright law.

From July 1, 1996, however, no matter what other conventions Poland will decide to join, the general provisions of the GATT/TRIPs agreement will impose upon Poland a duty to protect recordings of *all* GATT countries against unauthorized reproduction and rental. See Article 3 and Article 65 of TRIPs.

Because the political wrangling over the new copyright law dragged on for so many years, the music industry sought other legal means to combat piracy of sound recordings in Poland. These legal arguments will undoubtedly continue to prove useful as a supplement to the provisions of the new copyright law in combating piracy. For example, Polish prosecutors have charged large-scale distributors of pirated sound recordings under the criminal provisions of Poland's unfair competition statute. Under this statute, anyone who willfully misleads consumers as to the origin, quality, or other important features of a product through inaccurate designation or labeling of the product and thereby causes substantial injury to consumers may be subject to probation or a fine.¹⁵⁸ Consequently, persons who distribute unauthorized copies of sound recordings arguably are subject to criminal liability if they mislead consumers into believing that the phonogram is prepared by a legitimate producer. The unfair competition statute also establishes civil liability for the misleading labeling of goods such as sound recordings.¹⁵⁹

B. Protection Against Unremunerated Uses and Collecting Societies

Next to copyright piracy of sound recordings, the unauthorized broadcasting and public performance of sound recordings and musical works has the greatest negative economic impact on the growth of the music market in Poland. All music industry participants—musicians, composers, lyricists, and producers—were hurt by the 1952 copyright law's broad categories of allowed, free uses. As noted in Section I, the new law narrows somewhat the range of such uses. To assist the music industry in monitoring the public use of sound recordings and musical works, the law also provides for the establishment of organizations for the collective administration of copyrights and neighboring rights ("Collecting Societies"), which will serve a watch-dog role and provide for the economical collection of royalties.

The 1952 copyright law established a compulsory license for video and audio broadcasting of published works; creators were entitled to compensation pursuant to royalty tables established by the government.¹⁶⁰ While the new law still grants public radio and television organizations legal licenses for broadcast of published works, private radio and television organizations must negotiate individual licenses with the appropriate Collecting Society.¹⁶¹ Operators of cable networks are permitted to disseminate works broadcast by other radio or television organizations if the

¹⁵⁸ Unfair Competition Statute, Art. 25.

¹⁵⁹ *Id.*, Art. 10, Art. 18.

¹⁶⁰ 1952 Copyright Statute, Art. 23.

¹⁶¹ 1994 Copyright Statute, Art. 21. Broadcast tariffs are not statutorily set. Consequently, licenses—whether based on the "right to equitable remunera-

dissemination through the cable networks is done simultaneously and integrally with the original broadcast, and the various rightsholders in the broadcast have a right to remuneration.¹⁶²

"Organizations for collective administration of copyrights or neighboring rights are . . . associations of authors, performing artists, producers, or radio and television organizations whose statutory purposes include the collective administration and protection of the copyrights entrusted to them and the exercise of rights ensuing from" the copyright law.¹⁶³ Unless more than one organization claims the right to the same work or artistic performance, the law establishes a presumption that the Collecting Society for a particular group of rightsholders—such as songwriters—is authorized to administer and protect the work in respect of the separate fields of exploitation included in collective administration and that it is authorized to enforce such rights.¹⁶⁴ If more than one Collecting Society is active in the same field of exploitation, the creator or performing artist has a right to choose the organization that will represent her and, if she fails to choose, the Collecting Society shall be designated by a government Copyright Commission.¹⁶⁵ This Commission, which will be appointed by the Minister of Culture and Arts, will also approve or disapprove royalty tables proposed by the Collecting Societies.¹⁶⁶

The establishment of well-organized Collecting Societies should assist not only members of the music industry but also businesses and individuals that wish to use published musical works and sound recordings without fear of infringement actions. Collecting Societies make it more economical for creators and producers to police the use of their works and enforce the rights established by copyright law. By centralizing authority for contract negotiations in one organization and eliminating the need to contact individual right holders, Collecting Societies also make it easier for individuals and businesses such as radio stations and multimedia program developers to acquire the rights to use numerous musical works and sound recordings.

tion" or on the exclusive right to broadcast—will need to be negotiated through the mediation of the appropriate Collecting Society.

¹⁶² *Id.*, Art. 24, Par. 3.

¹⁶³ *Id.*, Art. 104, Par. 2.

¹⁶⁴ *Id.*, Art. 105, Par. 1.

¹⁶⁵ *Id.*, Art. 107.

¹⁶⁶ *Id.*, Art. 108, Par. 3. Such tables will be presented to the Commission for approval after prior negotiation with users, e.g. broadcasters.

IV. THE PRACTICALITIES OF ENFORCING INTELLECTUAL PROPERTY RIGHTS IN POLAND

In urging the Polish government to adopt a new copyright statute, domestic and foreign copyright industry representatives continuously stressed the importance of tough criminal penalties to combat widespread commercial piracy. The inclusion of criminal anti-piracy provisions in the new law and the subsequent effective enforcement of these provisions appear to have accomplished just what was hoped for. Within days of the law coming into force, the marketplace kiosks that for years had sold pirated cassettes and software with impunity had disappeared.

The criminal provisions of the copyright statute of course will not be applicable to every situation where a copyright owner alleges a violation of his or her economic rights. In addition, police and prosecutors would be hard pressed to address every claim of criminal copyright infringement given their limited resources and other pressing priorities. Copyright owners therefore should be prepared to invest their own resources in protecting valuable intellectual property rights.

A. *Private Actions*

While the 1952 copyright statute established a private cause of action for the protection of economic rights,¹⁶⁷ very few civil actions were actually brought under the earlier law. Some of this inactivity may be explained by the fact that state-owned entities were discouraged from suing each other during the Communist period. This situation persisted even with the advent of the market economy and competition between businesses, creators, and users of copyrighted works. Questions about the scope of the old law, procedural problems, and inadequate civil remedies dissuaded all but the most ardent copyright owner from bringing civil lawsuits based on the 1952 statute.

The new copyright law provides greater incentives for copyright owners to initiate private actions by increasing the available civil remedies and establishing procedures to assist litigants in acting quickly before a defendant can shut down its operations and thereby avoid litigation. Unfortunately, one big disincentive to civil actions still remains: cost. Polish court rules require a plaintiff to pay to the court upon the initiation of the action a fee that is calculated on a sliding scale basis and may reach as much as 8% of the value of the claim. While the plaintiff will recover this fee if the action is successful, it is forfeited if the plaintiff loses.

On the incentive side of the litigation decision calculus, the statute provides that the copyright owner may sue for the defendant's profits, or alternatively, may request double the amount of compensation for use of

¹⁶⁷ 1952 Copyright Statute, Art. 56.

the copyrighted work calculated from the time the action is filed, for example, double the appropriate royalty rate, which may be trebled if the infringement is willful.¹⁶⁸ If the plaintiff can establish that the defendant's actions were willful, the court may also award the plaintiff damages for any harm sustained.¹⁶⁹ In many instances, courts will likely require plaintiffs to prove that they suffered damages beyond lost sales as such losses presumably would be accounted for in an award of the defendant's profits. For example, an author might seek monetary damages from a movie producer for the unauthorized adaptation of a book to a screenplay claiming that the poor quality of the adaptation damaged the author's reputation and ability to sell future books.

Many copyright owners may find today that defendants' assets are insufficient to satisfy a monetary judgment, and simply stopping the infringing activities may prove to be the most important result of a lawsuit. The copyright owner may request both temporary and permanent injunctions.¹⁷⁰ In cases where the issues of copyright ownership and infringement are fairly clear, as for example where there is identical or near identical copying, Polish courts are likely to grant injunctive relief without much hesitation as they have done in several trademark infringement cases during the past few years.

The new law also requires courts to react quickly to a complaint of copyright infringement in order to preserve the plaintiff's rights. The court with jurisdiction over an action for infringement of economic rights, located in the territory where the infringing party conducts business or where the infringing party's assets are located, must rule *no later than three days after the complaint is filed* on the plaintiff's motions for:

- (1) a temporary injunction; and
- (2) a court order securing evidence and requiring the defendant to disclose information and documents relevant to the alleged infringement.¹⁷¹

If the plaintiff can establish that there is a probability that without the temporary injunction the claim would go unsatisfied, the court may grant the motion even though it may result in the plaintiff's claim being satisfied.¹⁷² To obtain an order securing evidence, it is not necessary for the plaintiff to show that without the order it would be difficult or impossible

¹⁶⁸ 1994 Copyright Statute, Art. 79, Par. 1. Punitive remedies were unavailable under the old law.

¹⁶⁹ *Id.*

¹⁷⁰ *Id.*, Art. 79, Par. 1, Art. 80, Par. 1(3).

¹⁷¹ *Id.*, Art. 80, Par. 1.

¹⁷² *Id.*, Art. 80, Par. 1(3).

to secure the evidence at a later date.¹⁷³ The court may however require the plaintiff to post a bond prior to issuance of a temporary injunction and an order securing evidence.¹⁷⁴

Upon a finding of infringement, the new statute requires the court to order the infringer to forfeit to the State Treasury all illegally manufactured copies of a work, and the court may also order the forfeiture of the means to produce them and other items used in committing the infringement.¹⁷⁵ At the plaintiff's request, the court may order these items turned over to the plaintiff to satisfy any monetary judgment against the defendant.¹⁷⁶

As a further disincentive to infringement, the new copyright statute establishes a unique remedy unavailable under United States law. In addition to claims for the defendant's profits, injunctive relief, and damages, if the infringing activities occurred as part of a commercial operation by the defendant or on behalf of another person or entity, the creator or someone acquiring rights from the creator may also demand that the infringer pay "an appropriate amount of compensation" to the Fund for the Promotion of Creativity discussed above.¹⁷⁷ The amount of compensation must be at *least double* the probable profits gained by the infringer from the infringement.

Where the facts warrant it, supplementing a complaint under the copyright statute with claims based on the new unfair competition statute, trademark statute, and other applicable claims may improve a plaintiff's chances of recovery and also expand the available remedies. The unfair competition statute, for example, provides that the court may require a defendant to issue a statement designed to remedy any damage caused by the anti-competitive act. This remedy might prove particularly useful to a plaintiff who believes his or her reputation has been damaged by the defendant's actions—such as the hypothetical author described above who believes her ability to sell future books has been damaged by a movie producer's unauthorized, poor-quality screenplay. If advertisements for the movie falsely stated or implied that the plaintiff had authorized the use and adaptation of the book for the movie, the plaintiff might assert a violation of Article 16, Paragraph 2 of the unfair competition statute. This provision would prohibit a misleading advertisement that might influence the decision of movie goers to see the film.

¹⁷³ *Id.*, Art., 80, Par. 1(1).

¹⁷⁴ *Id.*, Art. 80, Par. 2.

¹⁷⁵ *Id.*, Art. 80, Pars. 3 and 4.

¹⁷⁶ *Id.*, Art. 80, Par. 5.

¹⁷⁷ *Id.*, Art. 79, Par. 2; *see supra*, pp. 23-24 for a discussion of the Fund for the Promotion of Creativity. This provision does not apply to neighboring rights.

B. Criminal Penalties

The new copyright statute greatly strengthens the government's hand in pursuing professional pirates by establishing stiff criminal penalties for people who make a living by reproducing, distributing, and selling works without the copyright owner's consent.¹⁷⁸ For example, a person who is found guilty of organizing, directing, or receiving a regular source of income from the unauthorized dissemination of copyrighted works may be imprisoned for up to five years.¹⁷⁹ A copyright owner who suspects criminal copyright infringement may seek to have criminal proceedings initiated by filing a complaint with the public prosecutor; criminal actions against certain offenses must be initiated by private complaint.¹⁸⁰

VI. CONCLUSION

Poland's new copyright statute is just one example of the many ways that the country's legal environment has become more supportive of private enterprise during the past five years. The new law has already had a dramatic effect in reducing the level of piracy of sound recordings and computer software, and it will also improve the climate for business development by adding greater clarity and security to relationships involving the creation, transfer and use of economic rights in copyrighted works.

Despite some news reports portraying the copyright reform campaign in Poland as being led by foreign government and business interests, many domestic industry representatives, particularly in the music and computer software industries, were actually at the forefront of the push for the new copyright statute. This is not surprising given the fact that a weak copyright law and the resulting piracy actually hurt Polish artists, performers, and producers of copyrightable works more than it hurt their foreign counterparts. Owners of copyrights in Polish-language works have few opportunities to market their products outside Poland. Foreign entities may simply choose to sell their products in countries with greater copyright protection. While the individuals who made their living selling pirated works have been forced to seek other occupations, many of them will undoubtedly use the distribution, marketing, and other business skills they have gained during the past several years in new, legitimate businesses.

Domestic and foreign businesses that are involved in the production and sale of copyrighted works are now in a position to benefit not only from strengthened copyright protection but also from greatly improved economic conditions in Poland. As the disposable income of many Poles continues to rise, Polish consumers are much more inclined to purchase

¹⁷⁸ See *id.*, Arts. 115-119.

¹⁷⁹ *Id.*, Art. 116, Par. 3.

¹⁸⁰ *Id.*, Art. 122. Prosecutions for violations of Art. 116, par. 3, Art. 117, Par. 2, and Art. 118, Par. 2, may be initiated *ex officio* by enforcement authorities.

high-quality products such as legitimate sound recordings rather than cheaper, pirated cassettes. Together, improving legal and economic conditions promise to help Poland fulfill its potential as one of Europe's greatest consumer markets.

POLAND
LAW ON COPYRIGHT AND NEIGHBOURING RIGHTS

Text of Feb. 4, 1994
Translated by *Bianka Alicja Kortlan*

Chapter 1

Subject matter of copyright [Authors rights]

ARTICLE 1. 1. The scope of Copyright encompasses any manifestation of creative activity of an individual nature, no matter in what form it comes into being and regardless of its value, purpose or manner of its expression ("the work").

2. Included among works which are the subject of copyright are the following:

- 1) Works expressed in words, mathematical symbols, graphical signs, (literary, journalistic, scientific, cartographic works, and computer programs),
- 2) Works of the fine arts,
- 3) Photographic works,
- 4) Stringed musical instruments,
- 5) Industrial designs,
- 6) Architectural, architectural-urban, and urban works,
- 7) Musical works and works composed of words and music,
- 8) Works for the stage, staged musical works, choreographic works and pantomimes,
- 9) Audiovisual works (including visual and audio).

3. A work is protected under this Law from the moment it comes into being, even if in incomplete form.

4. The creator is entitled to protection irrespective of the compliance with any formalities.

ARTICLE 2. 1. A derivative work, among them a translation, an alteration, an adaptation of another's work, is protected under this Law without prejudice to the rights in the original work.

2. The use and exploitation of a derivative work is dependent on the permission of the creator of the original work (derivative copyright), unless the economic rights in the original work have expired.

3. The creator of the original work may withdraw permission if the derivative work is not disseminated within five years from the date permission was granted. The remuneration paid to the creator is not refundable.

4. A work inspired by another's work is not considered a derivative work.

5. Copies of the derivative work should acknowledge the creator and title of the original work.

ARTICLE 3. Collections, anthologies, selections, and data bases are subject to copyright, even if they contain unprotected material, if their selection, arrangement or compilation is of a creative nature, without prejudice to the rights in works contained in them.

ARTICLE 4. The following are not the subject of copyright:

- 1) Normative acts or their official drafts,
- 2) Official documents, materials, marks and symbols,
- 3) Published patent descriptions and protected design specifications,
- 4) Simple press reports.

ARTICLE 5. Provisions of this Law apply to works:

- 1) Whose creator or co-creator is a Polish citizen, or
- 2) which were originally published in the territory of the Republic of Poland, or simultaneously in that territory and abroad, or
- 3) which were first published in the Polish language, or
- 4) whose protection ensues from international agreements.

ARTICLE 6. AS CONSTRUED UNDER THIS LAW:

- 1) A published work is a work that was reproduced in copies with its creator's permission and whose copies were made publicly available.
- 2) A simultaneous publication is publication of the work in the territory of the Republic of Poland and abroad within 30 days from its first publication,
- 3) A disseminated work is a work that was made available to the public, with its creator's permission.

ARTICLE 7. If international agreements to which the Republic of Poland is a party provide protection greater than that accorded under this Law with respect to unpublished works of Polish citizens or works published for the first time in the territory of the Republic of Poland or simultaneously in the territory of the Republic of Poland and abroad, or published for the first time in the Polish language, the provisions of those agreements apply to such works.

Chapter 2 Ownership of copyright

ARTICLE 8. 1. Copyright vests in the creator, unless otherwise specified in this Law.

2. It is presumed that the creator is the person whose name is acknowledged as such on copies of the work, or whose authorship is made public in some other way in connection with the dissemination of the work.

3. Until the creator discloses his or her authorship, the copyright shall be exercised by the producer or the publisher, or in their absence, by the appropriate organization for collective administration of copyrights.

ARTICLE 9. 1. Co-creators are co-owners of copyright. It is presumed that they share in the copyright equally. Any co-creator may demand that a court define the extent of his or her share in proportion to his or her creative contribution.

2. Co-creators may exercise the copyright in their autonomous parts of the work, without prejudice to the rights of the other co-creators.

3. Exercise of the copyright in the whole work requires the consent of all co-creators. In the event of absence of such consent, any co-creator may demand a decision from a court which will take into account the interests of all co-creators.

4. Any co-creator may institute claims for infringement of copyright in the entire work. The compensation received is shared by all co-creators, in proportion to their individual contributions.

5. The economic rights of co-creators are governed *mutatis mutandis* by the provisions of the Civil Code on fractional co-ownership.

ARTICLE 10. When creators combine their separate works for the purpose of joint dissemination, each of them may demand of the remaining creators permission to disseminate the resulting whole unless there exists reasonable grounds for refusal to grant permission and the contract does not specify otherwise. Provisions of Article 9, Paragraphs 2-4 apply *mutatis mutandis*.

ARTICLE 11. Economic rights in a joint work, including an encyclopedia or a periodical publication, vest in the producer or the publisher, while the copyrights in individual and autonomous parts of the whole vest in their creators. It is presumed that the producer or the publisher has the right to the title.

ARTICLE 12. 1. Unless this Law or an employment contract specify otherwise, an employer, whose employee created a work within the scope of his or her employment duties, acquires economic rights to the work, upon the acceptance of it, within the limits ensuing from the purpose of the employment contract and the mutual intent of the parties.

2. If, within two years from the date of acceptance of the work, the employer does not begin the dissemination of the work specified for dissemination in the employment contract, the creator may give the employer, in writing, an appropriate deadline for disseminating the work, with the effect that upon its expiry, the rights acquired by the employer, together with the ownership of the object on which the work has been fixed, revert to the creator unless the contract provides otherwise. Parties may specify different deadline for beginning the dissemination of a work.

3. Once the work is accepted, the employer acquires ownership of the object in which the work has been fixed, unless the employment contract provides otherwise.

ARTICLE 13. Unless the employer notifies the creator within six months following delivery of the work that the work is accepted, declined, or accepted contingent on making specified changes within an appropriate time designated for that purpose, it is presumed that the work was accepted without any reservations. The parties may specify a different deadline.

ARTICLE 14. 1. Unless the employment contract provides otherwise, a scientific institution has the right of priority in publishing the work of a scientific associate who created it within the scope of his or her employment duties. The creator retains the right to remuneration. Such priority of publication expires if, within six months from the date of delivery of the work, no contract for publication of the work was made or if within two years from its acceptance the work has not been published.

2. A scientific institution may use the scientific material contained in the work referred to in Paragraph 1 without separate remuneration, and make the material available to third parties if that follows from the agreed-upon purpose of the work or from a contractual agreement.

ARTICLE 15. It is presumed that the producer or publisher is the person or entity whose name or business name is acknowledged as such on the objects on which the work has been fixed or is made public in some way in connection with the dissemination of the work.

Chapter 3

The scope of copyright

Section 1

Personal Copyright [moral rights]

ARTICLE 16. Unless this Law specifies otherwise, personal copyright protects the bond between the creator and his or her work, which is indefinite in duration and not subject to waiver or transfer, and includes the right to:

- 1) claim authorship of the work,
- 2) designate the work with own name or pseudonym or make it available anonymously,
- 3) inviolability of the content and form of the work and of proper usage of the work,
- 4) decide when to make the work available to the public,
- 5) supervise the manner in which the work is used.

Section 2

Economic rights

ARTICLE 17. Unless this Law specifies otherwise, the exclusive right to use and to exploit the work in all fields of exploitation and to receive remuneration for use of the work, vests in the creator.

ARTICLE 18. 1. Economic rights are not subject to garnishment as long as they serve the creator. This does not apply to executable claims of creditors.

2. After death of the creator, heirs have a right to oppose garnishment from copyright in an unpublished work, unless such opposition contradicts the creator's revealed wish concerning the work's dissemination.

3. The right to remuneration referred to in Article 20 Paragraph 2, Article 30 Paragraph 2, and in Article 70 Paragraph 3 is not subject to waiver, transfer, or garnishment. This does not apply to executable claims of creditors.

ARTICLE 19. 1. The creator and his or her heirs are entitled to remuneration in the amount of 5 percent of the price of professionally vended resales of original copies of works of the fine arts and manuscripts of literary and musical works. This remuneration should be paid by the vendor, and if acting on behalf of a third party, the vendor is jointly responsible for the payment.

2. The vendor is obliged to disclose the identity of the third party referred to in Paragraph 1. The vendor may be released from this obligation by paying the remuneration due.

3. A waiver of the remuneration referred to in Paragraph 1 is invalid, unless it concerns executable claims of creditors.

ARTICLE 20. 1. Manufacturers and importers of tape recorders, video recorders, and other similar devices, as well as blank carriers used for making fixations, with the aid of these devices, of copyrighted works for personal use, and of reprographic equipment, are obliged to make payments to creators, performers and producers of audio and video recordings, in the amount not exceeding 3 percent of the receipts due from the sales of those devices and carriers.

2. Out of the amount obtained from receipts referred to in Paragraph 1:

- 1) 50 percent is designated for the creators,
- 2) 25 percent for the performing artists,
- 3) 25 percent for the producers of phonograms and videograms, in case of reprographic equipment, 100 percent of the amount of fees received goes to the authors.

3. The Minister of Culture and Arts, upon consulting the appropriate organizations for collective administration of copyright and neighbouring rights, associations of creators and performing artists, and

organizations of manufacturers or importers of the devices and of blank carriers referred to in Paragraph 1, shall, by regulation, set the amounts of fees referred to in Paragraph 1, issue detailed rules concerning their collection and distribution and indicate the appropriate organization for collective administration of copyright or neighbouring rights which will collect the fees.

ARTICLE 21. 1. Public radio and television organizations may broadcast published works that are not feature films, including feature film series. The rightholders retain the right to remuneration.

2. Radio and television organizations other than those specified in Paragraph 1 may broadcast published minor textual works, musical works, and works composed of words and music on the basis of a contract concluded with the appropriate organization for collective administration of copyright or neighbouring rights. The creator may notify such an organization, in writing under the penalty of invalidity, that he or she will personally decide whether to allow his or her published works be broadcast.

ARTICLE 22. 1. Radio and television organizations may, for their own broadcasting purposes, fix works to which they had previously acquired a permission to broadcast.

2. Fixations referred to in Paragraph 1 should be destroyed within a month of the work's broadcast.

3. Provisions of Paragraph 2 do not apply to fixations made for broadcasting purposes of an exceptional documentary nature, as long as they are placed in archives. The creator should be immediately notified about placing a fixation of his work in the archives.

Section 3

Allowed uses of protected works

ARTICLE 23. 1. An already disseminated work may be used for personal use without asking the permission of the creator and without paying remuneration. This provision does not authorize building according to architectural or architectural-urban work of others.

2. The scope of personal use extends to the circle of persons remaining in personal relationships, including kinship, family relation, or social relationship.

ARTICLE 24. 1. Works broadcast via satellite or ground network by another radio or television station may be disseminated with the aid of a community antenna and a cable network, provided it is done as a simultaneous, integral, and free dissemination of radio and TV programs, and is designed for a designated audience located within a single building or in single family houses encompassing up to 50 households.

2. Owners of audio or audiovisual receivers may use them to receive broadcast works, even if the receivers are located within a publicly accessible area, as long as this is not connected to receipt of economic benefits.

3. With the exception of Paragraph 1, operators of cable networks may disseminate works broadcast by other radio or television organizations available in the given area, if the dissemination through the cable networks is done simultaneously and integrally with the original broadcast. The work's rightholders have a right to remuneration.

ARTICLE 25. 1. The following may be disseminated for information purposes by the press, radio and television:

- 1) Works already disseminated:
 - a) Reports on current events,
 - b) Current articles and statements on political, economic, and social issues,
 - c) Current reporter's photographs.
- 2) Brief excerpts from the reports, articles, and statements referred to in Points 1 a) and 1 b),
- 3) Reviews of publications and disseminated works,
- 4) Speeches delivered at public meetings and debates; this does not authorize publication of collections of speeches by a single individual,
- 5) Brief summaries of disseminated works.

2. The creators of works referred to in Paragraph 1, Points 1 b) and 1 c), are entitled to remuneration for the use of these works.

3. Dissemination of works on the basis of Paragraph 1 is permitted both in the original and in translation.

ARTICLE 26. It is allowed to cite, in reports on current events, fragments from works made available during these events, but within the limits justified by the information purposes.

ARTICLE 27. Scientific and educational institutions may, for didactical or own research purposes, use published works in the original and in translation and prepare for this purpose copies of fragments of a published work.

ARTICLE 28. Libraries, archives and schools may:

- 1) Make available without charge, within the scope of their statutory purposes, copies of published works,
- 2) Prepare or commission preparation of single copies of published works that are not available on the market—for the purpose of complementing or preservation of their collections, and for making them available free of charge.

ARTICLE 29. 1. It is allowed to cite, in works constituting an independent whole, excerpts from disseminated works or minor works in their entirety, to the extent justified by an explanation, critical analysis, instruction, or principles of a specific type of artform.

2. It is allowed for didactical and academic purposes, to include disseminated minor works or excerpts from larger works in textbooks and school selections.

3. In cases referred to in Paragraph 2, the creator is entitled to remuneration.

ARTICLE 30. 1. Scientific and technical information and documentation centers may prepare and disseminate their own documentary studies as well as single copies of fragments, no longer than a single editorial sheet of published works.

2. The creator or the proper organization for administering copyrights or neighbouring rights is authorized to collect from the centers referred to in Paragraph 1 remuneration for allowing for-charge access to copies of fragments of works.

ARTICLE 31. It is allowed to publicly perform published literary, musical and works composed of words and music works, if it is not connected to receiving economic benefits. This concerns, for example, occasional live performances relating to religious worship, state and school ceremonies, public celebrations and events commonly accessible, with the exception of advertising, promotional, and election-related events.

ARTICLE 32. 1. The owner of a copy of a work of the fine arts may display it publicly, provided it is not connected to receiving economic benefits.

2. In the event a decision is made to destroy the original of a work of the fine arts displayed in a publicly accessible area, its owner is obliged to first offer it for sale to its creator, or to the creator's relatives, providing that contacting the creator for the purpose of making the offer is possible. The maximum sale price is determined by the value of materials used in the work. If sale is not feasible, the owner is obliged to enable the creator to prepare a copy of the work or, depending on the nature of the work, an appropriate documentation.

ARTICLE 33. The following may be disseminated:

- 1) Works permanently displayed on public roads, streets, squares or in gardens, but not for the same use,
- 2) Works exhibited in public collections such as museums, art galleries, and exhibition areas, but only in catalogs and publications printed for the purpose of promotion of these works, and also in press and television reports on current events, but within the limits justified by the purpose of the information,
- 3) In encyclopedias and atlases—published works of the fine arts and photographic works, if contacting the author for the purpose of obtaining his permission meets obstacles difficult to overcome. The creator is then entitled to remuneration.

ARTICLE 34. Works may be used within the scope of the allowed uses on the condition that their creators and sources are acknowledged. The creator is not entitled to remuneration, unless otherwise specified in this Law.

ARTICLE 35. The allowed use may not infringe upon normal use of a work or the justified interests of the creator.

Chapter 4

Duration of economic rights

ARTICLE 36. Subject to the exceptions set out in this Law, economic rights expire after 50 years:

- 1) From the date of the creator's death, and for joint works from the date of death of the last surviving co-creator,
- 2) If the creator is unknown—from the date of the first publication and if the work is unpublished—from the date of its coming into being, unless, before the expiration of that time limit, the creator's name was disclosed with his or her consent,
- 3) From the date of the first publication, if, pursuant to this Law, the economic rights are owned by a person other than the creator, or if the work is unpublished, from the date of its coming into being.

ARTICLE 37. If the duration period starts with the publication of the work and the work was published in parts, the period of protection is counted from the publication of the last part. If, however, the particular parts are autonomous, the period of protection is counted separately for each part.

ARTICLE 38. The duration of economic rights in a work published for the first time within the last 10 years of the period of its protection, is extended for another 10 years.

ARTICLE 39. The duration of economic rights is counted in complete years subsequent to the year in which the event with which the duration period starts, as indicated in Articles 36-38, takes place.

ARTICLE 40. 1. Producers or publishers of copies of literary, musical works, works of the fine arts, photographic, and cartographic works whose copyright protection has expired are obliged to transmit to the Fund referred to in Article 111, 5-8 percent of gross receipts from the sale of copies of these works. This applies to editions published in the territory of the Republic of Poland.

2. The provision of Paragraph 1 apply *mutatis mutandis* to copies of protected derivative works to which copyright protection has expired.

3. The Minister of Culture and Arts shall define by regulation the percentages referred to in Paragraph 1.

Chapter 5

Transfer of economic rights

ARTICLE 41. 1. Unless this Law specifies otherwise:

- 1) Economic rights may be transferred to other persons by inheritance or by contract,
- 2) The acquirer of economic rights may transfer them to other persons, unless the contract specifies otherwise.

2. A contract for transfer of economic rights or an agreement for use of a work, further referred to as a "license", comprises fields of exploitation clearly specified in it.

3. Parts of the contract which concern all works or all works of a certain kind of the same creator which are to be created in the future, are invalid.

4. The contract may apply only to fields of exploitation known at the time the contract is concluded.

ARTICLE 42. Should the economic rights owned by one of the co-creator be transferred to State Treasury as the statutory heir, that part is transferred to the surviving co-creators or their legal successors, in proportion to the size of their contributions.

ARTICLE 43. 1. If the contract does not specify that the transfer of the economic rights or the granting of a license was without charge, the creator is entitled to remuneration.

2. If the contract does not specify the amount of royalty, the amount is determined according to the scope of the right granted and benefits ensuing from the use of the work.

ARTICLE 44. In the event of egregious disproportion between the royalty and the benefits ensuing to the acquirer of the economic rights or to the licensee, the creator may demand that the court increase the royalty.

ARTICLE 45. The creator is entitled to a separate remuneration for the use of his or her work on each of the particular fields of exploitation, unless the contract specifies otherwise.

ARTICLE 46. Unless the contract specifies otherwise, the creator retains the exclusive right to authorize the making of a derivative work, even though the contract provides for the transfer of all of the economic rights.

ARTICLE 47. If the creator's remuneration depends on the amount of income received from the use of the work, the creator has right to receive information or to inspect records that are essential to determining the amount of remuneration.

ARTICLE 48. 1. If the creator's remuneration is defined as a percentage of the sales price of copies of the work, and if that price is increased, the creator is entitled to the agreed percentage of proceeds from the copies sold at the higher price.

2. A unilateral reduction in the sale price of the copies before the expiration of one year after the dissemination of the work has begun, does not affect the amount of remuneration. The parties to the contract may extend that term.

ARTICLE 49. 1. If the contract does not define the manner of use of a work, the use should conform to the nature and purpose of the work and the common custom.

2. A legal successor may not alter the work without the creator's consent, unless the alterations are caused by evident necessity and the creator has no justified reason for objecting to them. This applies *mutatis mutandis* to works in which the term of economic rights' protection has expired.

ARTICLE 50. The list of the separate fields of exploitation includes:

- 1) Fixation,
- 2) Reproduction by a specific technique,
- 3) Introduction into circulation,
- 4) Entry into computer memory,
- 5) Public performance or public representation,
- 6) Display,
- 7) Screening,
- 8) Rental,
- 9) Lease,
- 10) Broadcast by means of audio or video by wire or wireless transmission by a ground station,
- 11) Satellite broadcast,
- 12) Simultaneous and integral broadcast of a work which is being broadcast by another radio or television organization.

ARTICLE 51. 1. Introduction into circulation is a transfer of ownership of a copy of the work by a rightholder, or other kind of exploitation of the copy done with his or her permission.

2. With the exception of Article 50 Paragraphs 8 and 9, after introduction into circulation, any further circulation of copies of the work does not infringe the copyright.

3. Importation of copies introduced into circulation in the territory of a country with which the Republic of Poland has signed an agreement establishing a free-trade zone, does not constitute infringement of economic rights.

ARTICLE 52. 1. Transfer of ownership of a copy of the work does not constitute a transfer of economic rights to the work, unless the contract provides otherwise.

2. Unless the contract specifies otherwise, transfer of economic rights does not constitute a transfer of ownership of the copy of the work to the acquirer of the rights.

3. An acquirer of the original work is obliged to make it accessible to its creator to the extent necessary for the exercise of copyright. However, the acquirer may demand that the creator provides proper security for the work and remuneration for its use.

ARTICLE 53. A contract for transfer of economic rights must be in writing under the penalty of invalidity.

ARTICLE 54. 1. The creator is obliged to deliver the work within the time provided in the contract, or, if no such time is specified, immediately upon completing the work.

2. If the creator fails to deliver the work within a specified time, the commissioning party may grant the creator a suitable additional period of time and issue a warning, and may then renounce the contract if the additional deadline is not met.

ARTICLE 55. 1. If the work ordered is defective, the commissioning party may grant the creator an additional time for the elimination of defects, and, upon its expiry, may renounce the contract or demand a suitable reduction in the agreed remuneration, unless the defects are due to circumstances beyond the creator's control. At any rate, the creator retains the right to the already received advance payment not higher than 25 percent of the agreed remuneration.

2. If a work has legal defects, the commissioning party may renounce the contract and demand that the damage inflicted be repaired.

3. The claims referred to in Paragraph 1 expire upon the acceptance of the work.

4. Unless the commissioning party notifies the creator within six months that the work has been accepted, rejected, or that the acceptance is being conditioned on making specific changes within specified time, the work is considered accepted without any reservations. Parties may specify period different than six months.

ARTICLE 56. 1. A creator may renounce or terminate a contract for reasons of his or her vital creative interests.

2. If within two years from the date of the renunciation or termination referred to in Paragraph 1, the creator intends to use the work, he or she is obliged to first offer it for use to the person or entity that originally acquired or licensed it, designating an appropriate period of time for this purpose.

3. If the renunciation or termination of the contract takes place after its acceptance, the other party to the contract may make such renunciation or termination dependent on compensation for the expenses incurred in connection with the contract. However, compensation of the expenses incurred may not be demanded if the dissemination has to be abandoned due to circumstances beyond the creator's control.

4. The provisions of Paragraph 1 do not apply to architectural, architectural-urban, audiovisual works, or to works commissioned with the purpose of their exploitation as part of an audiovisual work.

ARTICLE 57. 1. If the acquirer of economic rights or a licensee, obliged to disseminate the work, fails to commence the dissemination within the agreed time, or, if no such time is specified, within two years from the acceptance of the work, the creator may renounce or terminate the contract and upon the expiry of an additional time—not shorter than six months—insist that the damages incurred be repaired.

2. If the work was not disseminated due to circumstances for which the acquirer of the economic rights or the licensee is responsible, the creator may demand, instead of reparation of damages, twice the amount of remuneration provided for in the contract for dissemination of the work, unless the license is nonexclusive.

3. The provisions of Paragraphs 1 and 2 do not apply to architectural and architectural-urban works.

ARTICLE 58. If the work is disseminated in an unsuitable form or with revisions against which the creator could justifiably object, the creator may renounce or terminate the contract, following an ineffective demand to terminate the infringement. The creator is entitled to the remuneration specified in the contract.

ARTICLE 59. In case of renunciation or termination of the contract, either party may demand the return of all benefits which resulted from the contract, unless this Law specifies otherwise.

ARTICLE 60. 1. Prior to dissemination of a work, the user is obliged to enable its creator to execute the author's right of supervision. If the revisions incorporated in the work resulting from performance of such supervision are indispensable and are due to circumstances beyond the creator's control, the expenses connected to their inclusion are borne by the acquirer of the economic rights or by the licensee.

2. If the creator does not exercise his or her right of supervision within a suitable time, it is assumed that he or she has given consent that the work be disseminated.

3. Unless this Law or the contract specifies otherwise, the creator is not entitled to additional remuneration for performing the author's right of supervision.

4. The creator of a work of the fine arts is entitled to receive compensation for exercising his or her right of supervision.

5. The exercise of the author's right of supervision over architectural or architectural-urban works is governed by separate regulations.

ARTICLE 61. The acquisition of a copy of an architectural or architectural-urban plan from its creator entails the right to use these plans in construction of only one structure, unless the contract specifies otherwise.

ARTICLE 62. 1. In published collections of his or her works, the creator may include works for whose publication he or she has concluded separate contracts.

2. The contract for publication of collected works does not include the right to publish particular works contained in that collection, unless the contract provides otherwise.

ARTICLE 63. If the contract provides for the making of copies of work to be disseminated, the creator is entitled to receive author's copies in the amount provided in the contract.

ARTICLE 64. Upon acceptance of the work, the contract for transfer of economic rights transfers to the acquirer of the right to exclusive use of the work in the particular field of exploitation provided in the contract, unless the contract provides otherwise.

ARTICLE 65. In the absence of a clearly specified transfer of a right, it is assumed that the creator has granted a license.

ARTICLE 66. 1. Unless otherwise provided in the contract, a licensing agreement shall be deemed to permit use of a work for five years in the territory of a country in which the licensee resides.

2. Upon the expiry of the period of time referred to in Paragraph 1, the right obtained under the licensing agreement expires.

ARTICLE 67. 1. The creator may authorize the use of his or her work in the fields of exploitation indicated in the contract, specifying the scope, place, and time of the use.

2. If the contract does not provide for exclusivity of the use in a particular manner (exclusive license), the grant of a license does not preclude the creator from authorizing others to use his or her work in the same field of exploitation (nonexclusive license).

3. A licensee may not authorize another person or entity to sue a work under the obtained license, unless the contract specifies otherwise.

4. Unless otherwise specified in the contract, the holder of an exclusive license may pursue actions for infringement of economic rights within the scope of the license.

5. An exclusive licensing agreement must be in writing under the penalty of invalidity.

ARTICLE 68. 1. Unless otherwise specified in the contract, if the license was granted for an unspecified period of time, the creator may renounce it within the time provided in the contract, or if no such time was provided for, the creator may renounce it with a year's notice, at the end of the calendar year.

2. A license granted for a period longer than five years is considered to be granted for an indefinite time following the expiration of that period.

Chapter 6

Specific provisions concerning audiovisual works

ARTICLE 69. The co-creators of an audiovisual work are those persons who contributed creative material to its formation, in particular: the director, the creator of an adaptation of a literary work, the creator of musical works or works composed of words and music created for the audiovisual work, and the scriptwriter.

ARTICLE 70. 1. Economic rights in an audiovisual work vest in the producer. The rights of creators of works which constitute an autonomous part may not be exercised with prejudice to the producer or other creators.

2. It is presumed that the producer of an audiovisual work has acquired economic rights in the works commissioned or in the works incorporated in an audiovisual work, but only within the scope of an audiovisual exploitation of that works.

3. The producer of an audiovisual work is obliged to pay, through a competent organization for collective administration of copyrights or neighbouring rights, to the director, scriptwriter, creators of musical works, and works composed of words and music, as well as the principal performers in the audiovisual work— during the period of their protection—a remuneration proportional to the receipts from the dissemination of the audiovisual work in cinemas as well as an equitable remuneration for the rental or lease of audiovisual works and for their public performances.

4. The co-creators of an audiovisual work and the principal performers may waive mediation of the organization referred to in Paragraph 3. Such waiver must be made in writing under the penalty of invalidity.

5. Remuneration for using a Polish audiovisual work abroad or a foreign audiovisual work in Poland may be settled in a lump sum.

ARTICLE 71. The producer may translate an audiovisual work into various language versions without the consent of its creators.

ARTICLE 72. The creator of a work commissioned for inclusion in an audiovisual work may, after five years from the date of acceptance of the work, authorize the dissemination of the work within another audiovisual work if the original audiovisual work has not been disseminated in the intervening period. The parties may shorten this period.

ARTICLE 73. The author's right of supervision may be exercised only in respect of the final version of an audiovisual work.

Chapter 7

Special provisions concerning computer programs

ARTICLE 74. 1. Computer programs are subject to protection as literary works, unless the provisions of this chapter specify otherwise.

2. The protection granted to a computer program encompasses all forms of its expression, including all forms of documentation pertaining to design, manufacture, and usage. The ideas and principles forming the basis of any element of the computer program, including the basis of interfaces, are not subject to protection.

3. Economic rights to the computer program created by an employee within the scope of employment duties, vest in the employer, unless the employment contract specifies otherwise.

4. With the exception of Article 75, Paragraphs 2 and 3, the economic rights in a computer program comprise the right to:

- 1) permanent or temporary reproduction of the program in its entirety or in part, by any means and in any form; however, to the extent to which the program's installation, display, application, transmission and storage requires its reproduction, these operations do not require the consent of copyright holder,
- 2) Translation, adaptation, alteration of the system, or any other changes in the computer program, without prejudice to the rights of the person performing these changes,
- 3) Public dissemination, including rental or lease, of the computer program or its copies. The first sale of a copy on which the program has been fixed, by the copyright holder or with his or her permission, exhausts the right to disseminate that copy; this does not affect the right to control further rental or lease of the computer program or its copy.

ARTICLE 75. 1. Unless the contract specifies otherwise, activities referred to in Article 74, Paragraph 4, Points 1 and 2 do not require the copyright holder's consent if they are necessary for the use of the computer program in accordance with its purpose, including correction of errors by its rightful owner.

2. The rightholder's permission is not required for:

- 1) preparation of an archival copy, if this is indispensable in usage of the computer program. Such copy may not be used concurrently with the computer program, unless otherwise specified in the contract.
- 2) The observation, study, and testing the functioning of the computer program, for the purpose of learning its ideas and principles by the person authorized under a contract to use a copy of the computer program, if the authorized person does it during the installation, display, application, transmission or storage of the computer program.
- 3) Reproduction of the code or translation of its form in the meaning of Article 74, Paragraph 4, Points 1 and 2, if this is indispensable in obtaining information necessary for achieving interoperability of an independently developed computer program with other computer programs, provided the following conditions are fulfilled:

- a) These operations are performed by a licensee or other person authorized to use a copy of the computer program, or a person acting on his or her behalf,
 - b) The information needed to achieve interoperability was not previously readily accessible to persons referred to in Point a),
 - c) These activities pertain to such parts of the original computer program that are necessary for achieving interoperability.
3. Information referred to in Paragraphs 2 and 3 may not be:
- 1) Utilized for purposes other than achieving interoperability with independently created computer program.
 - 2) Transmitted to other people, unless this is needed to achieve interoperability with an independently created computer program.
 - 3) Used to develop, manufacture, or introduce into circulation a computer program of essentially similar form, or to pursue other activities infringing the copyright.

ARTICLE 76. Contract provisions conflicting with Article 75, Paragraphs 2 and 3 are void.

ARTICLE 77. Provisions of Article 16, Points 3-5, Articles 20, 23, 27, 28, 30, Article 49, Paragraph 2, and Articles 56, 60, and 62 do not apply to computer programs.

Chapter 8

Protection of personal copyright [moral rights]

ARTICLE 78. 1. A creator, whose personal copyright is threatened by actions of another person or entity may demand termination of that action. In the event an infringement has been committed, the creator may demand that the person or entity responsible for the infringement take steps towards elimination of the consequences of the infringement and, in particular, make a public declaration of a suitable form and content. If the infringement is intentional, the court may award the creator a suitable pecuniary compensation for the incurred harm, or, upon the creator's demand, oblige the infringer to donate a specified amount of money for a social cause indicated by the creator.

2. Unless otherwise specified by the creator, following his or her death, a claim for the infringement of the decedent's personal copyright may be filed by his or her spouse or, by default, in succession: next of kin, parents, siblings, or their descendants.

3. Unless otherwise specified by the creator, persons mentioned in Paragraph 2 are authorized in the same order to exercise the deceased creator's personal copyright.

4. Unless otherwise specified by the creator, the claim referred to in Paragraph 2 may also be filed by the competent organization active in the same field of creative activity, or by the organization for collective admin-

istration of copyright and neighbouring rights which administered copyrights of the deceased author.

Chapter 9

Protection of economic rights

ARTICLE 79. 1. The creator may demand that the infringer of his or her economic rights discontinue the infringement and return the profits made, or pay the double, and in the event the infringement is intentional, triple the amount of the suitable compensation as of the time the suit was filed; if the infringer's actions are intentional, the creator may also demand that compensation for the harm sustained be paid.

2. Irrespective of the claims referred to in Paragraph 1, the rightholder may also demand of the perpetrator of an infringement committed while engaging in a commercial activity in one's own behalf or on the behalf of another person or entity, the payment of an appropriate amount of compensation to the Fund referred to in Article 111. That amount may not be less than double the probable profits gained by the infringer from the infringement.

ARTICLE 80. 1. The court with jurisdiction over an action for infringement of economic rights, located in the territory where the infringing party conducts business or where the infringing party's assets are located, shall rule, even before the proceedings commence, but not later than three days from the time the complaint is filed, on the plaintiff's motion:

- 1) to secure evidence, without the necessity of showing that obtaining it later may become infeasible or too difficult,
- 2) to oblige the infringer of the economic rights to provide the information and documentary evidence, requested by the court, relevant to the claims referred to in Article 79, Paragraph 1,
- 3) to issue a temporary injunction to secure the claims for the infringement of economic rights—even if issuance of temporary injunction results in satisfying the claim—upon being presented with a showing of probability that otherwise the plaintiff would be deprived of the possibility of having his or her claim satisfied.

2. The court may condition its ruling on securing the evidence or claims referred to in Paragraph 1, Point 1 and 3, on submission of appropriate security.

3. The court shall order forfeiture, for the State Treasury, of illegally manufactured copies of works.

4. The court may order forfeiture, for the State Treasury, of devices which are used in illegal production of copies of works or devices which were used in the infringement.

5. At the request of the injured party, the court may award the devices mentioned in Paragraph 4 to the injured party as part of the damages award.

6. It is presumed that the objects referred to in Paragraph 4 belong to the infringer.

7. An appeal from the court's ruling in matters referred to in Paragraph 1, Point 1-3, shall be considered by the court within seven days.

Chapter 10

Protection of image, addressee of correspondence, and confidentiality of information sources

ARTICLE 81. 1. Dissemination of an image requires the permission of the person shown on it. In the absence of an explicit reservation, such permission is not required if the person receives the agreed amount of remuneration for posing.

2. No permission is required for dissemination of the image of:

- 1) Public figures, if taken in connection with performance of public functions, including political, social, and professional functions.
- 2) A person appearing as a detail of a scene, such as a rally, a landscape, or public event.

ARTICLE 82. Unless the person to whom the correspondence is forwarded specifies otherwise, dissemination of such correspondence within 20 years from the date of that person's death requires consent of a spouse, and in their absence, in succession: descendants, parents or siblings.

ARTICLE 83. Claims brought for dissemination of an image or correspondence without the required consent of the person shown on the image or the addressee of the correspondence are governed *mutatis mutandis* by the provisions of Article 78, Paragraph 1; these claims may not be instituted after 20 years from the date of death of such persons.

ARTICLE 84. 1. The creator, and at the request of the creator-publisher or producer are obliged to keep confidential the sources of information used in the work, as well as connected documentation.

2. It is permissible to reveal the confidential information with the consent of the person entrusting it, or when based on the decision of a competent court.

Chapter 11

Neighbouring rights

Section 1

Rights in Artistic Performances

ARTICLE 85. 1. The right in an artistic performance, after it has come into being, applies to any performance of a work of an artistic nature, regardless of its value, purpose, or manner of expression.

2. Artistic performances, as defined in Paragraph 1, include the activities of: actors, reciters, conductors, musicians, dancers, vocalists and persons creatively contributing to the creation of a performance.

ARTICLE 86. 1. Within the limits defined by this Law, these exclusive rights vest in the performing artist:

- 1) Protection of personal rights in the artistic performance,
- 2) Use of the artistic performance and its exploitation in the separate fields of exploitation,
- 3) Remuneration for the use of artistic performance.

2. The exclusive right to use and exploit the artistic performance as referred to in Paragraph 1, Point 2) comprises the right to:

- 1) Fixation.
- 2) Reproduction by specific technique,
- 3) Introduction into circulation,
- 4) Public representation [performance], unless done from a copy introduced into circulation,
- 5) Rental,
- 6) Lease,
- 7) Broadcast, unless done from a copy introduced into circulation.

3. In the case of a broadcast or public reproduction done from a copy introduced into circulation, the performing artist has the right to receive equitable remuneration.

ARTICLE 87. Unless the contract specifies otherwise, a contract for joint production of an audiovisual work concluded between the performing artist and producer of the audiovisual work transfers the rights to exploit and use the performance— within the scope of the same audiovisual work—in all fields of exploitation known at the time the contract was concluded.

ARTICLE 88. The right of the performing artist does not prejudice the copyright in the performed work.

ARTICLE 89. The right referred to in Article 86, Paragraph 1, Point 2 and 3, expires 50 years after the year in which the artistic performance came into being for the first time.

ARTICLE 90. The provisions of this Law apply to artistic performances which:

- 1) Were performed by a Polish citizen or a resident of the Republic of Poland, or
- 2) Came into being for the first time in the territory of the Republic of Poland, or
- 3) Were first published in the territory of the Republic of Poland, or
- 4) Are protected under international agreements.

ARTICLE 91. It is presumed that the leader of a group is empowered to represent rights in the group's artistic performance. The presump-

tion applies *mutatis mutandis* to these parts of the artistic performance which constitute an autonomous whole.

ARTICLE 92. The provisions of the Articles 8-10, 12, 18, 21, 41-45, 47-49, 52-55, 57-59, 62-68, 71 and 78 apply *mutatis mutandis* to artistic performances.

ARTICLE 93. The provisions of Article 33, Paragraph 10, of the Family and Guardianship Law apply *mutatis mutandis* to rights in an artistic performance.

Section 2

Rights in phonograms and videograms

ARTICLE 94. 1. The producer of a phonogram or videogram is the person or entity under whose name or business name the recording was first prepared.

2. Without prejudice to the rights of authors or performing artists, the producer of the phonogram or videogram has the exclusive right to exploit and use the recording within the following scope:

- 1) Reproduction by a particular technique,
- 2) Introduction into circulation,
- 3) Rental,
- 4) Lease.

3. In case of a broadcast or public performance of a phonogram or videogram, the producer has the right to equitable remuneration.

ARTICLE 95. The rights defined in Art. 94, Par. 2 and 3, expire 50 years after the year in which the phonogram or videogram was prepared.

ARTICLE 96. Provisions of this Law apply to phonograms and videograms:

- 1) Whose producer resides or has headquarters in the territory of the Republic of Poland, or
- 2) Whose protection ensues from international agreements.

Section 3

Rights in broadcasts

ARTICLE 97. Without prejudice to the rights of authors and performing artists, the radio or television organization has the exclusive right to exploit and use their programs within the following scope:

- 1) Fixation,
- 2) Reproduction by a particular technique,
- 3) Broadcast, also by other radio or television organization.

ARTICLE 98. The rights referred to in Article 97, expire 50 years after year in which the program was first broadcast.

ARTICLE 99. The provisions of this Law apply to programs:

- 1) Of a radio and television organization residing in the territory of the Republic of Poland, or
- 2) Whose protection ensues from international agreements.

Section 4

Joint stipulations concerning Neighbouring rights

ARTICLE 100. The exercise of rights in artistic performances, phonograms, videograms and broadcasts in subject to the limitations ensuing from the provisions of Articles 23-35.

ARTICLE 101. Provisions of Articles 6, 22, 39, 51, 79 Paragraph 1 and Art. 80 apply *mutatis mutandis* to artistic performances, phonograms, videograms and broadcasts.

ARTICLE 102. 1. Every copy of a phonogram or videogram shall contain, in addition to information about authorship and artistic performance, the title of the work and the date of its preparation, the name or a business name of producer and, in case of fixed broadcasts, the name of the radio or television organization.

2. It is presumed that copies which are not in compliance, with the requirements specified in Paragraph 1 were prepared illegally.

ARTICLE 103. Disputes over rights in artistic performances, phonograms and videograms as well as radio and television broadcasts are within the jurisdiction of a competent voivodship courts.

Chapter 12

Organizations for collective administration of copyrights or neighbouring rights

ARTICLE 104. 1. Organizations for collective administration of copyrights or neighbouring rights, further referred to as „collective administration organizations”, are, in the meaning of this Law, associations of authors, performing artists, producers, or radio and television organizations whose statutory purposes include the collective administration and protection of the copyrights or neighbouring rights entrusted to them and the exercise of rights ensuing from this Law.

2. The organizations referred to in Paragraph 1 are governed by the provisions of the Law on Associations, with the proviso that:

- 1) Legal entities may also be members of such organizations,
- 2) A permit from the Minister of Culture and Arts is required before an organization may engage in activities defined under this Law,
- 3) Supervision over the organizations is exercised by the Minister of Culture and Arts.

3. The Minister of Culture and Arts shall grant the permit referred to in Paragraph 2, Point 2, to organizations providing a guarantee of competent administration of the entrusted rights.

4. If an organization is found in violation of the scope of the permit granted, the Minister shall demand that the organization eliminate the violation within a designated time, issuing a warning that otherwise the permit shall be revoked.

5. The permit referred to in Paragraph 2, Point 2, may be revoked if the organization:

- 1) Fails to properly perform its duties relating to the administration and protection of the entrusted copyrights and neighbouring rights.
- 2) Violates the law with regard to the scope of its permit.

6. A decision of the Minister of Culture and Arts to grant or revoke a permit for the exercise of rights referred to in Paragraph 1 by an organization for collective administration shall be published in *DZIENNIK URZEDOWY RZECZYPOSPOLITEJ POLSKIEJ* "MONITOR POLSKI".

ARTICLE 105. 1. It is presumed that the organization for collective administration is authorized to administer and protect the work in respect of the separate fields of exploitation included in collective administration, and that it is authorized to enforce such rights. This presumption shall not apply when more than one organization claims the right to the same work or artistic performance.

2. Within the scope of its activities, an organization for collective administration may demand information or access to the records necessary to determine the amount of the remuneration and payments due.

ARTICLE 106. 1. The organization for collective administration is obliged to assure equal treatment of the rights of its members and other entities it represents with respect to administration of their rights or enforcement activities.

2. The organization for collective administration may not, without a valid reason, refuse to accept under its administration any copyrights or neighbouring rights. It shall administer the rights in accordance with its statute.

ARTICLE 107. Under this Law, when more than one organization for collective administration is active in the same field of exploitation, the organization of which the creator or performing artist is a member shall be the competent organization and, if the creator or the performing artists does not belong to any organization or has filed to disclose his or her authorship, the organization identified by the Copyright Commission referred to in Article 108, Paragraph 1 shall be the competent organization.

ARTICLE 108. 1. The Minister of Culture and Arts shall appoint the Copyright Commission, further referred to as the "Commission", which shall consist of 40 arbitrators appointed in appropriate proportion from among the candidates specified in Paragraph 2.

2. The candidates proposed for members of the Commission (within the deadline set by the Minister of Culture and Arts), by collective administration organizations, associations of creators, performing artists, producers, associations of entities who exploit works in the course of their professional activities, and radio and television organizations. The deadline set by the Minister shall be announced in the daily press.

3. A commission, consisting of six arbitrators and a chairperson acting as chief arbitrator, appointed by the Minister of Culture and Arts from among the arbitrators, shall approve or disapprove remuneration tables presented by the collective administration societies for the use of works or artistic performances covered by collective administration, as well as shall identify the competent organization in the meaning of Article 107.

4. In proceedings before the Commission regarding cases referred to in Paragraph 3, the provisions of the Code of Administrative Procedure shall apply *mutatis mutandis*. Decisions made by the Commission under this procedure may be appealed to the Minister of Culture and Arts.

5. A three-member commission chosen from among the arbitrators by each of the parties and headed by a chief arbitrator chosen by the selected arbitrators, shall settle disputes concerning the application of the remuneration tables referred to in Paragraph 3. In case any of the parties should fail to choose its arbitrator, or the arbitrators fail to choose its arbitrator, or the arbitrators fail to choose the chief arbitrator, they shall be appointed by the Minister of Culture and Arts.

6. The provisions of the Code of Civil Procedure on proceedings before a conciliatory court apply *mutatis mutandis* to proceedings before the Commission in matters referred to in Paragraph 5.

7. A party dissatisfied with the decision of the Commission, referred to in Paragraph 5, may bring an action before the competent voivodship court within 14 days from the day the decision was delivered to them.

8. The arbitrators are entitled to remuneration for participation in the sessions of the Commission.

9. The Minister of Culture and Arts shall define, by regulation, the detailed procedural rules and principles of proceedings of the Commission, the amount of remuneration referred to in Paragraph 8, the fees due for proceedings before the Commission, and the rules governing their payment.

ARTICLE 109. Contract clauses that are less advantageous to authors than might ensue from the tables referred to in Article 108, Paragraph 8, are void and replaced by the stipulations in the tables.

ARTICLE 110. The amounts of the remuneration claimed by collective administration organizations shall take into consideration the amount of receipts derived from the use of works and artistic performances, as well as the nature and scope of their use.

Chapter 13

Fund for the promotion of creativity

ARTICLE 111. 1. The Fund for the Promotion of Creativity, further referred to as „the Fund,” is hereby established.

2. The Fund shall be administered by the Minister of Culture and Arts.

3. The Fund shall be regarded as a necessary State fund as provided for under the provisions of the Budget.

ARTICLE 112. 1. The Fund's income shall consist of:

- 1) Receipts specified in Article 40,
- 2) Receipts specified in Article 79, Paragraph 2,
- 3) Voluntary contributions, bequests, and donations,
- 4) Other receipts.

ARTICLE 113. The Fund's resources shall be allocated as follows:

- 1) for stipends and social help for creators of works and for the creators of derivative works,
- 2) to cover, wholly or in part, the publishing expenses of works of special importance to the culture and science, as well as publications for the blind.

ARTICLE 114. The Minister of Culture and Arts, upon consulting the appropriate associations of creators, shall define, by regulation, the detailed rules for disbursement the Fund's funds, and the guidelines for granting stipends and social help referred to in Article 113, Paragraph 1.

Chapter 14

Criminal liability

ARTICLE 115. 1. Whoever appropriates the authorship of another or misleads others as to the authorship of the entirety or a part of another's work or artistic performance,

shall be liable to imprisonment of not more than two years, restriction of liberty, or a fine.

2. The same penalty applies to anyone who disseminates, without identifying the creator by name or pseudonym, the original or derivative version of a work, an artistic performance or who publicly distorts such work, an artistic performance, phonogram, videogram or broadcast.

3. Whoever, for purposes of economic gain, infringes a copyright or neighbouring rights specified in Articles 16, 17, 18, 86, 94 Paragraph 2, and Article 97, in a manner other than that defined in Paragraphs 1 or 2,

shall be liable to imprisonment for not more than one year, restriction of liberty, or a fine.

ARTICLE 116. 1. Whoever, without authorization or acting contrary to its terms, disseminates a work of another in its original or derivative version, or artistic performance, phonogram, videogram or broadcast,

shall be liable to imprisonment for not more than two years, restriction of liberty, or a fine.

2. If the infringer commits an act referred to in Paragraph 1 for purposes of economic gain,

he or she shall be liable to imprisonment for not more than three years.

3. If the infringer turns the offense specified in Paragraph 1 into a regular source of income or a criminal commercial activity, specified in Paragraph 1, organizes or directs such activity,

he or she shall be liable to imprisonment for not less than six months and not more than five years.

4. If the infringer commits an act specified in Paragraph 1 not wilfully

he or she shall be liable to imprisonment for not more than one year, restriction of liberty, or a fine.

ARTICLE 117. 1. Whoever, without authorization or acting contrary to its terms, fixes or reproduces a work of another in the original or its derivative form, artistic performance, phonogram, videogram, or broadcast, and consents to their dissemination,

shall be liable to imprisonment for not more than two years, restriction of liberty, or a fine.

2. If the infringer turns the offense specified in Paragraph 1 into a regular source of income or a criminal commercial activity, organizes or directs such an activity,

he or she shall be liable to imprisonment for not more than three years.

ARTICLE 118. Whoever, for purposes of economic gain, purchases, helps in its vending, accepts or helps to hide an object which serves as a carrier of work, artistic performance, phonogram or videogram reproduced, or disseminated without authorization or against its terms,

shall be liable for imprisonment of not more than two years, restriction of liberty, or a fine.

2. If the infringer turns the offense referred to in Paragraph 1 into a regular source of income or criminal commercial activity referred to in Paragraph 1, organizes or directs it,

he or she shall be liable to imprisonment for not more than three years.

ARTICLE 119. Whoever prevents or obstructs the exercise of the right to control the use of a work or an artistic performance, or refuses to provide information referred to in Article 47,

shall be liable to a fine.

ARTICLE 120. In the event the proceedings are conditionally dismissed or the punishment of imprisonment is conditionally suspended in actions taken against offenses specified in Article 115, 116, 117, the infringer shall be obliged to repair entirely or in part the harm which resulted from the offense, if such harm has not been repaired.

ARTICLE 121. 1. In case of a conviction for offenses specified in Articles 115, 116, 117, or 118, the court shall order the forfeiture of all infringing objects linked to the offense, even if they do not belong to the infringer.

2. In case of a conviction for offenses specified in Articles 115, 116, 117 and 118, the court may order the forfeiture of objects used to commit the offense, even if they do not belong to the infringer.

ARTICLE 122. Actions against offenses specified in Article 115, Article 116 Paragraphs 1, 2, and 4, Article 117, Paragraph 1, Article 118 Paragraph 1, and Article 119 shall begin with a private complaint.

ARTICLE 123. The Minister of Justice, by regulation may appoint competent regional courts which will have jurisdiction over cases concerning offenses referred to in Articles 115, 116, 117, 118 or 119, within the jurisdiction of a given voivodship court.

Chapter 15

Interim and final provisions

ARTICLE 124. 1. This Law applies to:

- 1) Works which came into being for the first time after this Law came into force,
- 2) Works in which copyrights under the previous regulations have not yet expired,
- 3) Works in which copyrights under the previous regulations have expired but that pursuant to this Law are still protected, with the exception of the period between the expiration of protection under the previous regulations and the effective date of this Law. This Law does not infringe the ownership of copies of works disseminated before its coming into force.

2. The provisions of Paragraph 1, Point 3. shall apply to works of foreign nationals permanently residing abroad, on the basis of reciprocity.

3. The owner of a copy of computer program created before the effective date of this Law and protected pursuant to Paragraph 1 shall not be liable for copyright infringement committed before that date. After the effective date of this law, further use of the program in the same scope by the person who had such program is permitted without additional authorization and remuneration, but observing the requirements of Article 75. Any broadening of the scope of use of such programs, including their copying and dissemination is prohibited.

4. The provisions of contracts concluded before the day this Law comes into force and which contradict the provisions of Article 75, Paragraph 2 and 3, are void.

ARTICLE 125. 1. The provisions of this Law apply to artistic performances:

- 1) Which came into being for the first time after the effective date of this Law,
- 2) Within the scope of their use after this Law comes into force, if pursuant to this Law they are still protected. This does not apply to artistic performances which came into being earlier than 20 years before the effective date of this Law.

2. This Law does not infringe upon the ownership of copies on which artistic performances were fixed before the effective date of this Law.

ARTICLE 126. 1. This Law applies to:

- 1) Phonograms and videograms prepared after the effective date of this Law,
- 2) Radio and television programs broadcast after the effective date of this Law,
- 3) Phonograms, videograms and radio and television, programs that, pursuant to this Law, are still protected. This does not apply to the phonograms and videograms and radio and television programs prepared or broadcast earlier than 20 years before the effective date of this Law.

2. Paragraph 1, Point 3., first sentence, does not apply to:

- 1) the use by public radio and TV organizations, and
 - 2) the use by schools for didactic purposes
- of prepared before the effective date of this Law broadcasts, phonograms, videograms which are not feature films or theatrical performances, or to the use of artistic performances fixed in phonograms or videograms.

ARTICLE 127. 1. If the use of a work, artistic performance, phonogram, videogram or a radio or television program, started before the effective date of this Law, and was allowed under the law in force at that time, and if under this Law such use requires obtaining permission, it may be

completed under the condition that the rightholder receives an equitable remuneration.

2. With the exception of Paragraph 3, any legal actions taken under the copyright, before the effective date of this Law, are effective and subject to the principles of the law in force at the time; this principle extends also to events other than legal actions.

3. This Law applies to long-term agreements concluded before the effective date of this Law; in respect of the period after the date and the commitments that were made before the effective date of this Law, with reference to the legal effects of the events, following this date and related to the subject of the commitment.

4. Agreements concluded before the effective date of this Law do not include neighbouring rights, unless parties agreed otherwise.

ARTICLE 128. The Copyright Law of 10 July 1952 (DZ.U. No. 34, Item 234, 1952; No. 34, Item 184, 1975; and No. 35, Item 192, 1989) is hereby repealed.

ARTICLE 129. This Law comes into force three months after the day of its publication, with the exception of provisions of Article 124, Paragraph 3, which becomes effective on the day of publication.

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PART II

**LEGISLATIVE AND ADMINISTRATIVE
DEVELOPMENTS***United States of America*

U.S. COPYRIGHT OFFICE. Ascertainment of controversy for 1992 and 1993 Digital Audio Recording Royalty Funds. Notice with request for comments. *Federal Register*, vol. 59, no. 40 (Mar. 1, 1994), pp. 9773-74.

This document requested claimants to royalty fees collected for Digital Audio Recording Devices and Media (DART) for 1992 and 1993 to submit comments as to whether a controversy exists regarding distribution of either of these funds. It also sought comment concerning the advisability of consolidating the 1992 and 1993 DART distribution proceedings and announced the suspension of certain deadlines for distribution of the relevant royalties.

U.S. COPYRIGHT OFFICE. 37 C.F.R. Part 201. Procedures for copyright restoration of certain motion pictures and their contents in accordance with the North American Free Trade Agreement. Interim regulation . . . *Federal Register*, vol. 59, no. 51 (Mar. 16, 1994), pp. 12162-65.

This interim regulation established procedures governing the filing of Statements of Intent for the restoration of copyright protection in the United States for certain motion pictures and their contents in accordance with the North American Free Trade Agreement (NAFTA). The NAFTA Implementation Act authorized the Office to establish procedures whereby potential copyright owners of eligible works who file a complete and timely Statement of Intent with the Office on or before December 31, 1994, will have copyright protection restored effective January 1, 1995.

U.S. COPYRIGHT OFFICE. New post office boxes . . . *Federal Register*, vol. 59, no. 70 (Apr. 12, 1994), p. 17401.

This notice informed the public that the Office established two new post office boxes to facilitate timely receipt of mail from copyright owners and users. The notice explained the purposes of the boxes and specified the kinds of mail that should be addressed to each box.

U.S. COPYRIGHT OFFICE. 37 C.F.R., Parts 251-259, 301-311. Copyright Arbitration Royalty Panels; rules and regulations. Interim regulations. *Federal Register*, vol. 59, no. 88 (May 9, 1994), pp. 23964-95.

These interim regulations revise rules and regulations of the former Copyright Royalty Tribunal (CRT) adopted by the Office in December

1993, pursuant to the CRT Reform Act of 1993. The Act eliminated the CRT, replacing it with a system of ad hoc Copyright Arbitration Royalty Panels, administered by the Librarian of Congress and the Copyright Office, for purposes of distributing royalties and adjusting royalty rates for the various compulsory licenses and statutory obligations of the Copyright Code. The interim regulations will govern the conduct of the proceedings.

U.S. COPYRIGHT OFFICE. Copyright Arbitration Royalty Panels; list of arbitrator names. Determination of CARP arbitrator list. *Federal Register*, vol. 59, no. 90 (May 11, 1994), pp. 24486-87.

This notice publishes the list of arbitrators eligible for selection by the Librarian of Congress to a Copyright Arbitration Royalty panel during 1994. The list will be used to select all arbitrators required for any royalty fee distribution proceeding initiated under 17 U.S.C. 802 and beginning during 1994. Under the selection process, the Librarian will select two arbitrators, who in turn select the third to serve as their chairperson. If the two arbitrators cannot agree, the Librarian also will select the third arbitrator.

U.S. COPYRIGHT OFFICE. 1992 and 1993 Digital audio recording royalty funds; motions and objections. Notice of time period to file . . . *Federal Registers*, vol. 59, no. 93 (May 16, 1994), pp. 25506-07.

This notice informed claimants to the 1992 and 1993 Digital Audio Recording Royalty Funds of the commencement of a 30-day period to file any precontroversy motions or objections, including any objections for cause to the arbitrators nominated by various professional arbitration associations.

U.S. COPYRIGHT OFFICE. 37 C.F.R. Parts 201, 253, 255, and 259. Copyright arbitration royalty panels: rules and regulations. Final rule and corrections. *Federal Register*, vol. 59, no. 123 (June 28, 1994), pp. 33201-02.

This document announced the Office's issuance of a final rule amending sec. 201.16(a) and (b) to add wording signifying the abolition of the CRT. It also corrects errors made in a document published on May 9, 1994, amending interim regulations adopted December 22, 1993, as a result of the Copyright Royalty Tribunal Reform Act of 1993.

U.S. COPYRIGHT OFFICE. Consolidation of 1992, 1993 and 1994 digital audio recording distribution proceedings. Notice . . . *Federal Register*, vol. 59, no. 133 (July 13, 1994), pp. 35762-66.

The Office granted a motion to consolidate the 1992, 1993 and 1994 digital audio recording (DART) distribution proceedings. The proceedings will begin in 1995. Meanwhile the Office will distribute the 1992 and 1993 Nonfeatured Musicians and Nonfeatured Vocalists DART subfunds

in July and hold a public meeting to discuss the best evidence for the royalty distributions in September.

U.S. COPYRIGHT OFFICE. 37 C.F.R. Part. 201. Copyright Office fees; deposit accounts. Notice . . . *Federal Register*, vol. 59, no. 144 (July 28, 1994), pp. 38400-2.

This document informed the public of the Office's proposal to institute fees for establishing, providing, and maintaining Deposit Accounts (DA). The new fees would reflect the actual cost of providing DA benefits and services and include a initial fee for opening a DA, an annual service fee for maintaining and servicing a DA, a handling fee in cases of insufficient funds, and a fee for uncollectible replenishment checks. The document also proposed to establish procedures for closing DA under certain circumstances and requested comments on the proposal or other alternatives.

U.S. COPYRIGHT OFFICE. 37 C.F.R. Parts 201 and 211. Fees. Interim regulations. *Federal Register*, vol. 59, no. 144 (July 28, 1994), pp. 38369-72.

Effective September 12, 1994, the Office is adopting interim amendments concerning fees. The fee adjustments are limited to special services and reflect the actual cost of providing the services. They include full-term storage of copyright deposits, special handling of copyright registrations, and other expedited services. The effect of these interim regulations is to increase or institute fees for special services as authorized under the Copyright Code.

U.S. COPYRIGHT OFFICE. Cable compulsory license; major television market list. Notice of policy decision. *Federal Register*, vol. 59, no. 155 (Aug. 12, 1994), pp. 41512-19.

This notice reaffirmed the Office's 1987 Policy Decision adopting the view that signals entitled to mandatory carriage status under the Federal Communications Commission's (FCC) former must-carry rules as a result of an FCC market redesignation order are to be treated as local signals for purposes of the cable compulsory license. Under the policy, the Office accepts the Commission's redesignation of markets in the § 76.51 (title 47 of the C.F.R.) list beginning with the Commission's March 29, 1993, Report & Order redesignating the Ohio, Connecticut, and Georgia markets for purposes of calculating royalty fees under the cable compulsory license. Other FCC redesignations—i.e., addition or deletion of communities on the market list—made after March 29, 1993, also will be observed by the Office. The policy takes no position regarding the reranking of major television markets by the FCC and its effects on the calculation of the royalty fees under 17 U.S.C. 111.

U.S. COPYRIGHT OFFICE. 37 C.F.R. Parts 201, 211. Fees. Interim regulations with respect for comments. *Federal Register*, vol. 59, no. (July 28, 1994), pp.

The Office has adopted interim amendments concerning increases to or the institution of fees for special services authorized under the Copyright Act. The fee adjustments are limited to special services and reflect the actual cost of providing the services.

U.S. DEPARTMENT OF COMMERCE. PATENT AND TRADEMARK OFFICE. Extension of existing interim orders granting protection under the Semiconductor Chip Protection Act of 1984 . . . Notice. *Federal Register*, vol. 59, no. 114 (June 15, 1994), pp. 30773-75.

The PTO notified the public of its decision to extend existing interim orders under which protection under section 914 of the Semiconductor Chip Protection Act is made available to foreign mask work owners who are nationals, domiciliaries and sovereign authorities of Japan, Sweden, Australia, the Members States of the European Community, Canada, Switzerland, Finland, and Austria.

U.S. DEPARTMENT OF COMMERCE. PATENT AND TRADEMARK OFFICE. Request for comments on preliminary draft of the Report of the Working Group on Intellectual Property Rights. *Federal Register*, vol. 59, no. 134 (July 14, 1994), p. 35912.

The Working Group on Intellectual Property Rights of the White House Information Infrastructure Task Force issued a preliminary draft of its report, "Intellectual Property and the National Information Infrastructure." The document provides an examination and analysis to date of the intellectual property implications of the NII, and includes the Working Group's draft findings and recommendations. The primary focus of the preliminary draft is on copyright law and its application and effectiveness in the context of the NII.

U.S. DEPARTMENT OF COMMERCE. NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION. Advisory Council on the National Information Infrastructure notice of open meetings. Notice . . . *Federal Register*, vol. 59, no. 165 (Aug. 26, 1994), pp. 44131-32.

The Advisory Council and the Mega-Project III will conduct public meetings to gather information to assist in advising the Secretary of Commerce on matters related to the development of the National Information Infrastructure (NII) and on a national strategy for promoting such development. Among the topics that will be discussed are: social applications of the NII, the government's role in developing the NII, intellectual property, a preliminary draft of the Report of the Working Group on Intellectual Property Rights, and the Information Infrastructure Task Force.

Written comments may be submitted any time before or after the meetings.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R., Part 76. Cable Television Act of 1992. Final rule. *Federal Register*, vol. 59, no. 73 (Apr. 15, 1994), p. 17975-92.

The Commission adopted a Report and Order and a Further Notice of Proposed Rulemaking establishing rules to implement the cost of service alternative to the primary benchmark/price cap approach to setting regulated cable service rates. The Report and Order sets forth regulatory requirements to govern cost-of-service showings for cable operators who elect to justify rates above levels determined under benchmark/price cap requirements.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R., Part 76. Cable Act of 1992. Final rule. *Federal Register*, vol. 59, no. 73 (Apr. 15, 1994), pp. 17961-75.

The Commission adopted a Third Order on Reconsideration clarifying (1) the definition of "effective competition" in section 623(f) of the Act; rules regarding tier buy-through prohibitions; procedural and jurisdictional issues pertaining to the regulatory process; rules governing negative option billing practices, evasions, grandfathering of rate agreements, subscriber bill itemization and advertising of rates; and several points with regard to FCC Form 393 (benchmark calculation), and FCC Forms 1200 and 1205 (the new calculation forms).

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R., Part 76. Cable Television Act of 1992. Final rule. *Federal Register*, vol. 59, no. 30 (Feb. 14, 1994), pp. 6901-3.

The Commission adopted an Order extending the freeze of regulated cable service revenues from February 15, 1994 until May 15, 1994. The purpose of the extension is to provide affected parties a sufficient amount of time to familiarize themselves with any modifications to the Commission's cable rate regulations before the freeze is lifted.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R., Part 76. Cable Television Act of 1992. Final rule. *Federal Register*, vol. 59, no. 73 (Apr. 15, 1994), pp. 17943-61.

The Commission adopted a Second Order on Reconsideration and Fourth Report and Order to revise, clarify, and in certain instances, adopt further, cable rate regulations. The matters dealt with include (1) a revised competitive differential of 17 percent; (2) requirement that all regulated cable systems establish rates based on the revised competitive-differential unless they justify other rates through a cost-of-service show-

ing; (3) establishment of special transition rules; and (4) establishment of a going-forward mechanism to govern certain future rate adjustments.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Part 76. Cable television service. Final rule. *Federal Register*, vol. 59, no. 93 (May 16, 1994), p. 25344.

The Commission adopted this final rule amending the listing of major television markets to change the designation of the Boston-Cambridge-Worcester, Massachusetts, television market to the Boston-Cambridge-Worcester-Lawrence, Massachusetts, television market.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Part 76. Cable television service; list of major television markets. Proposed rule. *Federal Register*, vol. 59, no. 98 (May 23, 1994), pp. 26615-16.

The Commission proposed and solicited comments on its proposal to amend the FCC rules to add the community of Decatur, Texas, to the Dallas-Ft. Worth, Texas television market. This action was taken to test the proposal for market hyphenation through the record established based on the comments filed by interested parties.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Part 76. Cable television service; list of major television markets. Proposed rule. *Federal Register*, vol. 59, no. 98 (May 23, 1994), pp. 26617-18.

The Commission proposed and invited comments on its proposal to amend the agency's rules to add the communities of Kenosha and Racine, Wisconsin, to the Milwaukee, Wisconsin, television market. This action was 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 service; list of major television markets. Proposed rule. *Federal Register*, vol. 59, no. 98 (May 23, 1994), pp. 26616-17.

The Commission proposed and sought comment on its proposal to amend the FCC rules to add the community of Castle Rock, Colorado, to the Denver, Colorado, television market. This action was 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 service; list of major television markets. Proposed rule; extension of time. *Federal Register*, vol. 59, no. 8 (Jan. 12, 1994), p. 1706.

The Commission extended the deadline for filing reply comments in its proceeding proposing to amend FCC rules regarding major cable television markets. The extension was intended to allow parties additional time

to analyze and address numerous issues concerning adjustments to particularly large and complex television markets.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Parts 15 and 76. Implementation of section 17 of the Cable Television Consumer Protection and Competition Act of 1992 . . . Final rules. *Federal Register*, vol. 59, no. 93 (May 16, 1994), pp. 25339-44.

This final rule was adopted to ensure compatibility between consumer equipment and cable systems, consistent with the need to prevent theft of cable service, while enabling cable subscribers to enjoy the full benefits of both the programming available on cable systems and the functions available on their television receivers and videocassette recorders.

U.S. FEDERAL COMMUNICATIONS. 47 C.F.R. Part 76. Cable television service; list of major television markets. Proposed rule. *Federal Register*, vol. 59, no. 164 (Aug. 25, 1994), pp. 43805-06.

The Commission invited comment on its proposal to amend the FCC rules regarding the list of major television markets to change the designation of the Tampa-St. Petersburg-Clearwater television market to include the community of Lakeland, Florida. This action was taken in response to a petition filed by Public Interest Corporation and 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 TV Act of 1992—development of competition and diversity in video programming; distribution and carriage. Final Rule; . . . *Federal Register*, vol. 59, no. 164 (Aug. 25, 1994), pp. 43776-78.

The Commission amended its rule on adjudicatory carriage agreement complaints to specifically afford standing to any multichannel video programming distributor (MVPD) aggrieved by a violation of section 616 of the 1992 Cable Act. Section 616 governs agreements between cable operators—or other MVPDs—and the programming services they distribute. It also directs the Commission to establish regulations that prevent cable operators or other MVPDs from entering into carriage agreements that condition carriage of a vendor's programming on particular concessions. This action is intended to meet that mandate.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE. General Agreement on Tariffs and Trade (GATT); accession: Bulgaria, et al. Notice and request for comments. *Federal Register*, vol. 59, no. 96 (May 19, 1994), pp. 26340-41.

The Trade Policy Staff Committee is requesting comment on the issues to be addressed in the course of negotiations with Bulgaria,

Mongolia, Russia, and Ukraine to determine the terms of these countries' accession to the GATT and potentially to the World Trade Organization (WTO). In particular, the Committee is seeking comment on the possible effect of these countries' accession to the GATT/WTO on U.S. trade, including their policies relevant to protection of intellectual property.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE. Identification of foreign countries that deny adequate and effective intellectual property protection . . . Notice of identification . . . *Federal Register*, vol. 59, no. 96 (May 19, 1994), p. 26341.

The Trade Representative has identified 36 countries that deny adequate and effective intellectual property protection or deny fair and equitable market access to persons who rely on intellectual property protection. Argentina, China, and India were identified as presenting the most serious problems. Among those countries named to the priority watch or watch lists are the European Union, Japan, Saudi Arabia, Australia, Greece, and the United Arab Emirates.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE. Section 304 determination acts, policies and practices of Brazil . . . Notice. *Federal Register*, vol. 59, no. 42 (Mar. 3, 1994), pp. 10224-25.

The Trade Representative determined that the Government of Brazil has (1) taken steps to significantly improve the protection and enforcement of intellectual property rights and market access for persons relying on intellectual property rights; and (2) will take additional action in the future in connection with implementing the results of the Uruguay Round of multilateral trade negotiations. Therefore, the USTR terminated its investigation under section 304(a)(1)(A)(ii) of the Trade Act and revoked Brazil's identification as a priority foreign country under section 182 of the Act. The USTR will monitor Brazil's activities in this area.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE. Identification of priority foreign country and initiation of section 302 investigation. Notice . . . *Federal Register*, vol. 59, no. 132 (July 12, 1994), pp. 35558-59.

The USTR has identified China as a priority foreign country because of its failure to provide adequate and effective protection of intellectual property rights and fair and equitable market access to persons relying on intellectual property protection. Thus the Office has initiated an investigation of acts, policies and practices that led to the identification of the country as a priority foreign country.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE. Identification of priority practices; . . . Request for written submissions . . . *Federal Register*, vol. 59, no. 135 (July 15, 1994), pp. 36234-35.

The USTR requested submissions regarding priority foreign country practices, the elimination of which is likely to have the greatest potential to increase U.S. exports. The submissions should include information on the nature and significance of the foreign practices, identify the U.S. product, service, intellectual property rights, or foreign direct investment matter which is affected by it, and any other relevant information.

PART V

BIBLIOGRAPHY*A. BOOKS AND TREATISES**United States*

CREWS, KENNETH D. *Copyright, fair use, and the challenge for universities*. Chicago and London: The University of Chicago Press, 1993, 239p.

This work reappraises copyright law, fair use, and their relationship to higher education. One of the objectives of the study is to identify and define a role for universities in the copyright equation and to show that universities need to reevaluate the relationship between copyright and higher education. Mr. Crews examines such issues as copyright as a control on institutional objectives, rights of owners and users, and foundation of policies regarding fair use and library copying. His investigation also includes a discussion of congressional guidelines and university policies concerning photocopies, videotapes, and music; development of university copyright policy; and the need for a policy with respect to new technology.

*ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS**1. United States*

BURGOYNE, ROBERT M. The Copyright Remedy Clarification Act of 1990: state educational institutions now face significant monetary exposure for copyright infringement. *Journal of College and University Law*, vol. 18, no. 3 (winter 1992), pp. 367-79.

This article examines the Copyright Remedy Clarification Act of 1990 and its implications for state educational institutions. It also investigates the Act in the context of the fair-use defense available to state institutions.

CARTER, JAMES H. They know it when they see it: copyright and aesthetics in the Second Circuit. *St. John's Law Review*, vol. 65, no. 3 (Summer 1991), pp. 773-95.

Mr. Carter discusses recent cases brought before the Second Circuit including decisions involving fair use, factual compilations and utilitarian design. These cases often rest on judges' interpretations of what elements make a work creative rather than utilitarian. Cases discussed include: *Harper & Row, Publishers, Inc. v. Nation Enterprises*, *Salinger v. Random House, Inc.*, *New Era Publications International, Aps v. Henry Holt & Co.*, *Eckes v. Card Prices Update*, *Financial Information, Inc. v. Moody's Investors Service, Inc.*, *Victor Lalli Enterprises v. Big Red Apple*, *Kieselstein-*

Cord v. Accessories by Pearl, Barnhart, Inc. v. Economy Cover Corp. and *Brandeis International, Inc. v. Cascade Pacific Lumber Co.* The author states that even though judges are often performing the role of an art or literary critic, this is acceptable providing their judgments "form a pattern of reasonable predictability."

HOULE, JEFFREY R. Digital audio sampling, copyright law and the American music industry: piracy or just a bad "rap"? *Loyola Law Review*, vol. XXXVII, no. 4 (1992), pp. 879-902.

The author discusses digital audio sampling as it applies to the Sound Recording Act and its effect on the music industry. Digital sound sampling is a technique used to isolate distinctive vocal and instrumental sounds. Once isolated, these sounds can be recorded and analyzed. By doing this a person can create an entirely different sound. This article concludes that (1) this is tantamount to pirating the entire song, (2) digital audio samples and all components of a musician's work warrant copyright protection, and (3) those who break this protocol and violate the copyright protection should not be able to profit from their actions.

KAHN, BRIAN. Networks, standards, and intellectual property: the fabric of information infrastructure. *Communications Lawyer*, vol. 12, no. 1 (Spring 1994), pp. 5-9, 22.

Mr. Kahn points out that information infrastructure is more than the aggregate of linked lines, equipment, information, software, standards, and people. It is how digital information, networks, and the functionality embodied in software work together and how they interact with evolving policies and institutions in telecommunications, standards, and intellectual property. He asserts that the metaphor of an information superhighway misses two important aspects of information infrastructure—knowledge infrastructure and integration infrastructure. He explains these aspects and discusses them along with other related topics, including "Intellectual property: from copies and copyrights to contracts and regulation" and "Into the infocosm: networks, standards, and intellectual property." He suggests that the issue of information infrastructure should be addressed either by enhancing and coordinating the efforts of agencies currently tasked with implementing a national technology policy or by establishing a new Intellectual Property Administration to do policy research and analysis and oversee separate ministerial offices for patents, trademarks, and, with congressional permission, copyright.

KENNEY, KAREN M. Copyright protection for semiconductor chip design. *Journal of Copyright, Entertainment and Sports Law*, vol. 2, no. 3 (Dec. 1993), pp. 156-200.

This article discusses various ways to best protect computer chip designs in keeping with the pace of technological developments. There is general agreement within the industry that some kind of protection is needed to protect computer chip piracy, i.e., patent, trade secret or copyright law, but whether copyright protection is best—is debatable. Ms. Keeney concludes that copyright protection for chip design challenges the flexibility of the 1976 Copyright Act and is not suitable for design protection. The Act's basic premise is to stimulate the circulation of intellectual and artistic works. She believes that, with some modification, the Semiconductor Chip Protection Act of 1984 could best protect computer chip design.

KREISS, ROBERT A. Scope of employment and being an employee under the work-made-for-hire provision of the copyright law: applying the common-law agency tests. *University of Kansas Law Review*, vol. 40, no. 1 (Fall 1991), pp. 119-205.

The author provides both a primer on the common-law agency test and an in-depth discussion of the test's nuances in the copyright context. It also analyzes the traditional test for determining scope of employment in copyright cases. It argues that the common-law agency test for scope of employment should be imported into the Copyright Act just as the common-law test for employee has.

LYNCH, MICHAEL J. Copyright in utilitarian objects: beneath metaphysics. *Dayton Law Review*, vol. 16, no. 3 (Spring 1991), pp. 647-77.

This article argues that the statutory definition setting the limits of statutory protection reaches contradictory results unless it is understood, in light of its evident purpose, to restrict copyright to those aspects of a useful article in which monopoly can be awarded without necessarily extending to the utilitarian features of the article.

McKuin, JOEL L. Home audio taping of copyrighted works and the Audio Home Recording Act of 1992: a critical analysis. *Hastings Comm/Ent L.J.*, vol. 16, no. 2 (1994), pp. 311-48.

This article focuses on the inadequate protection afforded music creators from unauthorized noncommercial home taping of sound recordings. The author argues that the Audio Home Recording Act of 1992 (AHRA) provides record producers with insufficient protection from home copying. The author concludes that the AHRA must provide for both analog home taping royalties and performance rights in sound recordings to adequately protect the recording industry.

YEN, ALFRED C. The legacy of Feist: consequences of the weak connection between copyright and the economics of public goods. *Ohio State Law Journal*, vol. 52, no. 5 (1991), pp. 1343-78.

This article evaluates the effect of the Supreme Court's decision in *Feist v. Rural Electric Co. Inc.*, 111 S. Ct. 1282 (1991). The court ruled that the copyright law did not protect the white page listings of a telephone book.

2. Foreign

BELMORE, NEIL R. and A. KELLY GILL. A tentative step into new waters: copyright and industrial design rights in Canada. *Copyright World*, issue 42 (July/Aug. 1994), pp. 32-35.

Section 64 of the Canadian Copyright Act was enacted to clarify two areas of uncertainty regarding the interface between copyright and industrial design right. The first removed the artist's subjective intention at the time of creation of the original design as the test in determining the subsistence of copyright in useful articles. The second addressed the subsistence of copyright in utilitarian features of articles. The authors explore the background of the section and the issue of the extent of protection afforded to primarily functional and useful articles. They also analyze *Somerville House Books, Ltd. v. Tormont Publications, Inc.*, a copyright infringement suit involving a snap together toy skeleton and the pages of a book explaining how to assemble the skeleton.

BOOK REVIEW—P.M.—TAYLOR, MARTIN. Global dimensions of intellectual property rights in science and technology. National Academy Press, 1993, 442 pp. *EIPR*, vol. 16, no. 1 (Jan. 1994), p. 44.

This book is a compilation of the proceedings of the U.S. National Research Council's 1992 meeting concerning intellectual property rights in science and technology. It focuses on the different ways in which international legislation could be improved, especially since the rise in losses of U.S. rights due to current world regimes. The work provides an introduction to the economic history and development of intellectual property rights and gives arguments for and against a uniform framework of legislation. One of the sections of the book is devoted to a comparative analysis of various national approaches to rights protection, particularly that of the European Community, Japan, and India.

BOOK REVIEW—FRANCON, ANDRE. Le Droit d'auteur: aspects internationaux et comparatifs. Les Editions Yvon Blais, 1993, 243 pp. (reviewed by Philippe Logie). *EIPR*, vol. 16, no. 6 (June 1994), p. 256.

This book is based on a lecture given at McGill University in Quebec, Canada in 1990. The author gives an overview of the various international

conventions on copyright. He places special emphasis on moral rights, national treatment, and publication in general. Part of the book deals with the Treaty of Rome and copyright. The author shows how the Treaty affected Member States' industrial property laws and how it commanded the application of European law to copyright. The book also devotes attention to a comparison of the copyright concept to *droit d'auteur* and copyright ownership in the U.S., U.K., and Canada.

Canada: copy shop ordered to pay \$132,000. *Copyright World*, issue 41 (June 1994), pp. 10-11.

A damage award was assessed against Copy Ink, Inc. for illegal photocopying of a McGraw-Hill Ryerson publication entitled *Computer Organization*. The case is considered unique because it was not settled before trial and of the size of the award and the use of an Anton Pillar order to seize evidence of the illegal copying.

CHENGSI, ZHENG. The implementation of the Chinese copyright law. *Copyright World*, issue 41 (June 1994), pp. 38-41.

Prof. Chengsi points out that in the two years since China enacted its first copyright law, the country's copyright protection system has been continuously strengthened in terms of legislation, jurisprudence, administrative management, and non-governmental organizations. He discusses the steps taken to achieve this feat and to cause the protection level to develop towards internationally acceptable high standards.

Czech Republic: BSA leads push against software pirates. *Copyright World*, issue 40 (May 1994), pp. 10-11.

Three members of the Business Software Alliance—Microsoft, Software 602, and Symantec—are suing Dialog Agro Ltd., a Czech company. The suit is the result of a raid in which a large percentage of software used by Dialog was suspected of being copied illegally.

ELLIOTT, CLIVE. Once a copy always a copy. *Copyright World*, issue 43 (Sept. 1994), pp. 28-30.

Mr. Elliott examines two recent lawsuits in the New Zealand courts which raised the issue of whether it is possible for a defendant to avoid copyright infringement by making changes to a copied work. The suits are *Bleiman & Another v. News Media (Auckland) Limited* and *Mayceys Confectionery Limited v. Ivor Beckman*.

Estonia: Berne Act is law. *Copyright World*, issue 42 (July/Aug. 1994), p. 9.

In 1992, Estonia was the first former Soviet Republic to pass a copyright law. Now, effective June 1994, it has acceded to the Paris Act of the Berne Convention.

European Union: report of aspects of US trade policy. *Copyright World*, issue 41 (June 1994), p. 11.

In its annual report on U.S. Trade and Investments, the European Union stated that the Special 301 trade provision is inconsistent with, and in clear contradiction to the multilateral trade system. The report also indicated concern over America's use of sanctions or retaliatory trade measures and its failure to comply with Article 6 bis (moral rights) and Article 18 (protection of pre-existing works) of the Berne Convention.

GREEN, ELIZABETH. Title to copyright in the United Kingdom. *Copyright World*, issue 40 (May 1994), pp. 40-48.

This article discusses court decisions which interpret sections of the U.K.'s Copyright Designs and Patents Act 1988. Among the cases examined are *University of London Press Limited v. University Tutorial Press Limited*, *Ironside v. Her Majesty's Attorney-General*, *Performing Right Society Limited v. London Theatre of Varieties* and *Nicol v. Barranger*.

Italy: rental right not subject to exhaustion. *Copyright World*, issue 40 (May 1994), pp. 12-13.

This article discusses civil and criminal court decisions interpreting Italy's Copyright Act. The first ruling prohibited the rental of audio compact discs that had not been authorized by the copyright owner based on the finding that the right of rental is an independent right and is not exhausted through the distribution of the copyrighted work for sale. The second ruling held that Article 171 of the Act, which makes selling copyrighted material without prior authorization a criminal offense, equally applied to those people who rented the material without authorization. The article also talks about the applicability of the exhaustion principle to Articles 12, 13, 19, 61, and 69 of the copyright law.

Italy: IFPI seeks clarifying ruling on bootleg recordings. *Copyright World*, issue 42 (July/Aug. 1994), p. 10.

The IFPI has brought suit in the Italian courts over producers' rights to sell unauthorized live recordings and interpretation of Article 80 of the Italian Copyright Act, which provides that performers must be paid for all reproductions of their live performances. IFPI maintains that the article's language implies that the performers concerned have given consent for the

original recording. It argues that its construction of Article 80 is in conformity with international conventions signed by Italy, the country's competition law, and European directives. The Societa Italiana degli Autori ed Editori is the respondent in the case.

It's theft scream DACS. *Copyright World*, issue 42 (July/Aug. 1994), pp. 11-12.

After recovery of Edvard Munch's "The Scream," investigators discovered that hundreds of counterfeit copies of the work were being sold to reputable galleries, museums, and vendors. This article points out the importance of dealers determining the legitimacy of a reproduction before purchase.

KEANE, THOMAS M. Copyright and copyright protection in Cyprus—Part II. *Copyright World*, issue 43 (Sept. 1994), pp. 31-35.

The author explores some of the challenges posed by Cyprus' copyright law by developments in computer technology and in the area of audio-video works. He also examines the law's provisions as they related to protection of databases, commercial piracy and home copying.

Lithuania: bilateral agreement signed with the US. *Copyright World*, issue 41 (June 1994), p. 13.

The U.S. and the Republic of Lithuania signed a bilateral agreement regarding Trade Relations and Intellectual Property Rights Protection. The protections the agreement provides include copyright, encrypted satellite signal, and layout designs of semiconductor integrated circuits. In addition to requiring each party to provide effective enforcement of intellectual property rights, the agreement mandates compliance with the Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Duplications of their Phonograms, the Berne Convention for the Protection of Literary and Artistic Works, and the Paris Convention for the Protection of Industrial Property.

LYONS, DEBRETT. Copyright in trademarks. *EIPR*, vol. 16, no. 1 (Jan. 1994), pp. 21-31.

The author provides a look at copyright and the trademark law in Australia. He notes the ways that copyright can help the trademark owner. "Grey" goods and foreign trademarks are also investigated. British cases are discussed, including *British Northrop, Ltd. et al. v. Texteam Blackburn, Ltd. et al.* and *Roland v. Lorenzo*, in which trademarks were modelled on literary elements.

MORCOM, CHRISTOPHER, ROGER ZISSU and FREDERICK MOSTERT. Copyright in financial documents. *EIPR*, vol. 16, no. 1 (Jan. 1994), pp. 6-15.

The authors question if copyright can subsist in financial documents. They point out that copyright already protects documents such as prospectuses and other financial documents for purposes of filing with a stock exchange. Presently other products are protected such as architects' plans, attorneys' opinions, broadcasters' program listings, and cartographers' maps. This article investigates whether a document which ties in a new financial product created by an investment banker or lawyer contains enough original work and intellectual labor to be protected by copyright. Both the laws of the United States and Great Britain are examined concerning copyright in financial documents.

New Zealand: layout design bill introduced in order to comply with TRIPs agreement. *Copyright World*, issue 40 (May 1994), pp. 13-14.

The New Zealand government proposed legislation providing for copyright style protection in original layout designs for integrated circuits. This article discusses the bill, including the protection it provides, term of protection, and ownership rights. The measure calls for amending the country's Copyright Act to exclude layout design from the definition of the term "artistic work." Reportedly, the legislation is intended to meet the country's obligations under GATT.

NORDEL, PER JONAS. The 1993 final revision of the Swedish Copyright Act. *Copyright World*, issue 40 (May 1994), pp. 36-39.

The author examines Sweden's copyright law revision legislation. The two main purposes of the revision were to strengthen authors' rights and to solve certain problems arising from the development of new technology. The measure contains new provisions on limitations to the author's exclusive right and incorporates the law on protection of photographic pictures.

PAISLEY, KATHLEEN. Advocate General issues opinion on the Magill case. *Copyright World*, issue 42 (July/Aug. 1994), pp. 7-8.

Ms. Paisley reports on *Magill TV Guide Ltd. v. BBC*. The case involves the BBC and two other broadcasters' refusal to allow their television listings to be published in Magill's new weekly television guide. The European Commission found that the broadcasters (copyright holders) had abused their dominant position in the market for their program listings by preventing the introduction of a new product that would compete with their weekly guides and for which there was significant consumer demand. The Court of First Instance (CFI) upheld the Commission's decision based on application of the EC legal concepts of existence versus the

exercise of intellectual property rights and the specific subject matter of those rights. Now the Advocate General has issued an opinion recommending that the European Court of Justice annul the CFI's judgment. He concluded that the broadcasters' action was not an abuse since the product in question competed with their program listings.

POZHITKOV, IGOR. Authors' rights and neighbouring rights protection in Ukraine. *Copyright World*, issue 42 (July/Aug. 1994), pp. 21-27.

Mr. Pozhitkov gives an overview of the Ukrainian Law on Authors' Rights and Neighbouring Rights which went into force February 23, 1994. The law provides a comprehensive system of protection for authors' rights in literary, scientific, and artistic works and for neighboring rights. It includes moral rights provisions and contains a prohibition against the grant of the author's right to legal entities but allows it to be granted to employees. The author discusses these aspects of the law as well as the areas of subject matter, duration, authorship/ownership, exceptions, and public domain.

PUN, K.H. A critique of copyright protection for computer software in the People's Republic of China. *EIPR*, vol. 16, no. 6 (June 1994), pp. 227-239.

This article reviews the number of regulations and statutes recently enacted by the Peoples' Republic of China in the area of copyright and compares the Chinese software protection system against that of other countries. Criteria for protection is discussed, including the concepts of originality, fixation, terms of protection, ownership, and secondary infringements. Other topics examined in the article include exceptions to copyright infringement, remedies, and moral rights.

Record settlement for infringement case. *Copyright World*, issue 41 (June 1994), p. 17.

Video Arts Limited and Melrose Film Productions Limited were awarded £150,000 in settlement of their copyright infringement suit against the Reliance Mutual Insurance Society. The suit was filed as a result of the defendant's unauthorized copying of training videos. The award is believed to be the largest amount paid to date in a copyright case in the U.K.

REYNOLDS, JOHN and PETER BROWNLOW. United Kingdom: increased protection for electronic circuit designs. *Copyright World*, issue 41 (June 1994), pp. 14-15.

This articles discusses *Anacon Corporation, Ltd. v. Environmental Research Technology Ltd.*, in which the High Court held that an electronic circuit diagram was both an artistic work and a literary work in which copyright subsists. The court also ruled that making a "net list" representing the diagram was not an infringement of the artistic copyright, but it

was an infringement of the literary copyright in the diagram. The court based its decision on the finding that the electronic diagram was a work consisting of notation to be read by somebody, as opposed to being appreciated simply by the eye, and that it therefore qualifies as a literary work.

SANCHELIMA, JESUS. Selected aspects of Cuba's copyright law. *Copyright World*, issue 41 (June 1994), pp. 27-31.

This article examines Cuba's copyright law and the philosophy behind practices and regulations which govern the administration of the law. Mr. Sanchelima talks about the main provisions of the Cuban law that hinder the country from complying with the minimum requirements of GATT and other international treaties. He also cites those copyright provisions that also prevent Cuba from joining Berne.

SCHONNING, PETER. Copyright law reform in the Danish Parliament. *Copyright World*, issue 40 (May 1994), pp. 33-35.

The Danish Parliament is considering a copyright bill which includes an exclusive rental right for literary works and works of art; improved protection for photographs and works of art; neighboring rights protection for film producers; and extended protection for performing artists and phonogram producers. It also contains bootleg provisions and language which allows certain rights owners damages for financial losses as well as remuneration for unauthorized exploitation of their works.

SCHWARZ, MATHIAS. The protection of audio-visual works in a digital environment under Germany copyright law. *Copyright World*, issue 42 (July/Aug. 1994), pp. 13-20.

This discussion identifies the various areas which digital information technology is impacting the processes of creating, storing, and exploiting audiovisual works. It endeavors to answer such questions as what is the nature of works made using computers and their categorisation pursuant to section 2 of the German Copyright Act and whether certain ways of digitally modifying copyrighted works or protected performances are covered by right of alteration under the Act. It also explores the issue of which technologies are to be considered as unknown uses within the meaning of section 31 of the law.

VINJE, THOMAS C. The end of the interoperability debate in US software law? *Copyright World*, issue 42 (July/Aug. 1994), pp. 28-31.

Mr. Vinje discusses whether under U.S. copyright law protection should extend to those aspects of a computer program intended to permit its interoperability with other programs. He asserts that a trend is emerging in the U.S. towards non-copyrightability of such elements and indicates that the trend has support in recent case law. The writer examines some of

the court decisions which tend to narrow the scope of copyright protection for non-literal elements of computer programs, especially to facilitate interoperability. *Computer Associates Int'l, Inc. v. Altai, Inc.*, *Atari Games Corp. v. Nintendo of America*, and *Sega Enterprises, Ltd. v. Accolade, Inc.* are among the cases discussed.

United Kingdom: software groups lobby Parliament for changes in the law. *Copyright World*, issue 42 (July/Aug. 1994), p. 11.

The Federation Against Software Theft has asked the Parliamentary IP Committee to consider certain proposals that would strengthen the copyright law in the wake of emerging technologies. The group proposed: greater authority for police enforcement in piracy investigations; audit of companies suspected of being involved in pirate activities; adoption of deterrent penalties in civil cases; easier search applications for Anton Piller orders; and protection of informants' identities.

WIENAND, PETER. Copyright term harmonisation in the European Union. *Copyright World*, issue 40 (May 1994), pp. 24-28.

Mr. Wienand discusses the European Union's directive on the harmonization of copyright and related matters as it relates to the United Kingdom. The main purpose of the directive is to harmonize the terms of copyright protection under the laws of member states. He explains that some of the changes will have a significant effect on the exploitation of copyright, and will require changes to U.K. copyright law in the areas of duration and copyright in films.

WOJCIECHOWSKA, ANNA and ANDRZEJ MATLAK. Aspects of Poland's new copyright law. *Copyright World*, issue 43 (Sept. 1994), pp. 25-27.

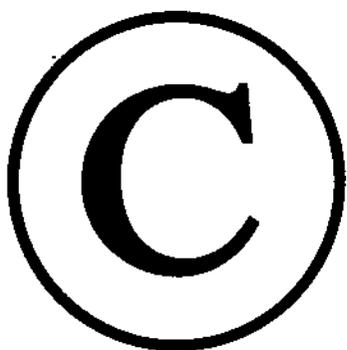
On May 23, 1994, Poland's new Law on Copyright and Neighboring Rights went into effect. The authors of this article discuss two aspects of the law—its provisions relating to copyright protection for phonograms and to neighboring rights. They explain how these provisions will lead to greater protection for authors.

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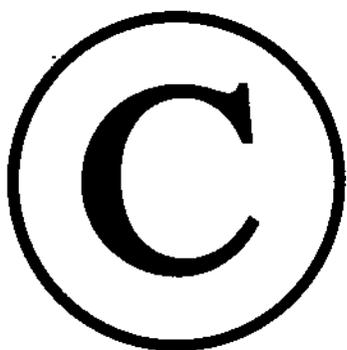
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ARTICLES

BLUES AND THE PUBLIC DOMAIN—NO MORE DUES TO PAY?¹

by JENNIFER L. HALL*

Last call on a Saturday night and the band winds up with crowd-pleasing renditions of *Sweet Home Chicago* and *Got my Mojo Working*. If they record one of these blues on their next CD, can they copyright the arrangement?

It's important because ASCAP and BMI pay performances royalties on original arrangements of public domain works—and record companies often pay mechanicals—although usually at a lower rate than for original songs.

Oh—these *are* public domain works, aren't they?

Actually *Sweet Home Chicago*, often credited as a PD song, may not be. And *Mojo Working* is “*not* in the public domain. And we pay a *lot* of royalties for it,” laughs Bob DePugh, director of licensing for Chicago's Alligator Records.

Sorting out what songs are under copyright and properly crediting fresh arrangements of public domain works presents unique challenges in blues. The Copyright Office can report what's in the public record, but cannot advise whether a particular work is in the public domain. Even if you determine a song is PD, it's hard to quantify—in copyright terms—the “something new” an artist brings to the something borrowed, something blue of traditional songs.

“Folk and blues are really problematic because you have these verses and classic instrumental licks that float all over the place and appear again and again,” says Jeff Place, archivist for the Center for Folklife Programs at the Smithsonian Institution. “I imagine if you were a copyright lawyer and you had to deal with old blues it would be a nightmare.”

It's a task that occupies the time of licensing experts like DePugh and musicologists alike. How the experts protect themselves within the uncertain copyright landscape is the subject of this two-part series.

¹ An earlier version of this article was first published in two parts in PUBLIC DOMAIN REPORT in 1993.

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VALUABLE COPYRIGHTS

Copyright comes into play even for music from the 1920s and '30s. A prime example is CBS Records' ROBERT JOHNSON: THE COMPLETE RECORDINGS. For years, many assumed Johnson's music was public domain.

But in 1974, producer Stephen LaVere struck a deal with Johnson's last known family member, his half-sister. The agreement gave LaVere, he told LIVING BLUES, "a transfer of all right, title, and interest in the Johnson compositions and photographs, in addition to appointment as agent for the purposes of collecting royalties from his recordings, in exchange for a liberal share of the proceeds generated by their commercial utilization."

Competing claims held the project up 17 years. In his contract with CBS, LaVere indemnified the label against all claims arising from materials he submitted, and Johnson's half-sister co-signed.

CBS agreed to pay LaVere an "all-in" royalty that LaVere says includes mechanicals to his publishing company, King of Spades Music. A CBS/Sony lawyer would not say whether the label considers Johnson's songs PD or not, but calls the deal with LaVere a "business decision."

Ultimately, rewards were great. The Grammy-winning boxed set, certified platinum in April 1994, has introduced "the king of the delta blues" to a whole new audience.

But the reissues were surrounded by controversy. "How," asked BLUES REVUE QUARTERLY editor Bob Vorel in a 1991 editorial, "can anyone claim any rights at all, once the music had entered the public domain?"

The answer to Vorel's question, of course, is one can't claim rights in music that has entered the public domain—with the notable exception of foreign works eligible for restoration under the recent GATT and NAFTA implementing legislation. Only Congress can restore a copyright, and even that can raise constitutional problems.

Determining the actual copyright status of these songs and recordings, however, could give anyone the blues. "It gets even trickier with older songs, because some had copyright in perpetuity" under the old law, muses Alligator Records' Bob DePugh.

Under current U.S. law, copyright exists from the time a work is "fixed" in tangible form and endures for the author's life plus 50 years. (For anonymous, pseudonymous, and for-hire works, the term is usually 75 years.)

Most blues standards were created under the prior law. Under that law, copyright began with publication or registration and endured for 28 years, plus 47 more if copyright was renewed. The general rule of thumb, therefore, is that works published or registered 75 years ago would lose protection—sooner, if they weren't renewed. A particular *arrangement* of a song could still be protected.

Moreover, songs that appeared on phonorecords but not on sheet music could still be under copyright. This is due to a reading of a 1908 Supreme Court case, *White-Smith Music Co. v. Apollo Co.*, and later Ninth and Second Circuit cases. Under this reasoning, songs appearing only on phonorecords *remained unpublished works*. Unpublished works retained common law copyright until registration or publication in "copies" triggered federal copyright. (According to LaVere, this is a basis for his claim in the Robert Johnson works.)

White-Smith held that piano rolls were not "visually perceptible" copies of the musical composition embodied therein. The Supreme Court let stand a 1941 Ninth Circuit decision extending that theory to phonorecords and a recorded poem. In 1976, the Second Circuit affirmed a lower court's ruling that sale of phonorecords was not publication under the 1909 Copyright Act.

For registration purposes, the Copyright Office policy is that release of phonorecords did not publish the recorded works under pre-1978 law. The new law, which came into effect January 1, 1978, provided that distribution of phonorecords *is* publication. If *on that date* a record was still in distribution, the Office considers the underlying work first published *on* January 1, 1978. If the record was no longer available, the Office considers the recorded work unpublished for registration purposes. If such records have been reissued since then, the Office requests the reissue date as date of first publication.

Under current law, protection for published and unpublished works generally is life plus 50. Congress provided, however, that copyright in works "created but not published or copyrighted before January 1, 1978," will endure until *at least* December 31, 2002, and if published before then until the year 2027.

As for *sound recordings*, they became copyrightable works on February 15, 1972. Federal copyright law does not protect U.S. sound recordings fixed prior to that date. Such recordings may be subject to state or common law copyright, however. The new federal copyright law preempted state and common law copyright in most works as of January 1, 1978. In contrast, with respect to sound recordings fixed before that date, the law provides that "rights or remedies under the common law or statutes of any State will not be annulled or limited by the federal copyright law until February 15, 2047."

STATUTORY BLUES

The argument that songs released only on phonorecords remained unpublished works and were not distributed in "copies" requiring a copyright notice has long persuaded many in the music industry. This view is convincing in part because, under the old law, a work published without copy-

right notice was injected irrevocably into the public domain. A contrary view could affect copyrights in many pre-1978 songs, at least those that were not registered or released on sheet music.

The contrary view may now prevail in the Ninth Circuit. Under a recent ruling of the U.S. Court of Appeals there, blues legend John Lee Hooker cannot claim that Texas blues-rock band ZZ Top infringed copyright in 1948 and 1950 versions of his seminal composition *Boogie Chillen* with its 1973 signature song *La Grange*, because those versions of Hooker's song fell into the public domain.

The Ninth Circuit held on January 10, 1995, that selling records *did* publish the recorded song under the 1909 law, and even if Hooker's 1948 and 1950 songs were published with notice, they fell into the public domain when their 28-year term expired without renewal.

Because the 28-year term would not have expired for a 1970 version of *Boogie Chillen* that Hooker cut with the band Canned Heat, the district court will now consider whether Hooker and his publisher "complied with statutory requirements" for that version. A petition has been filed for a rehearing of the appeal.

ARRANGEMENTS

BMI has some 16 claimants in songs titled *Sweet Home Chicago*, including Robert Johnson's claimed by King of Spades. However, many artists do record their own arrangements of traditional blues pieces.

The performing rights societies ASCAP and BMI will credit and pay royalties for new arrangements of PD works. Arrangements are evaluated carefully, however, and their performances usually credited at a much lower rate than original songs.

"Unless the arrangement is *very* different, we'll only pay 20 percent" of the otherwise applicable credit, says BMI vice president of writer-publisher relations Charlie Feldman.

BMI asks for a lead sheet or recording of the original PD work, although that "requirement" often is waived unless the writer requests a higher rate. If the arrangement is quite different from the original, BMI will pay up to 100 percent. "We have done that, almost like a sliding scale," he says, but adds that most people accept 20 percent.

"Sometimes someone says 'I've done alot of work, changed the lyrics. . .' If in fact they have altered the song so significantly that it's almost new, we might give them a full share. We want to do what's fair for the writer," Feldman says.

ASCAP employs a full-time musicologist, Andrew Shreeves, to evaluate arrangements of public domain works, and new music with public domain text, such as bible verses.

The latter are credited automatically at 50 percent because the music is new. Arrangements start at 10 percent, but 100 percent is possible in both cases.

An ASCAP member who has added extensive authorship to a PD work—new lyrics, measures, harmony, chorus or title—is referred to the “Special Classification Committee for Public Domain Arrangements.”

The member must write to ASCAP with a copy of the score or tape (ASCAP prefers a score but will work with a tape). Shreeves analyzes the arrangement, comparing it with the PD original. “Anything that favors the writer is counted in the member’s favor,” he says. The committee uses Shreeve’s report, along with the score, to “speed the process.”

“The issue is ‘What’s new?’ not whether the committee likes it,” explains Shreeves. If an arrangement has the same title as the underlying composition, but contains new lyrics ASCAP will pay up to 35 percent of the otherwise applicable credit. A new title *and* new lyrics will win the member up to 50 percent.

Occasionally, says BMI’s Feldman, people submit arrangements of songs that aren’t in the public domain. “For example,” says Feldman, punching up songs on his computer, “*Mystery Train* is Sam Phillips and Herman Parker. The original was 1954, Hi-Lo Music. If we got a song based on *Mystery Train* we would shoot it back to the person who sent it in.”

MECHANICALS AND PD WORKS

The performing rights societies’ assessment of what they will pay for an arrangement can be “very important, because when an arrangement goes on an album, the mechanical royalties [often] will be determined by what the performing rights society will pay,” says ASCAP’s Shreeves. “so they sometimes ask us for the review *before* record release, so the numbers will be in place when the albums start to sell.” Known as controlled compositions, this is one of the ways labels limit mechanical royalties.

Will Alligator Records pay mechanicals on arrangements of PD works? “It varies deal to deal,” answers DePugh. Charlie Musselwhite’s arrangement of *Silent Night* for the label’s Christmas album was copyrighted as an arrangement of a public domain work. But Alligator “has never paid less than three-quarters of the statutory rate, even for arrangements,” says DePugh.

“Sometimes we’ve *given up* money on arrangements, by not claiming and copyrighting them. We have our own publishing company, Eyeball Music, so frequently we get our artists’ publishing.” But “it’s an ethical call. Is this *really* a new arrangement? Or is it a fairly faithful rendition.” With Musselwhite’s *Silent Night*, he says, there was no doubt.

PART TWO

In 1948, John Lee Hooker wrote a song called *Boogie Chillen*, a deep growl of a blues song with hypnotic repetitive riffs. The ostinato-based tune scored on the R&B charts in 1949.

Boogie Chillen No. 2 followed in 1950, and Hooker recorded yet another version in 1970 with the group Canned Heat. Bernard Besman's publishing company eventually registered all three with the U.S. Copyright Office.

In 1973, the rock band ZZ Top wrote a song called *La Grange*. They too registered their song with the U.S. Copyright Office.

It was a hit.

Nearly twenty years later, after an exchange of letters and "conflicting expert musicology reports," suits were filed in federal district court between Besman and Hamstein Music, which had acquired the rights to *La Grange*. At issue was whether the ZZ Top song infringed the copyrights on *Boogie Chillen* and its derivative works.

On October 19, 1993, the U.S. Court of Appeals for the Fifth Circuit affirmed a lower court's dismissal for lack of personal jurisdiction of Hamstein's claim against Besman. On January 10, 1995, the Ninth Circuit declared the early versions of *Boogie Chillen* public domain, but remanded to the district court the question whether Hooker and his publisher complied with formal requirements of the 1909 law to secure copyright for their 1970 version. Because the complaint was originally dismissed, the court never addressed statutes of limitations or the similarity of the ZZ Top song.

Copyright questions raised by the litigation thus remain unresolved in a genre where, some folklorists say, the concept of "property" is an uneasy fit, and the line between "interpolation" and "appropriation" can sometimes become blurred.

How the experts protect themselves in an uncertain copyright landscape is the subject of this two-part series.

TOUGH CALLS

When Alligator Records licensing director Bob DePugh heard Charlie Musselwhite's recasting of *Silent Night* for the Alligator Christmas album, he knew chances were good BMI would pay performance royalties on the "copyrighted" arrangement.

Even though the carol was written 177 years ago, Alligator pays Musselwhite's publishing company, Musselwhite Music, as if he wrote the song.

The fact that Musselwhite had rearranged a traditional hymn for blues harp made it an easy call in a difficult genre.

Musical arrangements are copyrightable, and the Copyright Office will register arrangements of PD works. "But its a little more difficult in blues, because these artists have all copped from the style of past masters," says Kim Brown, [then] acting head of the Information section at the U.S. Copyright Office.

"It's hard to make an easy judgment as to whether an arrangement of such music is indeed new and original enough to claim copyright," says Brown. "In some cases, blues artists may be asking too much of the law and the Copyright Office by seeking protection for their arrangements of blues pieces."

* * *

Under the copyright law, a musical arrangement is a "derivative work"—a work based on one or more preexisting works.

A compulsory license to record a copyrighted song includes the privilege of arranging the work "to conform it to the style or manner of interpretation of the performance involved," but the arrangement may not change the basic melody or fundamental character of the work, and is not copyrightable as a derivative work without the copyright owner's consent.

Arrangements of public domain songs *are* subject to protection as derivative works. To be copyrightable, the new work must contain a certain minimum amount of added authorship.

Because popular arrangements may supplant an underlying song in the public mind, there is a misconception that songs can be "taken out" of the public domain this way. Once a work is public domain, a new arrangement will not restore its copyright. Copyright in a derivative work—in this case, the arrangement— extends only to the added authorship. The public domain material remains free to all.

An arrangement is an adaptation of a musical composition by rescoring. That's "straight out of Webster's," says the Copyright Office's Brown.

But "the musical dictionaries and encyclopedias disclose no definition that provides guidance for interpreting the term" in a copyright license agreement, said the U.S. District Court for the Southern District of New York in *Anheuser-Busch, Inc. v. Elsmere Music, Inc.* (1986). In that case, concerning the Budweiser jingle *For All You Do, this Bud's For You*, the court found "unpersuasive" the argument that "arrangement" has a clearly defined meaning.

This is especially true in an African-American tradition that places a premium on improvisation and emotional expression. Folklorists like University of Maryland's Barry Lee Pearson see, not rescoring, but "interpolation" with traditional component parts.

"Now that's the center of the blues tradition," says Pearson. "Teaching every year, you start to see how they're built from traditional roots. To the analyst, the melody might be the same but the song different in phras-

ing and interpretation. Expressing emotion in vocal tonalities and nuances is geared to the personality of great expressive singers like Elmore James or John Lee Hooker."

These qualities can make it difficult to copyright arrangements in the genre. The copyright law does not extend to short phrases or clauses, ideas, processes, or methods of operation.

"In the music context, that translates into a *style*," says the Copyright Office's Brown. "It's not something that copyright would protect."

The copyrightable elements of a musical work consist of rhythm, harmony and melody, according to a 1952 case involving a publishing subsidiary of Decca Records: Originality if it exists must be found in one of these, in particular *melody*. "Originality of rhythm is a rarity, if not an impossibility," the U.S. District Court said. "Rhythm is simply the tempo in which the composition is written. It is the background for the melody."

A limited view from Bo Diddley's standpoint—but copyright clearly can't protect such musical ideas as meter. "Even so eminent a composer as plaintiff Irving Berlin [can't] claim a property interest in iambic pentameter," said the Second Circuit in 1964.

Other cases suggest copyrightability for blues arrangements: If other substantial musical elements are present, a song with "virtually no melody" can be copyrightable, said a 1990 case involving McDonald's Corp. In 1961, where a compilation of public domain piano pieces included "fingering, dynamic marks, tempo indications, slurs and phrasing," a U.S. District Court found copyrightable authorship. A federal district court in Wisconsin found added authorship to the ultimate PD material: rhythmic annotations developed by monks from manuscripts of Gregorian chants from the tenth to fifteenth century "to make clear the ancient rhythm" were an integral, copyrightable part of the musical composition. In 1994, in fact, two former Benedictine monks claimed through the Spanish authors rights society for their arrangements of Gregorian chants on EMI/Angel's double-platinum *CHANT*, by the Monks of Santo Domingo de Silos.

A derivative work is more than "mere cocktail pianist variations of the piece that are standard fare in the music trade by any competent musician," held a federal district court last year in *Woods v. Bourne Co.* (1994). "There must be such things as unusual vocal treatment, additional lyrics of consequence, unusual altered harmonies, novel sequential uses of themes." The case concerned ASCAP's obligation to pay performance royalties on an asserted arrangement of a Harry Woods song after a termination of transfer.

In 1993, a U.S. District Court ruled that harmony created by composer Billy Strayhorn to accompany the melody of the Duke Ellington jazz standard *Satin Doll* could be copyrightable. A melody suggests a certain

range of harmony chords, but a composer may exercise creativity in selecting among those chords to influence “the mood, feel and sound of a piece.” The court acknowledged “the risk of giving the owner of the first derivative [work] a de facto monopoly on all derivative works made from the same underlying work,” but cited *Levine v. McDonald’s Corp.*, a 1990 case involving the “patter” technique of combining monotonic repetition of sixteenth notes. The *Levine* court said that to protect the song *Life is a Rock but the Radio Rolled Me* would not “tie up the centuries old concept of a patter song,” a tradition the court noted now includes rap.

In its 1994 opinion on 2 Live Crew’s commercial parody of Roy Orbison’s *Oh, Pretty Woman*, the Supreme Court found fair use of the lyrics but remanded to the district court the question of whether repetition of the original’s bass riff was excessive copying.

And a landmark 1924 opinion by then-District Judge Learned Hand ruled that composer Jerome Kern “unconsciously” copied a constantly repeating, eight-note ostinato figure from the instrumental *Dardanella* for his song *Kalua*. The defendants urged that the phrase, which had appeared in works by Wagner, Schumann, and others, was public domain. But, citing a section of the 1909 law that authorized protection for arrangements of public domain works, the court said the phrase had always been used, not as an ostinato but after an interval, and noted “the effect upon the ear [is] entirely different when the figure is rolled over and over again.”

Then there’s Latvian immigrant Austris Withol, who in early boyhood heard an organ grinder in his town of Riga play a folk tune on the hurdy gurdy. Withol had a valid copyright when, years later, he wrote the tune for church choir—with soprano, alto, bass and tenor parts. About 600,000 copies of the song *My God and I* were printed in Chicago in the late 1930’s and 40’s.

“Whenever you have a traditional form, whether it’s blues or basketweaving, you’re working with a limited vocabulary,” maintains Peter Jaszi, professor of copyright law at The American University. “What we reward in the copyright law—originality— isn’t always a good thing!”

Besides the unique style and performance an artist brings to a folk form, Jaszi suggests there is something more fundamental in a copyright sense.

“If I were in an advocacy position, and someone said ‘all your client has is a lot of traditional component parts,’ I would argue then there is a copyrightable compilation interest.”

“Then we’re not talking about an arrangement, but a *compilation*—a blues of standard elements, recombined in a new order and sequence,” he suggests.

REINCARNATIONS

Early blues musicians like Robert Johnson didn't register for copyright and were paid up front, not in royalties.

"People weren't worried about legalities," says Smithsonian Institution archivist Jeff Place [now with Smithsonian/Folkways]. "The concept of a distinct song didn't exist. It was when the business guy came in that the concept of ownership was introduced."

At the Smithsonian Center for Folklife Programs, Place summons familiar ghosts from pop folklore: the Rolling Stones' *Love in Vain* a reincarnation of a Robert Johnson tune; Canned Heat's *Goin up the Country* like a Henry Thomas tune; Led Zeppelin's *You Shook Me* like Willie Dixon's; and that band's *In My Time of Dying*, a dead ringer for Josh White's *Jesus Gonna Make up my Dying Bed*.

"I have the original acetate here in the archives. It's exactly the same tune, the same exact four verses in the same order," marvels Place. "I pulled it out and played it, and an assistant here in his 20's said 'hey, that's a Led Zeppelin song.' I said, uh, no it's not."

Dixon, for one, won an out-of-court settlement from Led Zeppelin in 1987. But, like Austris Withol, circumstances sometimes allowed composers like Hooker and Dixon to be credited with traditional delta material.

"Robert Johnson was a very good composer but one-third or more of his works are based on traditional verses and lyrics," says Pearson, who is president of the National Council for the Traditional Arts. "Willie Dixon wrote many good songs but there were clear cases where the songs derived from earlier sources." He cites *The Signifying Monkey* and *Meet Me in the Bottom*.

"As A&R man for Chess Records, Willie Dixon is a good example of someone in a position to copyright songs or credit arrangements. He copyrighted almost everything that he did," Pearson adds.

With the migration to Chicago in the 1940's of musicians like Muddy Waters, Mississippi delta blues were rearranged for electric guitar. "People like the Chess brothers, Polish immigrants, started investing money and taking risks to make R&B work. This was across the board," says Pearson. "Now that there was money at stake, people started to copyright."

Lack of copyright information is what made many traditional folk artists vulnerable during these years, says independent producer Worth Long. He tells of Elder R. Wilson and his three sons, street harmonica players recorded in the 1940's by a Detroit record shop owner.

"These were fine spirituals, it was very unusual to have four harmonicas," notes Long, who included the 83-year old Wilson in sessions recorded at Smithsonian's Folklife Festival. He says when the shop owner died, the masters were sold and relicensed without royalties for Wilson.

Even Folkways founder Moses Asch rarely included copyright credits on recordings in his 30,000-song collection, now owned by Smithsonian. "Especially field recordings," says Place. "It was just folk music." Seventy-five percent of the catalog sold less than 50 records a year.

But licensing inquiries to the label today are "relentless" according to Folkways producer Matt Walters. "We get a request a day" from record labels, museums, motion picture and tv commercial producers.

"Part of the mission of the Smithsonian is increasing and diffusing knowledge, so we try to make the works available, assuming it's fair for the label," says Walters.

DOING THE RIGHT THING

Scholars can debate whether the material *ever* originates with one author but "in the business, we're all too familiar with reality," says Alligator's DePugh.

Large publishers like Fort Knox/Trio, Arc Music, and Duchess Music acquired rights to smaller catalogs, and now administer publishing for many timeless songs.

Small labels "often never get hassled because the money is not that great," adds DePugh. "But we *do* get licenses, we *always* research the copyright status when recording titles. We're obliged to pay mechanicals so we need to find the publisher."

Mechanicals are royalties record companies pay publishers under copyright law for the right to reproduce and distribute a musical composition on a phonorecord. In absence of a reduced negotiated license, labels pay the statutory rate, currently 6.6 cents per song per record sold.

A record company that cannot locate a song publisher can avoid an infringement suit by filing a "notice of intention to obtain a compulsory license" at the Copyright Office. To demand compulsory license royalties, the copyright owner must be identified in the Copyright Office public records.

Those records at the Library of Congress are the primary resource for Smithsonian researchers. Place combed the records for a recent Woody Guthrie project. So did producer Dennis Britton for *THE BLUES*, a recent 93-song box set. "We're in an enviable position," agrees Folkways' Walters. "Most record labels aren't based in Washington."

But Alligator's DePugh starts with sources right in Chicago. "[Label head] Bruce Iglauer usually knows where a tune first appeared on what record. Or we call others in town with extensive record collections."

ASCAP, BMI, and Harry Fox are also sources. DePugh says start with BMI. The perception still exists BMI is better for blues, he says, due to early efforts to serve roots genres and monitor nonprofit and college

radio, which provide blues airplay. "Practically everything we cover is BMI."

"When stymied or in doubt, *then* we do a search at the Copyright Office. A big thing in blues is, you may have several different titles. Is it Mojo Boogie or Mojo Working? Run Me Down or You got to Run Me Down?"

Pearson also doesn't rely on the Library of Congress for traditional pieces. "I may find 10 or 15 people claiming in the same song—not just arrangements, but copyright in the original work."

Sometimes labels create escrow accounts. Of 93 songs in *THE BLUES*, Britton failed to find 18 copyright owners over a six-month period.

He set up escrow accounts for those songs, setting aside royalties at the statutory rate. "That way if the publisher shows up we have a paper trail showing we tried. That way we're covered."

Master licenses for the reissued sound recordings were a little easier for Britton: Sony Music was the manufacturer. It's common in the record industry for special product divisions of major labels like Sony to clear such rights as they manufacture products for clients.

* * *

When Smithsonian was planning its *ROOTS OF RHYTHM AND BLUES: THE ROBERT JOHNSON ERA*, they consulted Pearson to determine which songs needed licenses, before forwarding the project to Sony lawyers.

"They stuck with my decisions across the board. We only had a claim over one song," says Pearson.

Jesse Mae Hemphill's publishing company High Water, housed at Memphis State University, sent a letter to Sony/Columbia claiming copyright in *Train Train*.

"I told the Sony lawyer the argument could be made the song was rewritten from traditional parts, because of its similarity to a number of other pieces from the same region. I said the worst that could happen if they didn't pay would be negative publicity," explains Pearson. "But it was clear she really believed she wrote this song. And the royalties would be small."

"The lawyer from Sony said they wanted to do the right thing and agreed to the license. I was very impressed by that."

Meanwhile it's last call and the band's winding down with its own take on *Sweet Home Chicago*. Maybe as Mark Wenner of D.C.'s Nighthawks recently put it, such blues "are classics because they have survived many interpretations. They have proved durable with countless audiences. Don't get out some scholarly measuring stick. Don't analyze it . . . Invite your friends over and turn it up loud."

SUPREME COURT ROUNDTABLE: *FOGERTY V. FANTASY, INC.*¹ AND *CAMPBELL V. ACUFF-ROSE MUSIC, INC.*²**EDITORS' NOTE:**

The following is a transcript of a roundtable discussion held on April 11, 1994. The discussion was hosted by Roger L. Zissu, a partner at Weiss Dawid Fross Zelnick & Lehrman, P.C., then President of the Copyright Society. The participants were Marcia B. Paul, a partner at Kay Collyer & Boose; Irwin Karp, counsel for many years to the Authors' League and currently counsel to the Committee for Literary Property Studies; Robert M. Callagy, a partner at Satterlee Stephens Burke & Burke; Professor of Law Marci Hamilton, Benjamin N. Cardozo School of Law, Yeshiva University; Frank R. Curtis, a partner at Rembar & Curtis; Bernard Sorkin, Senior Counsel, Time Warner Inc.; and Professor of Law Beryl R. Jones, Brooklyn Law School.

ROUNDTABLE DISCUSSION*Fogerty v. Fantasy*

- Zissu We have a knowledgeable group gathered here to discuss two recent Supreme Court decisions in the copyright area, the *Fogerty v. Fantasy* case and then *Campbell v. Acuff Rose Music, Inc.* My name is Roger Zissu. I may say various things which express my views, but may not, and they may be provocative and they may be to stimulate the discussion.
- Paul We cannot quote you in the future on anything you say here, because you may have said it simply to be provocative and promote discussion.
- Zissu Correct, you can quote me.
- Callagy Anyway it works, we are going to quote you.
- Karp Roger.
- Zissu Yes.
- Karp I guess I should warn you . . .
- Zissu Yes.
- Karp . . . that we are going to transcribe this and print it in the Journal of the Copyright Society.
- Zissu Correct.
- Karp But everybody will have a chance to edit their remarks before we do that.

¹ 510 U.S. —, 127 L. Ed. 455, 114 S. Ct. 1023 (1994).

² 510 U.S. —, 127 L. Ed. —, 114 S. Ct. 1164 (1994).

- Zissu You can quote me. I am just saying some of my questions will not reflect my views. It probably will be apparent, but anyway, why don't we go forward on the *Fogerty* case. Let me start off by asking, who was surprised by the result of this case and why?
- Sorkin I was not surprised, I agree with the result but I have a question about its application. But I will leave that for later and let you put your question to the others around here.
- Karp I wasn't surprised, but I didn't think it was that sure a thing. I think that the Court had to consider the Second Circuit and the Ninth Circuit's longstanding preference for plaintiff recovery and I think they came out with the right result.
- Callagy I would echo Irwin's conclusion. I tried a case recently—a copyright infringement case—where the jury awarded plaintiff \$1.00 but when it came to the application for attorneys' fees plaintiff's counsel sought \$212,000. Now, certainly *Fogerty* would not preclude the application for attorneys' fees, but it underscored the fact that an award should be discretionary on both sides.
- Zissu Is it that the Fourth Circuit was right all along? The Fourth Circuit said, and that is quoted in the opinion, that all the other Courts, like the Second and the Ninth, made something out of nothing. Wasn't this discretionary for all the Circuits all along, and isn't that what the statute says?
- Paul I think that the Supreme Court is saying that yes, of course, it is discretionary and has always been. But they are saying something other than what the Fourth Circuit has said, by stating that the same standard needs to be applied within that discretion to both plaintiffs and defendants.
- Hamilton The problem with that account of the case, though, is that they give absolutely no guidance on the criteria for such discretion. They say it's an equitable set of considerations and, as we know from all the fair use cases, equitable sets of considerations can't occupy the entire universe. So I don't think it is at all clear after this case, who will get attorneys' fees and who won't. It will be difficult to predict whether you should bring the suit or not.

- Curtis I think you are jumping ahead now, from the question of surprise to the substance of it, but I think that's a very apt observation. As far as how to reach the decision, obviously questions of culpability, bad faith, objective unreasonableness, are very relevant, but the Court does not say very much. It leaves us rather in the open about what comes into play beyond that. If you don't have a very clear case of bad faith or unreasonableness, the balance isn't clearly on one side or the other. The Court isn't saying that those are the only considerations, but they say rather little about what other considerations should be brought into play.
- Paul What other statutes which provide for an award attorneys' fees are you aware of, where the Court has stepped in and spelled out the parameters of that discretion?
- Curtis I don't think I can speak to that, maybe others can.
- Zissu I think maybe one thing we could say is that we do have a history of fee awards in the copyright area and we do have one standard with the prevailing party. And plaintiffs, as prevailing parties, frequently, I won't say automatically, recover reasonable attorney's fees and maybe that may happen with defendants. The courts are going to have to define this. I am not sure we can ask the Supreme Court to do that.

- Curtis I think there will be a somewhat greater tendency to award fees to plaintiffs even after this case, because if you take out the cases where there is a clear imbalance, somebody was clearly acting out of a bad motive, somebody was clearly wrong, and think about whether there are any cases that are more closely balanced in which there should be an award of attorneys' fees, I think it is easier to summon up considerations in cases where plaintiff prevails, than where the defendant prevails. Despite the Court's emphasis on the fact that it's supposed to be an even handed rule, I think there may still be little greater tendency to award fees to prevailing plaintiffs. And I don't think that's necessarily a wrong thing, because what I keep returning to in my own mind is the fact that, in at least most cases, the defendant is the party that has done something that is being objected to, the defendant is the one who had the opportunity to decide how close to the line he was going to go. And I think there is some merit in saying that maybe that factor should be taken into account when you get to an award of fees. The plaintiff didn't have a chance to say "keep a little farther away from the line." It was the defendant's choice, to some extent, to take the risk that he would be found wrong if he got too close to the line.
- Sorkin May I ask a question? Mr. Curtis has listed a number of elements that might be taken into consideration, presumably even handedly on both sides. Would another element, do you think, be the relative economic standing of the two parties?
- Paul I don't think it should be, do you?

- Karp I think we have to read a footnote, unfortunately. At the very end of the opinion, the Court says, quoting from *Hensley v. Eckerhart*, “there is no precise rule for making these determinations. Equitable discretion should be exercised in the light of considerations we have identified.” (Footnote 19.) Then they refer to *Lieb v. Topstone Industries*, a Third Circuit 1986 decision, pointing out that in *Lieb* the Third Circuit listed several non-exclusive factors that the courts should consider in making awards of attorneys’ fees to any prevailing party: “These include ‘frivolousness, motivation, objective unreasonableness . . . and, the need in particular circumstances, to advance considerations of compensation and deterrence.’” And the other factors in *Lieb* include, and I’m reading from *Lieb* now at 788 F.2d at 156. Is that okay, Roger?
- Zissu That’s okay. It’s not only okay, it’s impressive.
- Karp “Having decided that fees should be awarded, the District Court must then determine what amount is reasonable: “As we noted in *Chappel*”—I’m not going to cite that one, Roger— “the relative complexity of the litigation is relevant. Also a sum greater than what the client has been charged may not be assessed, but the award need not be that large. The relative financial strength of the parties is a valid consideration.” There are citations for all of these. In keeping with your observation, or cases, I had to point this out. “The relative financial strength is a valid consideration as are the damages when bad faith is present. That too may affect the size of the award.”
- Hamilton The problem with that listing, though, is the fact that the Supreme Court decided *not* to list any of these particular factors you just read. The Court leaves us in the dark.
- Karp Oh no! The Court said in the footnote, we agree that such factors may be used “to guide the courts’ discretion,” so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing claimants and defendants in an even-handed manner.

- Callagy The problem I have that is the list of factors you have just reviewed, Irwin, is more in line with the conduct penalized under Rule 11 where you brought a case either in bad faith or where you knew you had no claim. But when a plaintiff wins, just by being the prevailing party, without more, plaintiff often receives an award of counsel fees. This litany of reasons why a party gets attorneys' fees does not simply say, "you're the winner or the loser," you've got to show much more. I guess I have a problem with that, because I think that a defendant will have a tough time receiving an award to the extent that you rely on the factors included on the list.
- Karp Bernie's employer was a defendant in an infringement suit called *Denker v. Uhry and Time Warner*. Henry Denker, a very prolific novelist and a fairly successful playwright who had four good plays on Broadway, was convinced that Alfred Uhry had stolen "Driving Miss Daisy" from a play of Henry's which ran a week on Broadway—called "Horowitz and Mrs. Washington." In fact, I looked at the two. He didn't retain me, but he asked my opinion. I looked at the two, and I wrote him a short note. I said you cannot copyright boy meets girl—boy loses girl—boy gets girl—; the only similarities between these two plays are that in both, one protagonist is white and the other one is black and they don't like each other, the black helps the white, and after a while they get friendly. That's what the judge decided. It was argued on appeal a few months ago. The argument was at 11:00 and at 2:00 the Clerk of the Court of Appeals called Henry's attorney and said we have a decision for you—affirmed. It took the Court of Appeals probably only five minutes to do it, not even the three hours. I looked at that and I wondered, now, how is he going to get away without paying attorneys' fees? Now, I don't know why . . .
- Zissu Second Circuit?

- Karp Second Circuit. I would have still moved, even under the Second Circuit rules. This case had so little merit, that I'm sure the Second Circuit would have awarded attorneys' fees. Anyway, by now I thought we'd all learned the Second Circuit is a lousy copyright court. You want to start ticking off all of the Second Circuit opinions that the Supreme Court has reversed in the copyright field. A whole string of them. My assumption is that in a case where the plaintiff's contention was so tenuous, that you would ask for attorneys' fees even in light of the decision, and they didn't. And in answer to you, Bob, is that I think one of the reasons that we haven't had more effective application of attorneys' fees, a lot of lawyers don't ask for them when they should.
- Zissu Don't you think the Court should now award attorneys' fees in that kind of case? In other words, it's not necessarily frivolous or in bad faith, but it's objectively without merit. It's over the borderline.
- Karp Yes, I think they should.
- Zissu Don't you think that it's a little bit of a message that the Supreme Court is sending, and it may have to do with docket control and being anti-litigation?
- Curtis I'm going to start. I think undoubtedly they are sending the message, but I think there is also some validity to the point made before. In thinking about going forward with litigation, whether you litigate something or don't litigate it, what does this decision do to the calculus of litigating or not? And I suggest that, except in those very strong cases, where one side is very clearly in the right, this case will tend to eliminate a consideration of attorneys' fees, except perhaps as a wild card in the sense that there is so much discretion, it's so hard to tell in advance of the case, except where the merits are really clear, how a court is going to assess those equities, that I think you will tend to throw it in the air and say, "Well, I can't really come to grips with that question, except for the fact that it just increases the general uncertainties of litigating anything."

- Paul I think that we are all focusing, at least implicitly, on the idea that it might discourage plaintiffs with borderline cases, which is the whole reason that the American legal system does not provide for automatic award of attorneys fees to the prevailing party absent statutory authorization. But I think, from my own experiences in practice, it may have another quite the opposite effect. In representing publishers many times, they settle as defendants rather than spend the amount of money on attorneys' fees that would be involved in litigating the point. I believe that certain of the publishers may, if they believe that there is a realistic chance of getting attorneys' fees at the end of the day—which involves not just consideration of whether the same standard is applied, but also the deepness of the pocket involved—may tend to fight more things as a matter of principle rather than enter routine settlements which might affect their insurance premiums or their legal budgets. So I think it could cut two ways.
- Jones It seems to me in a similar manner, however, that it reduces the chance that a plaintiff with a meritorious claim will feel confident that attorneys' fees will be available at the end of the day. Thus, one might see a reduction in the number of plaintiffs who bring suits. If you can't calculate what the discretion is about, you may end up being most unwilling to bring the suit.
- Karp If those factors will come into play, they have already been in play in some of the circuits anyway, where they have applied the even handed approach. I don't know that you could do a test to find that there is less litigation there or unmeritorious claims than any other circuits.
- Zissu It would be interesting.

- Curtis To the extent that this change discourages meritorious claims, I think that one thing that should be thought about is further increasing the provisions we have for statutory damages. They finally doubled them recently, but they are still, especially in non-willful cases, rather small numbers. Maybe that's a way to deal with it rather than dealing with it through attorneys' fees, because the case in which this becomes the most critical problem is where you have the plaintiff who thinks he has a good case, maybe not black and white, but very good case, but where the damages are comparatively modest, and if he can be pretty sure he's going to get attorney's fees, maybe it's worth proceeding with, but if he's not so sure about that, it isn't worth it. Those caps that we have on such statutory damages, I think, are perhaps too modest.
- Sorkin Isn't it likely that a court would apply very similar discretionary factors to the range of the amount of statutory damages to be awarded? You'll find yourself right back where you started from in that sense, won't you?
- Curtis Yes and no. I don't think that that's entirely true. I think that in view of the Court's decision, if it wasn't a strong case, one way or another, I could easily imagine the Court denying the attorneys' fees and yet, if it were permitted, allowing a more substantial award of statutory damages.
- Paul But the lack of predictability in terms of the parameters and standards remains.
- Callagy Roger, I just wanted to pick up on one point that you made and that is, maybe the potential for attorneys' fees is aimed at trying to speed up the Court docket. There is a provision in the federal rules which permits an offer of judgment where you are defending a case you don't think is worth a great deal where you can offer an amount of judgment, and if the plaintiff doesn't pick the offer up, then they don't get costs. But in some cases where there is an offer of judgment they don't get attorneys' fees either. However, in the copyright arena, they still may receive attorneys' fees. I guess it all comes down to who is the prevailing party and will *Fogerty* serve as a deterrent?

- Zissu Taking Marcia's idea that some publishers might now fight it as a matter of principle, it is also possible, is it not, that they might fight and after a year or two, when a couple of them have won, then maybe some of the misguided litigation might subside somewhat. What do you people think about that?
- Paul I think that that might be a real salutary effect—and I'm sure the insurance community in this country would be very glad if that would happen—but I think that if more publishers assert themselves and aren't seen as a "soft touch" by plaintiffs, there may well be, over time, a decrease in the amount of suits, even apart from the availability of attorneys' fees. I just had a question for Bob Callagy; I didn't understand something you said. Are you saying that if you've made an offer of judgment under the Federal Rules as they now stand, and that offer is not accepted, and if at the end of the day your recovery is the same or less than the amount offered, you cannot recover attorneys fees? Are you saying that because of the Copyright Act, even given the discretion of the judge, there is a different rule?
- Callagy The courts have been awarding attorneys' fees despite an offer of judgment.
- Karp And an award coming in below the offer?
- Callagy Correct.
- Zissu One of the ways you can sometimes deal with that is in your offer of judgment, you put in a provision relating to attorneys' fees. I've had that experience. It has been helpful to me.
- Karp Roger, one thing that people should keep in mind when they start writing law review articles or doing surveys about this, is that attorneys' fees are far from unusual in federal court. I always thought that—having read some of the literature (in particular, the propaganda from publishers on section 412) that this is an extraordinary remedy, and in violation of the American rule. But the U.S. Code is full of federal statutes which provide for the award of attorneys' fees and statutory damages. The Copyright Act is far from unique, so that there is a whole body of law and case law that has to be looked at in order to test some of these assumptions we're making. It isn't a phenomenon confined to copyright law.

- Hamilton Except for the fact that this case proves that all of that existing case law is not necessarily going to be determinative in a copyright context. This case is all about why attorneys' fees will be considered differently than when they are considered, for instance, in the Title 7 context.
- Karp Yes, but that was because of the legislative history to Title 7.
- Hamilton Thus, the existing attorneys' fees case law is not going to provide much guidance in the copyright context. The footnote that you were reading earlier ended with the quote that we're not going to use those Third Circuit criteria necessarily. We're only going to use them if they are consistent with the policies of the Copyright Act, whatever those are.
- Karp I agree, but the range of statutory damage and attorneys' fees provisions goes beyond the civil rights cases where they have the element of a private attorney general being encouraged to bring suits. They're in all sorts of statutes.
- Paul I think we are also forgetting, or at least not paying enough attention to the fact, that our federal judges, for the reasons that Irwin just stated, and as a general proposition, are conducting fee hearings all of the time, and they are used to dealing with "lodestar" approaches, "vexatious" standards and all the other factors. There are *some* factors which are peculiar to copyright cases. But, by and large, we're talking about a range of discretion based on novelty of issues, relative strength and weakness of the parties—the same kinds of standards which were applied in federal court virtually every day by virtually every judge.
- Hamilton My problem with that is two fold: One, is that I don't know what the policies of the Copyright Act are. It's an amalgam of compromises, and you can't find one single policy that will inform you how to determine or how to assign attorneys' fees in any particular case. But that's the standard the Court provides: courts are supposed to apply the policies of the Copyright Act to determine whether or not to award fees in a particular case. I think those are murky instructions and that the Court has left people in a difficult position in deciding whether or not to bring suit.

- Zissu Let me ask this question about these. We have all these other federal statutes. I've always been under the impression from my practice that attorney fee awards in copyright cases are not that big a deal in terms of hearings, discovery and having a whole trial on attorney's fees, whereas in the anti-trust or the securities business, these things can get to be quite complicated. Do you think that's going to change? First of all, do you think it's true that copyright is a sort of a shorter step-sister here? In other words, people put in fee applications frequently on papers, they put in their bills, people take a shot at it and maybe there is an argument in court, maybe not, and a fee award comes down. Is that going to change? First of all, do you agree that that is the way it has been, and second, will it change or are we going to encourage a second kind of a case that goes on in every case?
- Hamilton If Irwin is right that we have such a wide range of fee discussions already in the federal courts it seems inevitable that they're going to expand the fee decisions in copyright cases now to meet those sorts of considerations. But I think we're going to have a long time of courts feeling around trying to figure out what criteria are important in the copyright context.
- Callagy I don't think that the procedure for determining a fee application will change. I think it will be done on papers. I think where it will get complicated is that most of the complaints that you have these days not only have the copyright claim, but they've got Lanham Act claims, they have common law claims, and they've got the kitchen sink thrown in. So that when you get to the fee applications, it is going to be a big issue as to processing the claims, and as to how much time was spent on a given claim and maybe counsel fees are not awardable under various of the causes of action. So I think it would get complicated in that regard.
- Jones I think this is especially true if you look at the language that the Court does take from the *Topstone Industries* decision regarding compensation and deterrents. These contain uncertain standards with respect to what factors should be considered. It seems unlikely to me that there won't be a substantial amount of litigation around those issues.

- Karp I don't think you could get much more specific about the factors. What are you going to do—prescribe hourly rates? Then you have to appoint Herman Badillo a monitor to make sure people actually are doing the work that they claim in their fee schedules or time schedules. I think these are fairly reasonable descriptions of the factors and probably more could be developed, but, since, as Marsha points out, the courts are always dealing with these questions and there are no more specific guidelines in other areas of litigation. I really think the important question is how many cases really are going to be that difficult to categorize? The *Denker* case, simple as pie. No question that they should have awarded attorneys' fees. The *Time Warner* case where the lawyer, what was that guy who did you in, your attorney, where the District Court even awarded attorneys' fees to the defendant? The defendant had made an offer, and the judgement came in below the offer, and the defendant consented to an injunction.
- Sorkin This question that Irwin raises, leads me to wonder, as a matter of history, whether there have been appellate rulings on the exercise by lower courts of their discretion and application of the factors?
- Karp Yes. The *Warner Brothers* case I'm talking about went up to the Second Circuit. In fact, they reversed and said even though the plaintiff's attorney really should have been sanctioned, there is no provision in the Copyright Act that allows an award of attorneys' fees to a defendant who technically hasn't prevailed, even though from a practical point of view it had.
- Sorkin But that's a very narrow and specific . . .
- Karp That's one of many.
- Sorkin But I'm talking about the kind of standards that I read out of the lead citation. Have the courts dealt with that and said that these various equitable standards that you believe are so broad or are not in particular cases appropriate?

- Paul You have to start with the premise that (a) it is an abuse of discretion standard on appeal and (b) in many of these situations, cases settle out, rather than going through the costs of an appeal. What I think is interesting about where this whole discussion has led all of us collectively is that we've gotten completely away from the obvious ruling of the Court, which is that same standard applies to both plaintiff and defendant, and we have instead focused on either a perceived or an actual pre-existing lack of standards, whether as applied to plaintiff or defendant. Before, there were two different standards, one for plaintiff and one for defendant. Now, we have the same amount of loosey-goosiness, but it applies equally to both sides.
- Zissu I am having more trouble figuring out what it will be for defendants.
- Curtis Whether the standard is a better one or not, I think it is less clear now, at least on the plaintiff's side, because certainly there were cases that said a prevailing plaintiff should normally get attorneys' fees. Well, that gives you sort of a presumption going in. Whether that's a good rule or not is another matter. But I think it was a somewhat clearer rule. I also wanted to add a little dissent to the notion that this rule is likely to encourage defendants' standing up as a matter of principle where they think they are clearly in the right. It seems to me that even under the older rules, if you were clearly in the right and you had a nutty plaintiff, the defendant had a pretty good right to an award of fees. I think the new rule might be more encouraging to defendants, and I think it is intended to be more encouraging to defendants, in the more evenly balanced case. A lot of what comes through in this opinion is the fact that it is important for the proper functioning of the Copyright Act that lines be drawn through litigation as to the proper scope of copyright protection, and therefore defendants should be free when it's a legitimate matter of litigation and argument, they should be free to defend the case without this terrible fear that just because they lose by a little bit, they are going to be stuck with attorney's fees.

- Zissu Can't we take one category, maybe to be a little provocative. Many plaintiffs have brought invalid claims over the years, such as the misguided plaintiff who doesn't understand that ideas are not protectable. We see it against motion pictures, books. I think that's a whole area we could probably say where attorneys' fees may start to be awarded now, and, if that is so, is that a good thing? Is that a category we could say, it's not bad faith, but you have this misguided plaintiff. Is this a category?
- Curtis I think clearly it's a good thing in that case.
- Karp You've put a label on it before which is in the opinions—objectively without merit, and I agree with Frank that it is a good thing to discourage that type of suit.
- Callagy I think what it really comes down to, and to courts haven't spent a lot of time defining it, is who is the prevailing party? Because again, to the extent that you have multiple causes of action and while you might have no statutory claim for misappropriation, you might have a common law claim, and while you might be able to get beyond the motion stage with the case, I think determination of prevailing party is the area in which the Court has to focus. Is *Fogerty* realistic about that, because if you win a dollar, you are not the prevailing party when you've asked for 10 million dollars.
- Paul That depends on what your object was in bringing suit. If you're going for an injunction and you really care about the injunction, and you get the injunction but you have not been damaged or cannot prove damage, you have won and you are the prevailing party in my book, even if your damages are zero.
- Callagy In my book you are, too. But if you went solely for money damages and you wanted 10 million dollars in your *ad damnum* clause and you got a dollar because you wanted profits, to me you are not the prevailing party, but the courts have not said that.

- Curtis I think that in some other areas, if not in the copyright area, there is, I don't profess to be an expert on it, but there are a certain number of decisions saying that if you have a group of claims and there are some wholly distinct claims that you don't prevail on, you don't get fees for that part of the case. Often, of course, there are claims that are not wholly distinct. In the area that we're talking about, where you've got copyright, you've got unfair competition, you've got maybe contract and quasi-contract claims, the fact that you didn't fully prevail will be taken into account but in a very general kind of way. That's a problem that runs across all of these statutes where you have an award of attorneys' fees. I'm no expert in civil rights cases but it is certainly true in those cases. Somebody brings 20 different claims and sometimes they're wholly distinct, sometimes they're related and the courts have certain discretion to try to sort that out.
- Zissu Let me just ask this question. What impact on any of us did the dissent have? Justice Thomas is concerned about the way statutes will be looked at, and I think he was saying the Civil Rights Act should go the way the Copyright Act went. Does that have any sway with anybody, or nobody cares about it?
- Curtis Isn't that really a question more for civil rights lawyers? Which part of the opinion?
- Zissu He's a new Justice. Do we want to comment on it?
- Sorkin I'd like to go back to what Mr. Callagy said. I think I'm troubled by your one dollar example, and if I understood you right to say that in such a case the plaintiff would not be deemed as prevailing party, assuming they sue for damages.
- Callagy No, I was saying in the case in question it was a suit over a national advertisement. It was a suit for copyright infringement. But it also had claims for common law misappropriation and Lanham Act violations. There, the plaintiff was seeking very substantial damages for this ad which plaintiff claimed had been copied from an earlier work of art that she had executed.

- Paul I think that what Bob is alluding to is a situation in which there is an exceedingly weak copyright claim but plaintiff is awarded one dollar on it, yet clearly prevails on a companion Lanham Act claim. The Lanham Act only provides for attorneys fees to the prevailing party in unusual circumstances. The question is whether a court is going to try to sneak in through the back door of the copyright standard, an attorneys' fees recovery that would not otherwise be available under the Lanham Act standard.
- Karp I don't think they can. Some judge may do it, but I think the Supreme Court would knock it down.
- Paul You're assuming it got up to the Supreme Court.
- Karp Oh, I think it will get up. It may take time. This should have been up before the Supreme Court 10 years ago.
- Hamilton The Court at this point doesn't take anything unless there is a clear circuit split. The Court views itself as a referee. Their docket is down 35%; it is dramatic. So we can't rely on the Supreme Court to solve these problems. If you want a definition of "prevailing party," I don't think we should be waiting around for the courts. It is Congress' responsibility.
- Karp Having had a little experience with Congress writing copyright laws, do you think that is really safer in the long run than through patient waiting for the Supreme Court to work it out?
- Hamilton It depends on who's running the committees up on the Hill.
- Karp Does it make any difference which of those people do it?
- Hamilton I think it makes a tremendous difference. The question is whether Congress is going to take responsibility for the policy or whether it is going to defer all of its policy making to private parties. I think it makes a big difference.
- Paul I continue to maintain as a practitioner, that I would rather go with the luck of the draw on a case-by-case basis, with the discretion of the judge than have an arbitrary statement of principles and rules that have to be distorted and twisted to meet the facts of a particular case. I think that this is exactly the kind of area in which judges need to have discretion, need to exercise that discretion, and there is a fair body of law that enables them to do just that.

- Jones I want to ask a question picking up on something that Marcia said a little earlier about defendants being willing to resist cases that they would not otherwise have been willing to resist. Do you think that this case will produce a substantive change in the behavior of entities involved in using copyrighted materials? Will this affect who they will pay when they are using the works of others? Is this just going to have an effect on litigation? It seems to me that the clear underlying thrust of the decision is people ought to be able to use the things that are not protected by copyright without fear of some unwarranted litigation. It seems to me that many people in the copyright business are paying for things out of fear of litigation, paying for licenses that need not be purchased. Do you think that would change that kind of substantive behavior?
- Paul Potentially, yes, I think it would be a very slow change, exceedingly slow change. But it would be interesting to see in practice.
- Sorkin I have a question connected to that. Maybe it is the same question in a different way and that is does anybody see the impact of this decision on the repeal of section 412? Is there in anybody's view a connection between the two, which I think is maybe the obverse of what you're asking or maybe it is the same thing.
- Karp One thing I think that it does in that connection is to cut the little ground there was supporting the publisher's meretricious argument that eliminating 412 will start a flood of litigation. [laughter] This is the kind of speculation which makes legislative drafting so speculative itself. The publishers went in the past, before Congress to threaten that if they enacted the Berne Act, we would have a flood of moral rights litigation; and we haven't even had a trickle of that. And they're arguing on 412 that if you eliminate the requirement of registration prior to infringement, that that will encourage enormous litigation, which it won't. And one of the points that was made is that courts can award attorneys' fees to defendants' lawyers. I pointed out that one of the reasons it isn't as effective as it should be, is that a lot of defendants' lawyers, as witnessed in the *Uhry* case, are just not doing their job properly. They didn't ask for attorneys' fees, that's what I mean by not doing their job properly, and they should have done it.

But the *Fogerty* decision certainly is going to make it harder to argue that someone's going to try to make a fortune by bringing a strike suit on an invalid copyright claim because they think the defendant will settle rather than risk litigation without collecting attorneys' fees. Now the defendant can recover fees in that type of case, which I think encompasses a lot of litigation. A lot of it I think is brought by people who Bob described as nutty plaintiffs, with lawyers who don't really perform their obligations and bring complaints on works that are just not infringing at all. *Morrison v. Solomon* is a great example.

Curtis I think one of the interesting questions, and I'm not in the best position to answer it, is what effect this will have on defendants in areas where there are hotly contested issues about copyrightability and the extent of protection. I don't do a lot of computer work, but I would love to have those questions answered in that context. Certainly what the Court is trying to achieve is to encourage defendants in those cases that have reasonable positions to litigate out those cases with greater frequency, maybe not so much on the hope that they will get an award of attorneys' fees, but with some of the fear taken away that they will get socked with attorneys' fees as well as damages if they lose those cases. Certainly the Court is trying to encourage those defendants, but I would be interested in asking the people who are doing a lot of that day by day what they think the actual effect will be.

Karp Ask Roger. Assume you had registered, Harper & Row had registered, *The Memoirs*, President Ford's *Memoirs*, before Victor Navasky carved out an editorial column in *The Nation*, do you think you would have gotten back attorneys' fees? That was a hotly contested case.

Zissu In that case, I would. I think we probably would have.

Karp Do you think you would?

Zissu Yes. I don't think it would have been a big deal.

Karp What do you think, Marcia?

- Paul I think not, because I think that in my experience, particularly in first impression kinds of cases, judges have a tendency to say that was a close call; neither side brought this in bad faith; it could have gone either way. In these circumstances, even prevailing plaintiffs have not been awarded attorney's fees, notwithstanding the so-called "presumption." So, my bet in the *Nation* case, would have been no.
- Zissu In *Roth v. Pritikin* I think there was an award of attorneys' fees to the defendants. I think of Second Circuit held it an abuse of discretion and reversed.
- Karp Yes, I think you're right.
- Zissu I think, taking into account all the factors in the litigation, and the trial testimony, there was a reasonable chance that in the exercise of discretion we might have gotten attorneys' fees. But, the Second Circuit reversed anyway. So, I don't know what would have happened to it as it wound its way up to the top. I have a question, one question. It's kind of a loaded question. Do you think if a defendant is threatened with litigation for copyright infringement, let's assume it's a close case, or it's a frivolous case, do you think it's better for the defendant to seek a declaratory judgement and be a plaintiff asking for attorneys' fees, or can the defendant now feel just as comfortable seeking attorneys' fees when it wins, having defeated the claim for copyright infringement? In other words, I'm putting the ultimate question to you.
- Callagy Roger, I still think that you'll be better off as a plaintiff. I think as a matter of practice, the *Fogerty* opinion will not be a deterrent after a court speaks. I think where it works is with *pro se* plaintiffs or marginal lawyers who don't really know the area, taking on something that is not a great case. I don't think they are going to take a gander with something that is a long shot when defense counsel says, hey, you'd better think about *Fogerty* before you file that complaint because you could get nailed with an award of attorneys' fees. That's the area in which I think it will have an immediate effect. However, I don't know that it will have a real effect down the road.

- Paul I just wanted to inject the practical note again, in part in response to Irwin's comment about attorneys making mistakes by not seeking attorneys' fees. Part of the reason that there is somewhat of the dearth of law in point and part of the reason why we have not seen a lot of decisions on point—even on the District Court level, not to speak of going up—is that as a practical matter, lawyers usually want to settle without appeal; they forego attorneys' fees or reach some private agreement taking a nominal amount towards attorneys' fees in settlement, simply to avoid the further litigation costs. I'm sure there are some attorneys who mistakenly fail to ask for attorneys' fees, but, by and large, as a practical matter, it's cheaper to settle out.
- Karp I agree with you, but there are reported decisions, such as the *Uhry* decision, and others, I don't want to mention them, because some of us have been involved in some of them, where the party who lost really could have been soaked for attorneys' fees on either side, and no demand was made for them. Let me just give one example because Bernie wasn't personally involved. The SUPERMAN case—Time Warner against . . .
- Paul The Great American hero?
- Karp Time Warner against, yes.
- Paul Didn't that get decided primarily on Lanham Act grounds?
- Karp No, no. It was a copyright case.
- Zissu ABC, it was copyright.
- Karp Lanham was involved, but it was basically a copyright suit. The guy, the young kid, wearing that kind of uniform was clearly not an infringement of SUPERMAN. And it was a very strong Second Circuit opinion on that, too.

- Curtis One thing that has to be borne in mind in thinking about the deterrent effect when you're talking about the marginal lawyer who doesn't know what he's doing, is that under the Copyright Act I believe we're talking about an award against the other party, against the plaintiff. I don't know this for sure, but I don't think that the Copyright Act allows you to get it from the lawyers. You still have to go back to Rule 11 if you want to get it from the lawyer, which is perhaps unfortunate because surely this is an area in which the plaintiff who thinks that he's got a copyright infringement when it's really a theft of ideas, if he's not well advised, it's an honest mistake. The person who we should be getting at a lot more is the lawyer who doesn't know what he should know before he brings such a suit.
- Karp I think that if district court judges exerted themselves a little more to police the calendar, as Bob pointed out, one of the things they would do in the kinds of cases we're talking about, because they're pretty obvious, some of them, right from the beginning, is at pre-trial, raise the question very directly. And also ask the attorney representing the party that the judge thinks really hasn't got a chance to show the judge a copy of the letter the attorney wrote to his client warning his client about the danger of being assessed attorneys' fees.
- Paul Leaving the latter part of that out, Irwin, I do think that is what the Initial Case Management Conferences are supposed to be about, in the Southern and Eastern Districts under the new scheduling order and plan. Those kinds of issues are supposed to, at least in theory, be addressed upfront by the court with parties present, without probing attorney-client communications and demanding to see copies of letters about such things.
- Karp On the Sixth Circuit, they really have come that far almost with the mini-trial, where the parties have to be present.
- Jones I'm not sure that I agree with Karp's assessment of the *Warner Brothers v. ABC* case. I don't see that case as such a certain case that attorneys' fees ought to be awarded against the defendant under this even handed provision.
- Karp That's what makes for split decisions.

- Jones Well, I guess that also makes for what's troubling about the *Fogerty* case. It is not clear what is going to follow from this decision. This case is clearly affected by the unusual posture of the case: the person who produced the musical composition was sued for infringing himself. That created some considerable sympathy for that particular defendant.
- Karp I don't think the facts of the case have anything to do with it. I think the Court said here, we've got these conflicting positions by the Circuits on how to interpret 505, and we read 505 and there is nothing in there that allows a court to give preference to plaintiff or defendant.
- Zissu We'll learn that because this was remanded, I think. So we'll learn what the district judge . . .
- Jones Well, I think that insofar as you're talking about questions of deterrence or compensation and what one means by those terms, it is important that this case is about the author being sued for infringing his own work.
- Karp Authors have been sued for infringement of their own works and have lost.
- Callagy On remand, do you think one of the issues will be whether and to what extent the parties had settlement discussions before the case went to trial? Will the Court in deciding whether it is appropriate to award counsel fees want to know whether or not there was a reasonable dialogue?
- Paul Don't you think there is a problem with that approach under the Federal Rules of Evidence, Rule 408, a problem with the Court inquiring into the substance or fact of settlement negotiations whether pre-/or post-litigation?
- Callagy Well, my feeling is to avoid an award of attorneys' fees, you might want to show how unreasonable one side was in terms of their demand or vice versa.
- Paul If you do that then, you're getting in the way of another underlying policy consideration, which is the policy favoring and encouraging settlement and settlement negotiations.
- Zissu Now we'll do an exit question the way McLaughlin does. On a scale of one to ten, would those here prefer legislation or a common law or case law development of the standards for attorneys' fees? And we'll go right around the room on the exit question. Sorkin?

- Sorkin I would prefer, with one caveat, case development. The caveat being, I would, speaking from a parochial point of view I must admit, like to see legislation which says that the relative economic standing of the parties is not to be considered.
- Karp I would prefer to see it go to the case law route.
- Curtis I would generally prefer to see it go the case law route, because I'm pessimistic about Congress really coming to grips with it specifically in the copyright context. If there were to be a general change on the way we handled this—a different choice between the American rule and the English rule— I think you would almost necessarily have to involve Congress, and maybe we'll come to that someday.
- Callagy I believe in the case law approach.
- Jones I think I'm sort of evenly divided at this point. It seems to me that some clarity would be very useful and that for the next few years it's going to be very difficult for people who want to bring copyright suits. If some legislation were possible, I would prefer that.
- Hamilton I think predictability is probably the most important value in these sorts of decisions. For that reason I think Congress should take the responsibility and make a decision. I don't think the courts are going to be able to come up with an across the board rule, across the country, that will provide predictability and fairness for all the parties.
- Paul I'm emphatically in favor of the case by case approach, because I don't think that this kind of discretionary standard can be productively legislated.
- Zissu The answer: Nine---case law, according to the McLaughlin approach.
- Karp Who is McLaughlin? Oh, I thought you meant the former judge.
- Zissu The McLaughlin Group is a group that discusses public events on Sundays in various areas. They yell about it, it's chaotic and I love it for that reason. My life is so normal and reasonable that I love chaos on Sunday.

Campbell v. Acuff Rose

Anyway, I guess we'll go to the second decision. The second decision is the parody decision, *Campbell v. Acuff Rose*. I guess the first question we can start with is, what do you think the big points are, are there a lot of points, and what are the biggest points in this decision?

- Callagy I believe in collapsing the four fair use factors by basically boiling them down to two. One is, what did you do to the market for the work that has been infringed? Then really the other three factors all seem to come back to the first factor, what is the nature of the work?
- Curtis I would say that to me that the two things that jump out the most is the very strong endorsement of parody as legitimate form of criticism standing almost in its own right. I think what Bob said has to be limited to parody type cases. While Judge Souter is careful to balance things out and say it could be this, it could be that, still, the message that comes through as far as parody is concerned, is, if it is primarily a parody and if, in the judge's eyes, you don't use more than you have to, you are maybe not 100% certainly, but almost certainly, in the clear. The other biggest factor, I think, is the strong emphasis on transformative use and the extent of transformative use, and that I would think is the part of the opinion that is likely to have the greatest impact outside the parody field.
- Karp I was taken by the definitional paradox. Richard Dannay always talks about pastiche, and I always have to go back and look up the definition which I promptly forget. But, ironically, and the Court now quotes the same definition of parody that I looked up this morning in Houghton-Mifflin's American Heritage: "Parody is a literary artistic or artistic work that broadly mimics an author's characteristic style and holds it up to ridicule." This wasn't parody, this was really pastiche. Pastiche is "a dramatic or musical piece openly imitating the previous work of another artist, often with satirical intent." I don't think that's critical, I think the Court is simply going to say, oh well, you call parody a pastiche, it's the same thing. But ironically, if it were true literary parody, I don't think it would be infringement to begin with, since it would only be copying the author's style, and you can copy Hemingway's style all you want, as long as you don't copy one of his books. But I agree with both Bob and Frank about what I think is the probably the basic impact. I think it weakens copyright protection quite considerably in this area.
- Paul You mean in the parody context?

- Karp The *Acuff* decision itself. One more point, I think that the Supreme Court in the past and whoever else, I guess it was Nimmer, began talking about the effect of the market being the most important factor in determining fair use, which was grievously in error. I don't think fair use ought to be determined primarily on that point. Because I can see uses that I would think were outrageous non-fair uses that have very little impact on the market value of a particular work. Someone had copied a big chunk out of Henry Roth's "Call It Sleep" while "Call It Sleep" was dormant between its publication and its revival thirty years hence. I don't think that should be considered fair use.
- Sorkin Judge Leval, I think, made that point in a slightly different way when he spoke of the unknown song that was given huge fame and economic value by being without authorization stuck into a movie. But I don't think it follows from that, that the opposite is not true, that is if there is an impact on the market it shouldn't be considered extremely important.
- Karp I agree.
- Paul There are three things that I thought were critical. One was how strongly the Court seemed to elevate parody and to protect it. Second, as you say, the demotion of the fourth fair use factor. My third point is that I think the Court went out of its way—and did not have to—to get rid of the presumption under the *Sony* case of the use being unfair if it was commercial. They seem to be looking for a case to undo what *Sony* had wrought, in that connection.
- Zissu But they did it.
- Curtis And that was a very welcome thing, wasn't it?

- Hamilton I agree. It seemed to me that the Court was looking for a case to try to take back its statements in *Sony* and *Harper & Row* about the first and fourth factors and to say that they weren't determinative. This case certainly gave them the opportunity because the lower court had such a shallowly reasoned opinion. But what I took away from this case is that if you compare it with *Feist*, the Court seems to have placed itself in the role of being the policy maker for copyright in the country. It seems to want to fill that role. Which is why I find *Fogerty* so interesting because the Court doesn't seem to want to fill that role at all in the particular case. But in *Feist* and *Acuff Rose* it goes out of its way to go beyond the statutory question on which *certiorari* was granted on, which they could have answered directly, decided the case and dropped the issue. In both cases, they go into the uncharted territory of defining and requiring creativity or originality or transformative uses. These are all part of the same package. The Court seems to be charting an extrastatutory aspect of copyright policy. And the Members are doing it in unanimous opinions.
- Jones There are a few things that I came up with on this. One is the parody notion that everyone has talked about and rejection of the "commercial" discussion in the *Sony* dicta. What I also found interesting is that this case is consistent with *Fogerty's* and *Feist's* view of using other people's works. There seems to be a willingness in the Court to consider it appropriate to use someone else's works. That tendency is evident in each one of these cases. The aspect of the case that I found most troublesome was the Court's unwillingness to look at the musical questions that were raised. The Court totally backed away from the music; gave no guidance on a how to handle the music questions and sent it back for remand. The record it had on the music was as strong as the record it had on the written components. The Court could have given some guidelines on how to evaluate the music. It did not.
- Curtis Isn't it simply the fact that we all know that most lawyers are literary people? They deal with the written word all the time, and they are usually quicker and more comfortable making judgments about a book or a story than they are in making judgments about a piece of music or art.

- Karp I would just like to ask Beryl, I couldn't get a fix, because I didn't go back and read the lower court decision on how much of the music really was taken. The Court's opinion seems to suggest it was an opening riff and not much of anything else.
- Paul No, it was a very definite, sizeable taking. One which leads to the whole issue of how much do you need to take and the parody question. But it was clearly a very sizable taking with frequent repetitions of the bar and parodying of the lyrics and music throughout. I think that perhaps the reason the Court didn't look at the musical questions, apart from the fact that they are not musicians and perhaps the record was not fully developed enough for them to do it, is that they were reaching for a vehicle for fair use analysis for some of the reasons we have discussed. I think that if you get into the music aspects of it, the compulsory licensing provisions change the fair use analysis in the music context in ways which might not apply to other kinds of fair use questions.
- Hamilton That's interesting because that came up during oral argument of the case. They spent at least 10 minutes on it and Justice Stevens was stuck on it: Why wasn't this a compulsory licensing case and why couldn't they decide it that way?
- Karp What's compulsory licensing got to do with writing a new composition and using somebody else's . . .
- Zissu Well, the Court, not being a specialty court, is not generally versed in such matters. But is anything left of the *Sony* decision, or is that now a *sui generis* case? In other words, the commercial nature and the presumption from that is not going to be a factor any longer, a major factor necessarily, in analyzing the first and fourth fair use factors. Then you have the transformative use which is inflated and given great respect here, whereas in *Sony*, I think, there was even a statement that a productive use is not necessarily dispositive. "Productive," I am using interchangeably with "transformative." So *Sony* now has retreated to being this time-shifting case, maybe involving privacy concerns about going into people's houses to see what they're doing. *Sony* has been greatly reduced. What do you think?

- Hamilton But *Sony* probably has terrific strength coming in the future if all of our information is going to come over the information superhighway into our homes. Even if all *Sony* stands for is home use exception, that may include every copying possibility in the world.
- Zissu That may be plenty.
- Hamilton It may be everything.
- Zissu Good and plenty.
- Curtis Certainly the case makes clear that you can't take that phrase of the *Sony* case in isolation and apply it to cases that involve what the Court regards as transformative uses as opposed to a reproductive use. It seems to me that common sense says that should always have been the case. That emphasis on commercial versus non-commercial should have been thought of primarily in the context of the *Sony* case or perhaps in a context where you really had something that was noncommercial in the sense of an educational use, and that's a special factor. But in most cases the fact that it is commercial in the sense that people are making money shouldn't be an important factor.
- Zissu Is parody too narrowly defined?
- Paul It has several definitions.
- Zissu It has several definitions but they all come back to, in one degree or another, relating it to some comment on the first work. Is that too narrow?
- Karp Semantically, all they had to do was say parody or pastiche and they would have covered the subject by dictionary definition. There have been a lot of parody cases, so we know what the courts are talking about when they talk about parody.
- Sorkin Irwin, I think if you would look to one or two other dictionaries, you would find definitions that encompass both uses.
- Karp Yeah, but they used my dictionary. They quote it. [laughter]
- Zissu Let's assume they use pastiche for parody.
- Sorkin I want to express a view on your question. I don't think it's too narrowly defined, and I think for this kind of case, at least, or at least in a copyright context, the notion ought to be limited to commenting on the work which is allegedly infringed rather than on society at large or . . .

- Callagy I believe that the Court has narrowly defined, too narrowly defined it. In fact, one of the things that has struck me about this is the Court really slaps commercial speech, that is, they say on page 4174 that if the use, for example, of the copyrighted work was for advertising, even in a parody, this will be entitled to less indulgence under the first factor of the fair use inquiry. I am reminded that in *New York Times v. Sullivan*, we were dealing with an advertisement. And yet here the Court slaps down a parody to the extent it is going to be used in an advertisement. There was a recent case in California that will never get to the Supreme Court involving Vanna White and a print ad. She sued over a robot wearing a blond wig claiming that the ad was conjuring up an idea of Vanna White.
- Paul I think, Bob, you're assuming that parody has to have the same definition for Section 43(a) or trademark purposes as it does for copyright purposes. And I don't think that is necessarily true. Granted, a dictionary is a dictionary is a dictionary, but, I think the scope of what is entitled to parodic protection for trademark purposes or unfair competition purposes should by definition be broader than that protected for copyright purposes.
- Karp In taking what Beryl says about music, I think that the Court has gone much too far in defining how much has to be taken. First of all, I looked at the lyrics and I don't think that's commentary on anything. I think they went for a ride on the music. And I don't think you really can parody music all that much. You don't have to take a lot to comment on it. I think if they took as much as they say you did, I think the Court simply has opened the door to alot more infringement on the part of the defendant.
- Jones I didn't say that. Marcia Paul said that. I don't care about the amount that was taken. I don't think there was too much taken.
- Karp I'm only referring, I asked you, and you said there was quite a bit of music taken. You talked about repeating the riff and there was other things.
- Jones No. Marcia said that.
- Karp It really doesn't make any difference to me who said it.

- Jones But, be that as it may, it seems to me that if you're going to do a parody of a song and you want to call to mind this song, that you may have to take a portion of the music. The music is the song, especially if it's a popular song. The music and the words have to work together. Separating them in ways the Court has done seems to me to be an artificial act.
- Karp I forget which Supreme Court decision had another factor in determining the fair use which was did the user make the original author really a co-author of the second work?—and if he did, that's not fair use. And that's exactly what I think is happening here. The group is using the first group's music not just for parody but because that music helps sell their songs.
- Paul You're arguing in effect that it's a derivative work . . .
- Karp It is a derivative work.
- Paul . . . and unlicensed. I think that there was a large amount of taking, but I do not believe that it was a derivative work.
- Callagy I agree with Beryl Jones that you had to take that amount to create the parody. One question I have for Beryl Jones is what happens on remand if the copyright holder now says that I'd like to license a parody. Remember earlier, when approached, they said they wouldn't do it. For the purposes of the remand, what happens if they say "we've changed our mind and we now feel that this is the greatest parody potential going."
- Jones Or even to license a rap version it seems to me that if you can't, if this doesn't fly, I don't see how you can do a parody rap of "Oh, Pretty Woman."
- Paul What doesn't fly? I don't understand you.
- Jones If 2 Live Crew's use of this song doesn't withstand scrutiny, how can you do a parody of "Oh, Pretty Woman" in a rap version? I think there's a difference between taking such student reviews and musicals, in which popular songs by chance are utilized in the music. There the music can be any popular music. The words are not connected with the music. That is different from what 2 Live Crew did. Here it was the music and the words that are connected together. I don't think you can do their parody without the music. The parody falls short without the music.

- Paul The parody would not have been as good without as much taking. But my problem is not a problem with the law as it has developed and what they've said: it's outcome-determinative. I think the amount of taking was more than need be, but I don't think the amount of taking was so excessive as to render it an unfair use. However, I do believe that because the taking was greater than it needed to be, defendants have totally obliterated the potential market—the fourth factor. I guess the facts will be developed on the record on remand, but I cannot fathom the later licensing of a derivative rap work, given both the success and the amount of taking of the 2 Live Crew version.
- Hamilton What I don't understand, if that's true, and I actually agree with you, is why should it be fair use then? Why shouldn't it be one of those cases where we might not permit an injunction but we would permit damages? It doesn't seem to me that justice has been served if you're going to take that much and it's going to be taken completely for free.
- Paul The only rejoinder I have to that is what Beryl said which is, it would have been a lousy parody had they taken less. It still, in my judgment, would have been parody, but it wouldn't have been as good.
- Hamilton But it would have been just as good if they paid for some of it.
- Paul Well, but they tried to pay for it which . . .
- Hamilton That's contested in the record.
- Paul In so many of these cases the mere fact that there was an approach made, winds up dictating the result.
- Curtis Well, it's not emphasized in the opinion. There's certainly a footnote in the opinion that suggests that no injunction but some damages is an appropriate outcome in some cases.
- Zissu Maybe this raises the question again, maybe the definition of parody is too tight. Maybe you should have a little breathing room to make a better parody, more than to have a minimal raising or conjuring up of the original work.
- Paul They're saying that this is a parody under what you're terming a "narrow definition." So I don't understand why you want to broaden the definition of parody.
- Zissu No, what I mean is, instead of limiting the amount of taking in the parody—it's a use for parody, but if you make it a better parody, if you go beyond, maybe you have excessively used, but maybe that liberality should be allowed.

- Paul Perhaps in a case like this you don't need to make it more liberal. But I'm troubled by a case such as the *Air Pirates* case where the court said that they needed to make the Mickey Mouse figures look less like Mickey Mouse. I don't understand that. It seems to me there that there is no reason to insist that the illustrator alter the Mickey Mouse figure in some way in order to be entitled to protection as parody. There's no change in the effect on the market, whether it's a better rendition of Mickey Mouse or not—and it makes it a better parody.
- Zissu Wouldn't *Air Pirates* maybe have been decided a little differently today? Do you think *Air Pirates* was affected by being a little scatological in another period, twenty years ago, almost, whereas that's not a factor in the Roy Orbison song parody?
- Sorkin I'm just wondering, a question for Professor Jones, whether you're suggesting that the fourth factor is a *sine qua non*, that there has to be a showing of damage to the copyright owner before you find infringement.
- Jones Oh no. It does seem to me that you need to look at the first factor and see what the purported use is. There are kinds of reproductions or uses which I would not agree are not permitted fair uses—regardless of whether there's market effect. Or are you limiting your question to parodies in particular?
- Sorkin No. Are you looking on the *Air Pirates* situation as a parody situation?
- Jones Yes.
- Sorkin And what do you think is being parodied there?
- Jones I think they were parodying the image of Mickey Mouse as a particular personification of the American ideals of purity and sweetness. They were parodying Mickey Mouse and American cultural ideals.
- Sorkin And you don't believe I take it that that could be done effectively absent of total replication of Mickey Mouse?
- Jones I see no reason to demand that the artist not reproduce the Mickey Mouse figure accurately. I don't see what difference it makes whether or not it's an accurate rendition of Mickey Mouse or Mickey Mouse whose ears are slightly askew. What difference does that make with respect to the market effect?

- Sorkin Well, we come back to what I perceive to be your view, that there has to be a market effect. Isn't it enough for the copyright owner to say: "This is my property and it's not to be reproduced." It's one of the rights the copyright owner has, irrespective of market effect.
- Jones No, because I've limited my comments to parodies. I am not arguing that reproductive uses which are not parodies, if they have no market effect, are outside of the protection of copyright.
- Karp What bothers me is that I think that if we are worried about lack of definition of the area of attorneys' fees, we ought to be trebly worried by lack of definition here, because I don't think the Supreme Court knows anything and has not really made any decision about what really constitutes parody in the case of music. I'm talking about the music, because here you realize, as I was saying to Frank, you had a work that is really two works: a musical composition accompanied by a set of lyrics.
Really, if anything, they would be trying to parody the lyrics which are much more susceptible to social comment. I don't think that music lends itself that role in a parody. If you have to copy half of a piece of music in order to parody it, I think there is something wrong with the definition of parody—if it's allowed as a parody. It's not just a suggestion of the work and then you comment on its style or whatever musical philosophy there is, and so forth. In this case I think what probably happened is they wanted to use the music because this was very attractive commercial, marketable music, and they wrote for themselves a new set of lyrics which were different and tacked it on to the copyrighted music.
- Paul I think the problem with that analysis, Irwin, is that, granted, there were two separate sets of rights, the copyright in the lyrics and the copyright in the melody. But the parody was not a parody of either the lyrics or the melody. The parody was a parody of the song. And the song is both. And you needed to take both and take from both in order to create a recognizable, good parody. The question is, how much did you need to take?

- Karp Marcia, let me put this hypothetical: suppose that the recording had been without the lyrics. Most popular songs these days that are recorded repeatedly (at least the standards, such as the Irving Berlin song that was subject to parodies) probably are recorded and performed more without lyrics than with lyrics. Suppose they had performed the Orbison song without lyrics. Just performed their version of it without lyrics. Would that be a parody of Orbison's song?
- Paul No, not in my opinion.
- Karp Not in mine either, because what the heck comment were they making about the music itself?
- Paul But, on the other hand, if they had simply written a parody of the lyrics and put it to totally different music, it wouldn't be a parody of this song.
- Karp Well that's tough luck. There's nothing in the Constitution that says everybody has to have a right to parody.
- Curtis I think it's sort of artificial to talk about, even though in legal terms there may be two copyrights involved here.
- Karp No. Frank, I'm talking artistically. I'm talking about what I hear on records everyday because I listen to tapes and records and I listen to songs without the lyrics.
- Curtis Unless you're going to limit parody to printed works,
- Karp No I'm not.
- Curtis You have to allow people to use some of the music. I haven't heard these songs, so I can't speak to the question of how much is too much and whether you could have done a reasonable parody just using the music of the first line or something like that. But the way people, the way the public gets a song is not in the form of two separate copyrights. It gets the song with music and lyrics and unless you are going to prohibit people from doing performed parodies of songs, you have to allow some use of music. Yes, it is possible in some context like in the *Mad Magazine* case that you might just deal with lyrics, but in the case of performed parodies you're going to involve, it's going to normally involve some of both.
- Karp Given again the fact that despite your statement that we hear both, in many types of popular music you never hear the lyrics. All you hear is the music being played, and I want to know, want the Court to tell me, what constitutes a parody of music without lyrics. I doubt that there's very much room for parody in music.

- Jones I don't think that's true, actually. I think there are a number of ways that you can make comments about a musical composition without using the lyrics. In fact, most of the music in rap compositions is, in fact, a use of music which comments on the duplicated music of another work. Through that duplication the composition makes a statement about the other performance, either a political statement, social statement or a referential statement. I certainly think it can be done. I don't think that is what was done in the 2 Live Crew piece. There the music was employed simply to enable the listener to understand what the words parodied. The average consumer of the "Oh, Pretty Woman" song hears both; it's certainly possible to separate them but the average consumer hears both.
- Karp The *Times* Style and Entertainment section had an article about Spike Jones. I remember Spike Jones. Every recording he ever made was parody, at least in the Supreme Court's definition of the song he was recording. He loused it up with gun shots, with all sorts of nonsense. You laughed at what he was doing to the music, but he was performing somebody else's copyrighted music, and under this definition, he probably could have gotten away without paying a performance fee on the ground that he was performing a parody. I don't think he should have.
- Sorkin How would you understand that to be a commentary?
- Karp I don't.
- Sorkin You yourself say "loused up."
- Karp He made more of a commentary. He was pointing up the mawkishness of a lot of popular music.
- Zissu I've heard jazz renditions of classical music. I've heard of Beethoven or Vivaldi or a Bach sonata put to a rock beat.
- Karp Is that a parody?
- Paul What about PDQ Bach?
- Zissu I think it can be.
- Karp No, that's different. That's different music. He writes his own stuff, and it's not really comment for Bach.
- Zissu I think it's a humorous comment, making fun of the style of another era and comparing it to today. So, I think it would qualify as a parody.
- Karp But if they did a performance of a William Schumann quartet or Aaron Copland in jazz style, would that be a fair use because it was a commentary?
- Zissu It could be. It could be. You would have to hear it.

- Curtis I think there is certainly something to Justice Kennedy's comment that this can all become a little bit too easy, which is the point you're making. It's always easy to say "Well I'm mocking the pretensions of the original." Well, "always" may be an overstatement. But sometimes it is a little bit too easy, and I'm not sure how we deal with that concern, but it certainly is a legitimate continuing concern when we talk about this parody.
- Karp There is probably a small handful of people who are sufficiently musically attuned to understand the literature, so to speak, of what we are hearing. When one reads or hears the lyrics of "Oh Pretty Woman," he can catch on to it.
- Curtis So you are saying the average listener is going to hear it as equivalent, even if the more sophisticated listener might understand it as a comment?
- Sorkin Either as an equivalent or as loused up, as Irwin suggests, but not necessarily as a commentary of any kind for good or . . .
- Jones Are you therefore saying that a sophisticated parody is not possible? It is only possible to make a parody that appeals to the lowest common denominator in our culture?
- Karp The Second Circuit said that a long time ago, the "ordinary observer."
- Jones Well, but I think there is some serious criticism of that test.
- Sorkin I am not suggesting that at all, and I think that would be a terrible limitation on what a parody should do. It's just that it increases or aggravates the difficulty of determining whether it's a parody or simply a taking. I guess it's expert testimony.
- Curtis It's also emphasizing the fact that, as the Court itself makes clear, sometimes these things function as both. And maybe the intention is mixed as well, that to some extent there may be an element of parody in what they are setting out to do and what they are being perceived to do, but there also may be a big element in which they just decided to do a version of the song and they think that people will remember the song and enjoy the song.

- Paul On the other hand, I would be very troubled, and I think the Court goes out the way to say this is not the case, if there were a necessity that there be social satire in order for something to be a parody. I don't think it has to have social satire. I think in this particular case, this particular song was both social satire and a parody. But, I think that it would be much too limiting to require social satire before you find parody.
- Sorkin Excuse me. I think this raises a kind of tree falling in the forest kind of question when nobody is there.
- Zissu On that point, I have a question for you.
- Sorkin It may be apparent only to the artist that there is a parody. If no listener can be aware of it simply because of the high sophistication involved, is it a parody? And does it serve a social purpose?
- Zissu Is anybody suggesting that we should have surveys? [laughter]. That we will have a survey to find out what the average, ordinary observer would perceive as to whether it's a parody or it's a serious statement?
- Jones The Court does say something about a defense of parody includes a determination as to whether the parodic character may be reasonably perceived. I think that's a reasonable way to look at it.
- Hamilton This discussion makes me feel less sanguine about the opinion than I was before. And the reason is because it seems that what we are talking about is a parody defense. There is no parody defense. Even if something is a parody, one still must satisfy the other four factors. The real problem with the transformation task is that it does lead people to start thinking in terms of, well, if something is a parody, it has strong social use, therefore, it is likely *to be* fair use. But I don't think it is going to be fair use, unless the use satisfies all the other factors, especially how much was taken. I think there are plenty of parodists, even that don't take a lot, who should be required to pay for the portion that they have taken.

- Callagy I had the treat of listening to both versions, and I must say that one of the saving features in terms of the 2 Live Crew version, was that the lyrics were so outrageous, and had they not gone as far as they went, in terms of their social commentary, they might have had a lot more trouble at the Supreme Court level than they did. My feeling is the Court says that even if you take the expressive heart, which clearly they did, that is not the end of the ball game. That as long as you have achieved or fit within the definition of parody, you are going to be all right, subject, or course, to remand.
- Karp Bob, how close was the melody, forgetting the lyrics?
- Callagy It was amazingly close.
- Jones I am not sure that's an accurate account. If you listen carefully to the music, what they've taken is the same component in the music that they took in the lyrics.
- Karp That's impossible.
- Jones They took the clearly identifiable riff and they play it over and over again, as is often the case with rap music. I might be wrong on this point, but I think that's why it sounds so similar.
- Zissu I heard them played. I thought they took, at least to an ordinary observer, namely, myself, a substantial amount of the music, or what was attractive in the "Oh Pretty Woman" music.
- Jones They do.
- Zissu It took me a couple of bars or couple of verses to really hear the parody. But I did hear it, eventually. I thought it was, I agreed with a lot of things the Supreme Court says, but I still think there is an issue as to whether it is too much. I don't know how that will come out.

- Curtis Responding to one of the comments before, I think that it is a parody defense. While the Court goes out of its way to say that you have to go through the four factors, what emerges from the opinion, as far as I can see, is that if it is really a parody, and if you don't take more than what the judge thinks you need to take, then they plainly say that the second factor, if I have my numbering right, is of very little use in parody cases. So the only further consideration, and I think the presumption is strongly in the plaintiff's favor going into it, the only remaining consideration is if the plaintiff can show that there is going to be a serious economic harm. But apart from that sort of case, and maybe in this case they can show that it is going to hurt their licensing of "straight rap versions," whatever that might be. But apart from that possibility, it seems to me that we really do have a parody defense here.
- Hamilton I disagree. Can I read from the case?
- Curtis Oh, I know what it says.
- Hamilton "The fact that parody can claim legitimacy for some appropriation does not, of course, tell either parodist or judge much about where to draw the line . . . that any parodic use is presumptively fair has no more justification in law or fact than the equally hopeful claim that any use for news reporting should be presumed fair." (citations omitted)
- Curtis Right. But if it is apparent . . .
- Hamilton It's just part of the preamble. Parody has just been added to the preamble then. The Court has not ameliorated the four factors in the fair use context.
- Curtis That's perfectly legitimate to add it to the preamble.
- Hamilton Why?

- Curtis Because the way the Court defines parody, it is a form of comment and, only to the extent it is a form of comment is it going really be treated as parody. Otherwise, it is a satire of some sort, and you are into a more general fair use comment analysis. But if it really is parody, the Court says, well, the first factor is in the defendant's favor and the commercial/non-commercial use is unimportant, so you win on number one. On the second one, the nature of the work, the Court has said it doesn't do the plaintiff any good. The third one comes to whether you have used more than you should have. And I think the only thing that really leaves in the plaintiff's court, is coming in and making a strong showing on the fourth one. Apart from that, despite the preamble, I read the opinion as giving you a parody defense.
- Hamilton You left off the second half of the opinion, though, which relies so heavily on Bill Patry and Shira Perlmutter's article. That part of the opinion says that there ought to be an equitable rule of reason analysis done on a case-by-case determination, like it has always been. If what you are saying is true, then this case should not have cited to them at all, instead of citing to them six times.
- Callagy Did you think they had to send it back for remand?
- Hamilton Yes. But I think Campbell likely will have to pay.
- Zissu I have one question for you. At least I thought one point was clear. Need we be concerned about asking for permission when we are considering a parody or another potentially fair use? Or has this been put to rest by the comment of the Court on permission? There was, you know, the dichotomy, I think in *Roy Export*, on the Charlie Chaplin, the usage of Chaplin films. The defendant was condemned for being refused permission, having asked, but in *Maxtone-Graham*, in the Second Circuit, I think Judge Kaufman said it was reasonable to ask for permission just as a precaution. In *Campbell v. Acuff*, I think the Supreme Court said it is not to be held against the defendant.
- Callagy Yet, in *Campbell v. Acuff* they said that was the one factor that hurt the defense. They had gone for permission.

- Jones The Court says as a matter of law it doesn't matter. It seems to me that, in fact, since this is an area in which the subjective judgments of the decision makers is important, I think, it will depend on what the judge feels. If the judge feels that asking is important, it will still be important, regardless of whether the Supreme Court says it is. It just won't be a line in the opinion.
I think it shouldn't matter one way or the other. Often the request concerns an assessment of the cost of litigation and not the merits of the claim.
- Paul As a practitioner, I have a problem with how I advise a client on whether to ask or not, and I don't think the Supreme Court decision helps me at all. I still believe that if you believe you have got a strong shot at parody, you are better off not asking. I mean, across the board, not just in the copyright context, but in the trademark and unfair competition context as well.
- Zissu What about anonymously asking? [laughter]
- Sorkin What about asking and surrounding your request with cautionary language, would that help? Would that solve . . .
- Paul You mean: "I know I don't really need to ask your permission, but just because I want to be a nice person . . .?"
- Callagy Having tried these cases, and having had the issue of the request, I would always prefer not to have the request there.
- Karp Well, in this case, did they offer to pay? That's a big difference, just asking for permission and saying I would like your permission and I am willing to pay so much.
- Paul If they got permission it would have been a mechanical license, or . . .
- Karp Well, but that's still payment.
- Zissu Let me ask Bob Callagy this. Do you still . . .
- Sorkin Let me react to what Mr. Callagy said. I can't disagree with you, of course, because I don't have the history. But it just seems to me bad social policy for a legal regime to develop where it wipes out the possibility of resolving something like this by a request for permission, which might be granted.
- Zissu Asking Bob Callagy, do you still feel that way after this decision?
- Callagy I do, yes.
- Jones I agree with Bernie that I think it is a bad idea to discourage people from asking permission.

- Karp I agree with Bernie too, because it isn't just money, it could resolve it by saying take a little less. If you take a little, I'll give you permission. That could have ended the problem.
- Callagy How about legal fees in this case?
- Karp No legal fees.
- Paul We know *Fantasy v. Fogerty* is the standard, but we don't know which side won yet.
- Jones I have a question about *Campbell v. Acuff Rose*. What is the collective sense of Kennedy's concurring opinion? Do you think that his characterization of the majority is an accurate characterization of the majority's opinion? He says the parody must target the original and not its general style or the genre of art to which it belongs or target society as a whole. He says if it targets the original, it may, however, target those features as well, citing the *Koons* decision. I think that Justice Souter's opinion is inconsistent with that interpretation.
- Curtis I think that, plainly, Justice Kennedy is trying to give a narrower spin to the opinion than the opinion itself would lend itself to.
- Zissu I agree with that, because Justice Souter's opinion is a little less clear on that, and I think that Justice Kennedy is concerned about it.
- Karp I think Kennedy's opinion, especially the last page, is very good. I think it is much more realistic in appraising what constitutes parody in a case of music. It gives an example of a jazz version of Beethoven's Sonata and so forth. I think he knows more about music than apparently Justice Souter does. Maybe in that little log cabin up there, he doesn't listen to much music, certainly. But I ask another question? Was anybody at the argument?
- Hamilton Yes.
- Karp Did the Court hear the music?
- Hamilton No. Both parties came prepared to play it, but they did not air it.
- Jones Did they have the music available for them to listen in their chambers?
- Karp They watch dirty movies when they decide pornography. [laughter]. Except for Justice Black, I think, he never watched. Some of the others loved it.
- Callagy I have a question. What's going to happen on remand? Will the defense prevail?
- Karp I am not so sure.

Hamilton I don't think so.

Zissu My feeling is that it is going to be tough. There is a chance that it could, but I think where we started out, Bob, was your remark about collapsing these factors a little. I think a lot of these factors do get collapsed. The commercial aspect of it is not going to weigh in; and then the nature of the copyrighted work, the second factor, didn't seem to both the Supreme Court; and then they looked at the amount of the taking in terms of what was appropriate for the parody, and that didn't seem to concern them; and they don't feel that the use of a parody which merely criticizes and hurts the market for the plaintiff's work in that way is significant. So you are left with this issue of the effect of the parody on the licensing of this music for straight rap or other kinds of uses. And I think that is a very difficult burden for the plaintiff to carry when he goes back.

Paul Reacting both to Roger's comment and to Frank's, I don't think you can divorce the third and the fourth factors. I think they may be saying that in and of itself, this is not too much of a taking not to qualify for protection as a parody, but I think there is a whole open ball game as to whether this is too much of a taking to have an impermissible impact on the market or the potential market for the work. While the message of the Court may be that you need to take more in order to have a good parody, I don't read Souter's opinion as saying that you don't revisit the issue all over again of how much of the taking there has been, in order to reach a determination of the fourth factor. I think the problem is going to be if the testimony is, as has been suggested, that as a result of this parody there is no market or potential market for a rap derivative version of the song, and if the conclusion is that there could have been less of a taking and still it would be a parody, the defendant may really have a problem.

Zissu But if you had to bet on that, do you still think that has been made more difficult by this opinion than it was before?

Paul Anything would have been better than the way it was before.

Jones Do you think that the 2 Two Live Crew is likely to prevail?

- Zissu I think they are likely to prevail. I think there is a chance they could lose. But I think it's a tough—they are going to compare Roy Orbison, what was the market for Roy Orbison's song for derivative works of the rap straight variety in the last twenty years—and that would be looked at against the claim that they had an area of licensing foreclosed.
- Jones Do you mean that they have to have someone come on the stand and testify that but for 2 Live Crew version, they would have done a rap rendition?
- Zissu No, not necessarily, but they have to do something.
- Callagy They are going to have an expert come now and say that the rap market has expanded dramatically and that there is a real likelihood that the 60's songs are going to lend themselves to phenomenal rap in the next ten years and that this song, and then talk about the musical riff, lends itself for the following reasons. You can collapse so many words, so many ideas into this song. They will have testimony that will establish that the market has been damaged for this song.
- Hamilton Which will mean that 2 Live Crew will lose.
- Callagy My own thinking is on remand, that that's a possibility.
- Paul Don't you think they are going to settle?
- Karp I think the fourth factor is a lot of nonsense here. Music doesn't destroy itself. What was the song in the termination clause case, "Who's Sorry Now"? There were 419 recordings of "Who's Sorry Now", and no one of them prevented the other 418. They are going to have a tough time if they have to comply with the standard that you have to show real damage to the market. There won't be any damage to the market, but it's an infringement nonetheless. One of the big problems with the whole fair use problem now is the overemphasis on the fourth factor. Plus the nonsense of saying he prevailed on one, the other side prevailed on—what if it comes out two to two? Does that mean which way do you decide?
- Zissu Let's end on this note. If that happens, there will be extra innings. Then the question is, how many versions of "Oh Pretty Woman" can we take?
- Karp 500, or at least 419.
- Zissu Thank you.
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GATT IMPLEMENTATION BILL RESTORES COPYRIGHT IN FOREIGN WORKS

By PAUL J. SLEVEN*
ERIC J. WEISBERG

Buried within the voluminous GATT implementation legislation enacted late last year is an important provision which restores United States copyright in a substantial number of foreign-authored works which had fallen into the public domain in the United States as a result of noncompliance with various copyright formalities.¹ This provision could provide significant additional revenue to the authors of such works and could pose unexpected risks for those who have been exploiting such works in reliance on their public domain status. As a result, all attorneys working in the field of copyright must understand the densely-worded language of this new legislation.

The legislation entirely rewrites Section 104A of the Copyright Act of 1976.² In summary, new Section 104A automatically restores for the duration of its term (including any renewal term) United States copyright in any work by a citizen or domiciliary of a member of the World Trade Organization or an adherent to the Berne Convention which is still protected by copyright in its source country but which has fallen into the public domain in the United States as a result of non-compliance with various copyright formalities. Generally, the owner of the restored copyright is entitled to full remedies for any infringement of the copyright; however, certain parties who have exploited the work in reliance on its prior public domain status—denominated “reliance parties”—are given limited rights to continue to exploit the work.

The purpose of the legislation, which gives foreign authors protection against loss of copyright not accorded to American authors, is to bring the United States into full compliance with Article 18 of the Berne Convention, which other countries have construed as requiring restoration of copyrights which had been lost for reasons other than expiration of their

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Editors' Note: For our readers' convenience, we have appended the text of the copyright provisions of the GATT implementing legislation

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¹ P.L. 103-465 (the GATT implementation legislation), § 514, which rewrites 17 U.S.C. § 104A.

² 17 U.S.C. § 104A.

term, and to improve this country's bargaining position in seeking retroactive copyright protection abroad for American works.³ In particular, Russia, a potentially huge market for American works, has cited our application of Berne Convention Article 18 as justification for its failure to protect American works in the public domain in Russia.⁴

This analysis addresses the following aspects of new Section 104A:

- eligibility requirements for restoration of a foreign work's copyright;
- ownership of restored copyrights and the effect of restoration on pre-restoration transfers of the copyrights;
- remedies for infringement of restored copyrights, including remedies for infringement by "reliance parties";
- rights of "reliance parties" to continue to exploit pre-existing derivative works of foreign works whose copyright is restored; and
- immunity granted to persons who made warranties or guarantees, or assumed contractual obligations, in reliance on the public domain status of foreign works whose copyright is subsequently restored.

This analysis also addresses significant ambiguities, as well as two apparent drafting errors, in new Section 104A which are likely to lead to litigation.

ELIGIBILITY FOR RESTORATION OF COPYRIGHT

To be eligible for restoration of copyright, a work must: (1) not be in the public domain in its "source country" through expiration of its term; (2) be in the public domain in the United States as a result of (a) noncompliance with United States copyright formalities such as non-renewal or omission of copyright notice, (b) lack of subject matter protection (in the case of sound recordings fixed before February 15, 1972), or (c) lack of national eligibility; (3) have at least one author or "rightholder"⁵ who was, when the work was created, a national or domiciliary of an "eligible country"; and (4) if published, have been first published in an "eligible coun-

³ Testimony of Ira S. Shapiro, General Counsel, Office of the United States Trade Representative, before the Subcommittee on Patents, Copyrights and Trademarks, Committee on the Judiciary, United States Senate, and the Subcommittee on Intellectual Property and Judicial Administration, Committee on the Judiciary, House of Representatives, August 12, 1994, pp. 4-5.

⁴ *Id.* at 5.

⁵ A "rightholder" is "the person . . . who, with respect to a sound recording, first fixes a sound recording with authorization" or a successor of such person. 17 U.S.C. § 104A(h)(7), added by P.L. 103-465. Except where otherwise stated, all references herein to 17 U.S.C. § 104A will refer to § 104A as amended.

try" and not published in the United States within 30 days thereafter.⁶ The phrases "eligible country" and "source country" are defined terms.

An "eligible country" is a member of the World Trade Organization ("WTO") or an adherent to the Berne Convention or a country which is subject to a Presidential proclamation under 17 U.S.C. § 104A(g) that the country extends restored copyright protection to American works. This definition reflects the purpose of the new legislation: to grant restored copyright protection to authors whose countries grant restored copyright protection to American authors.

The legislation envisions that every work will have a single "source country" other than the United States.⁷ In the case of a published work, the work's "source country" is the "eligible country" in which the work is first published. If the work is published on the same day in two or more "eligible countries," the "source country" is the "eligible country" which "has the most significant contacts with the work."⁸ That country will not necessarily be one of the countries in which the work was first published. In the case of unpublished works, the "source country" is the "eligible country" in which the majority of foreign authors or rightholders are nationals or domiciliaries. If a majority of authors or rightholders are United States nationals or domiciliaries, the "source country" is the foreign country which has "the most significant contacts with the work."⁹

In order to determine whether a work is subject to restored copyright in the United States, it becomes necessary to determine what the "source country" for the work is, including making the potentially ambiguous and litigable determination of which country has the most "significant contacts" with the work. Once the "source country" is determined, it is then necessary to ascertain whether the work is still protected by copyright under the laws of that country. As a result, to determine the United States copyright status of a work potentially subject to restored copyright, American copyright lawyers will have to understand the copyright laws of another country.¹⁰

⁶ 17 U.S.C. § 104A(h)(6).

⁷ Statement of Administrative Action ("SAA"), prepared by the Office of the United States Trade Representative, § B.1.(c)(2) at p. 12.

⁸ 17 U.S.C. § 104A(h)(8)(C)(ii).

⁹ 17 U.S.C. § 104A(h)(8)(B)(ii). The phrase "significant contacts" is not defined in the legislation and not explained in the SAA.

¹⁰ There is precedent for basing the United States copyright protection on the copyright laws of another country. See *Heim v. Universal Pictures Co.*, 154 F.2d 480, 486-87 (2d Cir. 1946) (under Copyright Act of 1909, publication of a work abroad, with or without copyright notice, suffices to secure copyright "provided that, under the laws of the country where it takes place, it does not result in putting the work into the public domain").

The restored copyright vests on the date that the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPs"), a part of GATT, becomes effective as to the United States, if the "source country" of the work is an "eligible country" on that date. Otherwise, it vests on the date that the "source country" becomes an "eligible country."¹¹ There is some question as to the effective date of TRIPs. The GATT implementation legislation provides that TRIPs comes into force whenever the President, having determined that a sufficient number of other countries have accepted the GATT accords, accepts them on behalf of the United States.¹² President Clinton did so on December 23, 1994.¹³ WTO came into force effective January 1, 1995.¹⁴ However, the Copyright Office has published a Notice of Policy Decision declaring the effective date of copyright restoration to be January 1, 1996. It based its conclusion on a provision in TRIPs stating that countries are not required to apply TRIPs until a year after WTO comes into effect and on the legislative history of the implementation legislation.¹⁵

The restoration of copyright in eligible works occurs automatically without the necessity of any action on the part of the owners of the works.¹⁶ For example, assume that a French novel first published in the United States in 1935 without copyright notice, and, therefore, now in the public domain meets the additional eligibility requirements for restoration of copyright under new Section 104A, set out above. The novel would, upon the effective date of TRIPs, be treated as if it had both been published with a proper notice and properly renewed. The novel's restored United States copyright would then expire on December 31, 2010 (75 years after the copyright would have come into existence).

OWNERSHIP OF RESTORED COPYRIGHTS

The new legislation states with deceptive simplicity that copyright in a restored work "vests initially in the author or initial rightholder of the work as determined by the law of the source country of the work."¹⁷ The legislation does not say who owns the restored copyright if the author is dead. Presumably, the owner becomes the "estate" as constituted under the law of the "source country." This seemingly straightforward provision contains serious ambiguities and has the potential, depending on how it is

¹¹ 17 U.S.C. § 104A(a)(1)(A) and § 104A(h)(2).

¹² P.L. 103-465, § 101(b).

¹³ 60 F.R. 1003.

¹⁴ 60 F.R. 7793 *et seq.*

¹⁵ 60 F.R. 7793 *et seq.*

¹⁶ 17 U.S.C. § 104A(a)(1)(A).

¹⁷ 17 U.S.C. § 104A(b).

construed by the courts, to do enormous mischief to existing contractual arrangements for exploitation of restored works.

First, to determine the owner of a restored copyright, one must know who the "author" was under the law of the "source country." Again, this necessitates a knowledge of foreign copyright law. In many cases this will be easy: the author is the person who wrote the work. However, foreign laws may differ from ours in such particulars as ownership of jointly-authored works, or, most significantly, works made for hire. Works which under American law are deemed to have been authored by the corporate employer of the many individuals who created the work might, under the law of the source country, be considered to have been authored by some or all of those individual contributors. Alternatively, works which could not be considered works made for hire under American law because the author was not an "employee," and the work was not covered by a written work for hire agreement or was not one of the types of works which qualify for work-for-hire status as a commissioned work, might under foreign law be owned by the "employer."¹⁸

These potential differences in laws determining the identity of the "author" of a work could mean that the restoration of copyright in a work will also effect a change in the ownership of the copyright in that work. Copyright in all works subject to United States copyright vests initially in the "author" as determined by United States law.¹⁹ Thus, a copyright which was owned by the "author" under American law before the work fell into the public domain will, after restoration, be owned by the "author" as determined under the law of the "source country."

In addition, the law could undo the effects of a renewal of copyright under § 304(a).²⁰ For example, in the case of a work which was renewed by the author's widow and which then went into the public domain for failure to affix copyright notice, the owner of the restored copyright would be the author's estate, not his widow. Depending on the author's will and applicable inheritance laws, that change may or may not make a significant difference in the ultimate beneficiary of income from the work.

What effect does the restoration of copyright have on pre-restoration transfers or licenses of the copyright? The legislation does not explicitly address the issue. The Statement of Administrative Action ("SAA") pre-

¹⁸ See 17 U.S.C. § 101 (definition of "work made for hire.") Under American law, the question of whether a work is a work made for hire is often a close one subject to uncertain litigation.

¹⁹ 17 U.S.C. § 201(a).

²⁰ Pursuant to 17 U.S.C. § 304(a), the copyright in works published prior to 1978 endures for 28 years, subject to renewal for an additional 47 years by the author if still living or, if the author has died, by her spouse and/or children or, if none, her executors or next of kin.

pared by the Office of the United States Trade Representative, the principal "legislative history" for the restoration provision,²¹ states that transfers by the author or initial rightholder are to be given effect according to their terms, "taking into account the expectations of the parties and relevant laws (including those concerning copyright, neighboring rights, contracts, descent and distribution, estates, and conflicts of law)."²² One could argue, however, that giving effect to any pre-restoration transfers is inconsistent with the statute. The statute vests the restored copyright initially in the author or initial rightholder, not his transferee. Giving effect to prior transfers would in essence require treating such prior transfers as transfers occurring the moment after restoration of copyright. What would be the basis for giving prior transfers such effect? Doing so would appear to require some sort of constructive trust concept, treating the owner of the restored copyright as holding such copyright in trust for the previous transferee. Depending on the facts, the equities might support such a result, but there is nothing in the legislation itself even hinting at it.

If pre-restoration transfers are not given effect, the result could be a substantial interference with settled contractual relations and expectations. Transferees or licensees often make substantial investment in reliance on the transfer or license. The loss of copyright in the work might have cost the transferee or licensee the exclusivity of rights for which she had bargained, but not the right to exploit the work fully. Restoration of copyright, however, would limit the transferee or licensee to the rights of reliance parties which, as discussed below, after a one-year grace period are limited to exploitation of pre-existing derivative works.²³

Even if pre-restoration transfers are given effect, it is not entirely clear which transfers are given effect. The SAA only addresses transfers by the person who later becomes the initial owner of the restored copyright—the author or initial rightholder under the law of the "source country"—rather than the original owner of the copyright under United States copyright law. There will often be a strong equitable basis for binding the initial owner of the restored copyright to the terms of his own prior transfer. On the other hand, if his prior transfer was made for minimal consideration because a possible prior loss of copyright had reduced his bargaining power, giving effect to such an inequitable transfer would, as a practical matter, mean that the prior loss of copyright has a continued det-

²¹ The SAA was explicitly approved as part of the GATT implementation legislation. P.L. 103-465, § 101(a)(2).

²² SAA, § B.1.(c)(2) at p. 12.

²³ 17 U.S.C. § 104A(d)(2) and (3). A pre-restoration transferee will presumably, but not necessarily, have the status of a "reliance party" by virtue of having made or acquired a copy or phonorecord of the work before the "source country" of the work becomes an "eligible country."

rimental impact on the copyright owner even after restoration. In any event, there is substantially less equitable basis for binding the owner of the restored copyright to transfers made by someone else. However, if such transfers are not given effect, then, whenever the owner of the restored copyright is not the "author" under American law, transferees of the original owner of the copyright will be denied the benefit of their bargains except to the extent of their rights as "reliance parties."²⁴

Moreover, the "taking into account . . ." language quoted above from the SAA is mysterious.²⁵ Does it mean that some, but not all, pre-restoration transfers are to be given effect, depending on the facts of the transfer? Or is it meant to limit the extent to which such transfers should be given effect?²⁶ Insofar as it suggests "flexibility" as to the effect of pre-restoration transfers, it further weakens the position of transferees already weakened by the statutory ambiguity as to whether such transfers are given any effect at all.

REMEDIES FOR INFRINGEMENT OF RESTORED COPYRIGHTS

As a general rule, all remedies for infringement of copyright are available for infringement of a restored copyright. The exceptions pertain to "reliance parties." These exceptions represent the accommodation made by the legislation to those who have invested in the exploitation of public domain works, in many cases by spending substantial sums in creating derivative works, and who would otherwise entirely lose the right to continue to reap the benefit of that investment.

The definition of "reliance party" is crucial to the statutory scheme for protecting such parties. A "reliance party" is defined as any person who: (1) "with respect to a particular work, engaged in acts, before the source country of that work becomes an eligible country, which would have violated section 106 if the restored work had been subject to copyright protection, and who, after the source country becomes an eligible country, continues to engage in such acts;" (2) "before the source country of a particular work becomes an eligible country, makes or acquires one or

²⁴ Movie producers typically clear worldwide rights and therefore can be expected to have obtained a license from the "author" of the work under the laws of the "source country." Other licensees may not always have been so careful, particularly if their interest was only in the United States market.

²⁵ SAA, § B.a.(c)(2) at p. 12.

²⁶ The SAA gives, as an example, a grant of worldwide movie rights in a book at a time when the book is in the public domain in the United States but protected by copyright in the "source country." Such a grant, the SAA states, "would be given effect in the United States, depending on the terms of the contract as a whole." SAA, p. 12. This example does not really clarify matters. Is it meant as a direction to the courts to review the fairness of the contract, or merely the scope of the grant intended by the parties?

more copies or phonorecords of that work"; or (3) is a successor of a person described in (1) or (2).²⁷

There is a drafting error in the definition of "reliance parties" which courts will presumably disregard in favor of the evident intent of the provision. Remember that an "eligible country" includes any country which is a member of the World Trade Organization or—and the use of the work "or" is critical here—an adherent to the Berne Convention.²⁸ Many countries signed the Berne Convention a long time ago. France, for example, first adhered to the Berne Convention in 1887 and adhered to the Paris Text of the Berne Convention in 1974.²⁹ Taking the definition of "reliance party" literally, as to a French work the statute would limit reliance parties to those who first exploited the work prior to 1887 or, perhaps, 1974. Such a result would be bizarre. The intent of the bill, as stated in the SAA, is that a person obtains the status of a reliance party if he exploited a restored work prior to the passage of the GATT implementation legislation or, if later, prior to the source country's adherence to Berne, becoming a member of the WTO or becoming subject to a Presidential proclamation.³⁰ The statutory language can perhaps be reconciled with the obvious intent by construing the use of the present tense in the definition of "reliance party"—"before the source country of that work becomes an eligible country"—to mean that countries could not have become "eligible" prior to enactment of the legislation.

"Reliance parties" are given the right to continue to exploit works which they have previously exploited for up to twelve months after actual or constructive notice of intent to enforce the restored copyright. However, after actual or constructive notice, reliance parties may not copy such works.³¹

A notice of intent to enforce the copyright may be served on a reliance party at any time after the date of restoration of the copyright.³² The statute does not explicitly state how service is to be effected. However, the twelve month grace period for reliance parties runs from "the date the notice . . . is received,"³³ suggesting actual receipt as the requirement. The statute further states that a notice is effective as to the reliance party served and "any other reliance parties with actual knowledge of such service and of the contents of that notice."³⁴ Of course, what constitutes "re-

²⁷ 17 U.S.C. § 104A(h)(4).

²⁸ 17 U.S.C. § 104A(h)(3).

²⁹ 6 *Nimmer on Copyright*, Appendix 22-3.

³⁰ SAA, § B.1.(c)(3) at p. 12.

³¹ 17 U.S.C. § 104A(d).

³² 17 U.S.C. § 104A(e)(2)(A).

³³ 17 U.S.C. § 104A(d)(2)(B)(ii)(I).

³⁴ 17 U.S.C. § 104A(c).

ceipt" by, and what constitutes "knowledge" of, a corporate entity is often a litigable question. The SAA states that the notice may be served "in person or by mail" in a manner comporting with due process.³⁵

Constructive notice is established by filing a notice of intent to enforce a restored copyright with the Copyright Office, pursuant to regulations to be promulgated at least 90 days before TRIPs comes into force.³⁶ The notice must be filed within 24 months of the date of restoration.³⁷ In the absence of such filing, the restored copyright is still valid and may be enforced against reliance parties by means of actual notice, but not by means of constructive notice. The Copyright Office is to publish in the Federal Register a list of all works as to which notices have been filed, beginning four months after the date of restoration with respect to each country and continuing every four months thereafter for a period of two years.³⁸

Notices of intent must be signed by the owner of the restored copyright or the owner of an exclusive right therein. They may be signed by the agent of such owner provided the agency was constituted in writing before service or filing of the notice.³⁹ The notices must specifically identify the restored work and must give an address and telephone number at which the owner may be contacted.⁴⁰ The statute is silent as to whether an agent's address and telephone number suffices. Notices of intent served directly on reliance parties must also identify the work in which the restored work is being used by the reliance party and the use or uses to which the owner objects.⁴¹ The Copyright Office may require other information on notices to be filed with it, but the absence of such other information does not invalidate the notice. By implication, this suggests that the absence of required information, such as sufficient identifying information concerning the work in which copyright was restored, could invalidate a notice.

³⁵ SAA, § B.1(c)(4) at p. 13.

³⁶ 17 U.S.C. § 104A(e)(1)(D)(i).

³⁷ 17 U.S.C. § 104A(d)(2)(A)(i). This deadline makes the question as to the effective date of TRIPs particularly important. The Copyright Office, believing the effective date to be January 1, 1996 (60 F.R. 7793 *et seq.*), presumably will not accept notices before that date. Owners of restored copyrights ought to file their notices during 1996 to avoid an argument that the effective date was really January 1, 1995 and, therefore, that their notices filed during 1997 are untimely.

³⁸ 17 U.S.C. § 104A(e)(1)(B)(i).

³⁹ 17 U.S.C. § 104A(e)(1)(A)(i) and (2)(B).

⁴⁰ *Id.*

⁴¹ 17 U.S.C. § 104A(e)(2)(B).

In the case of actual notice, the notice period begins on the date of receipt of the notice.⁴² For constructive notice, the notice period begins on the date of publication in the Federal Register.⁴³ If both actual and constructive notice are given, the twelve-month notice period runs from the earlier of those two dates.⁴⁴ In no event can the notice period commence prior to the date of restoration.

The owner of a restored copyright may bring an infringement action against a reliance party for any act of infringement: (1) commenced after the twelve-month notice period; (2) commenced before the twelve-month notice period and continued thereafter, with remedies available only for infringement committed after the end of the period; or (3) for copies made after the *beginning* of the twelve-month notice period.⁴⁵

For purposes of Section 412 of the Copyright Act, infringement of a restored copyright by a reliance party is deemed to have commenced prior to registration of the copyright if acts which would have constituted infringement had the copyright been valid were commenced pre-restoration. As a result, statutory damages and attorneys' fees will not be awarded in any infringement action brought against the reliance party.⁴⁶

EXISTING DERIVATIVE WORKS

The new legislation contains special provisions permitting reliance parties to continue to exploit existing derivative works based upon a work whose copyright is restored. However, to be eligible, a derivative work must have been created either: (i) before the date of enactment of the GATT implementation legislation, if the "source country" is an "eligible country" on that date, or (ii), if not, before the date that the "source country" joins the World Trade Organization, adheres to the Berne Convention or becomes subject to a proclamation.⁴⁷

This section also appears to contain a drafting error, since it grandfather derivative works created before the "source country" of the *derivative work*, rather than of the *restored work*, becomes an "eligible country." In other words, if the statutory language is taken literally, derivative works from a country which is eligible as of the date of the GATT implementation legislation could only be exploited if the works had been created prior to the implementation date, while derivative works from a country which is not eligible as of the date of the GATT implementation legislation could continue to be exploited until the country became eligible. This would

⁴² 17 U.S.C. § 104A(d)(2)(A).

⁴³ 17 U.S.C. § 104A(d)(2)(A)(ii).

⁴⁴ 17 U.S.C. § 104A(d)(2)(B)(ii).

⁴⁵ 17 U.S.C. § 104A(d)(2).

⁴⁶ 17 U.S.C. § 104A(d)(4). See 17 U.S.C. § 412.

⁴⁷ 17 U.S.C. § 104A(d)(3)(A).

give derivative works by nationals from countries which are not eligible superior treatment to derivative works by nationals from countries which are. This cannot be right. The purpose of the grandfathering provision is to protect derivative works made in reliance on the public domain status of the original, and the date of restoration of copyright in the original is determined by when the source country of the original becomes an eligible country. Therefore, the statute must have intended to protect derivative works created before the source country of the original, not the source country of the derivative work, becomes an eligible country. The SAA is consistent with this analysis.⁴⁸

The legislation provides that a "reliance party" may continue to exploit a grandfathered derivative work for the duration of the restored copyright if the reliance party "pays to the owner of the restored copyright reasonable compensation for conduct which would be subject to a remedy for infringement but for the provisions of this paragraph."⁴⁹ In the absence of an agreement between the parties, the amount of such compensation will be determined "by an action in United States district court, and shall reflect any harm to the actual or potential market for or value of the restored work from the reliance party's continued exploitation of the work, as well as compensation for the relative contributions of expression of the author of the restored work and the reliance party to the derivative work."⁵⁰ In brief, this provision creates a compulsory license for reliance parties to continue exploitation of qualifying derivative works.

The derivative works section of the legislation leaves numerous questions open for interpretation and, potentially, for litigation.

First, if a reliance party exploits a qualifying derivative work without paying any compensation, either because an agreement on compensation could not be reached or because the reliance party was not aware of (or disputed) its statutory obligation to pay compensation, may the owner of the restored copyright seek to enjoin, either preliminarily or permanently, the continued exploitation of the derivative work? The intent of the statute appears to be that the owner may sue only for "reasonable compensation," not for an injunction. However, once reasonable compensation is set, if the reliance party fails to pay, a prerequisite to continued exploitation of the derivative work will have failed and the owner would presumably be entitled to all infringement remedies, including an injunction.

What about a preliminary injunction? Since the statute permits exploitation only if compensation is paid, an argument can be made that the owner is entitled either to a preliminary injunction or to payment of royal-

⁴⁸ SAA, § B.1(c)(4) at p. 13.

⁴⁹ 17 U.S.C. § 104A(d)(3)(A).

⁵⁰ 17 U.S.C. § 104A(d)(3)(B).

ties pending final determination. However, this would run afoul of the general rule that injunctions are not issued to prevent harm that is ultimately fully compensable by monetary damages.

Second, what is the status of a derivative work which has been created but not yet published or otherwise exploited as of the cutoff date? As a work is in the process of being created, every new draft that differs non-trivially from the previous draft is considered by the copyright law to be a separate copyrightable work. Therefore, a draft of a derivative work, even if not intended to be the final version, is nonetheless a derivative work "created" prior to the cutoff date. Section 104A(d)(3) states that a derivative work "created" prior to the cutoff date may continue to be exploited. This could create situations in which reliance parties are permitted to exploit rough drafts of derivative works but not to further edit them, since such further editing, if non-trivial, would constitute the creation of a new derivative work after the cutoff date. On the other hand, the statute permits a reliance party only to "continue to exploit" the derivative work. The use of the word "continue" suggests that a derivative work which has been created but not exploited prior to the cutoff date may not first be exploited thereafter. The SAA provides no answer to this ambiguity.

It would seem that the statutory purpose of protecting reliance parties which have made substantial pre-restoration investment in derivative works would call for protection of derivative works which have not yet reached the publication stage. There is some statutory support for that position, at least as to derivative works exploited during the twelve-month grace period. The grant of permission to "continue to exploit" must refer to exploitation after the grace period, since no permission is needed until then. Thus, if a reliance party has exploited the work during the grace period, what it will be seeking to do thereafter will be to continue to exploit the work.

Third, what does it mean to "continue to exploit" a derivative work? In particular, may a reliance party create new derivative works based on the existing derivative work? For example, can a reliance party which has produced a television series based on a previously public domain book create and broadcast new episodes of that series? Or, can a reliance party which has written an unauthorized sequel to a restored work then sell movie rights in that sequel? The intent of the legislation appears to be to preclude the creation of new derivative works, but there is nothing in the statute or the legislative history which explicitly says that.

Finally, does an agreement made prior to the restoration of copyright, or prior to the passage of the GATT implementation legislation, count as an "agreement between the parties" foreclosing the right of the owner of a restored copyright to go into Federal court to obtain "reasonable compensation?" And does that depend on whether the judge would consider the

compensation provided for under such agreement to be "reasonable?" For example, owners of works which had arguably fallen into the public domain but still retained a litigable claim of copyright often licensed would-be pirates for a minimal royalty rather than risk a judicial determination of loss of copyright. Upon restoration, is the owner of the restored copyright in the work bound by the minimal royalty agreed to when he had limited bargaining power? The statute provides no answer.

Presumably, these questions will generally be resolved by negotiation rather than by litigation, particularly given the unlikelihood that litigation could even yield an injunction preventing continued exploitation of the derivative work. However, the outcome of the negotiation will inevitably depend on the parties' views of how the courts would resolve such issues in the event of litigation.

OTHER PROVISIONS

The statute contains two additional provisions protecting persons from contractual undertakings made in reliance on the public domain status of a restored work. First, it grants relief from warranties or guarantees, made before January 1, 1995, that a work will not infringe copyright which are breached by virtue of the restoration of a copyright.⁵¹ Second, it excuses performance of any obligation undertaken before January 1, 1995 to perform any act rendered infringing by the restoration of a copyright.⁵²

CONCLUSION

Attorneys advising the author of, or parties exploiting or intending in the future to exploit or continue to exploit, a foreign work in the public domain in the United States must now review the likelihood that the copyright in the work may be restored pursuant to new Section 104A. This initial review will involve, among other things, a determination of the work's copyright status in its "source country" and the identity of its "author" according to the law of the "source country." This determination will require a knowledge of foreign copyright law.

Additionally, attorneys will need to determine whether or not their respective clients are "reliance parties" accorded certain limited rights under the statute, such as to exploit (but not to copy) the work during the applicable twelve-month grace period and to continue to exploit pre-existing derivative works following the twelve month grace period (subject to the payment of reasonable compensation to the work's copyright owner). Attorneys advising clients who are authors of foreign works whose copyright may be restored under new Section 104A should counsel their clients to identify "reliance parties" and their respective uses of the work, in

⁵¹ 17 U.S.C. § 104A(f)(1).

⁵² 17 U.S.C. § 104A(f)(2).

preparation for serving those reliance parties with the requisite notice of the author's intent to enforce the restored copyright.

Counsel should also review the likelihood that the pre-restoration transfers of a work's copyright will be enforceable following the restoration of the work's copyright. As discussed above, this is one of the least clear areas of the legislation. Nonetheless, parties whose bargaining position with respect to their rights in a foreign work may be significantly weakened, once the work's United States copyright is restored, may wish to take advantage of their present position of strength (assuming the copyright has not already been restored) to negotiate agreements permitting their continued exploitation of the work following restoration of its copyright by explicitly addressing in such agreements the consequences of the possible restoration of the work's copyright. In sum, while parties dealing with foreign works in the public domain in the United States must now take into account the provisions of Section 104A, it may be some time before the courts clarify the meaning of those provisions.

THE URUGUAY ROUND AGREEMENTS ACT—COPYRIGHT PROVISIONS*TITLE V—INTELLECTUAL PROPERTY**Sec. 501. Definition.*

For purposes of this title—

(1) the term “WTO Agreement” has the meaning given that term in section 2(9) of the Uruguay Round Agreements Act; and

(2) the term “WTO member country” has the meaning given that term in section 2(10) of the Uruguay Round Agreements Act.

*SUBTITLE A—COPYRIGHT PROVISIONS**Sec. 511. Rental Rights in Computer Programs.*

Section 804(c) of the Computer Software Rental Amendments Act of 1990 (17 U.S.C. 109 note; 104 Stat. 5136) is amended by striking the first sentence.

Sec. 512. Civil Penalties for Unauthorized Fixation of and Trafficking in Sound Recordings and Music Videos of Live Musical Performances.

(a) IN GENERAL.—Title 17, United States Code, is amended by adding at the end the following new chapter:

*“CHAPTER 11—SOUND RECORDINGS AND MUSIC VIDEOS**“§ 1101. Unauthorized fixation and trafficking in sound recordings and music videos*

“(a) UNAUTHORIZED ACTS.—Anyone who, without the consent of the performer or performers involved—

“(1) fixes the sounds or sounds and images of a live musical performance in a copy or phonorecord, or reproduces copies or phonorecords of such a performance from an unauthorized fixation,

“(2) transmits or otherwise communicates to the public the sounds or sounds and images of a live musical performance, or

“(3) distributes or offers to distribute, sells or offers to sell, rents or offers to rent, or traffics in any copy or phonorecord fixed as described in paragraph (1), regardless of whether the fixations occurred in the United States,

shall be subject to the remedies provided in sections 502 through 505, to the same extent as an infringer of copyright.

“(b) DEFINITION.—As used in this section, the term ‘traffic in’ means transport, transfer, or otherwise dispose of, to another, as consideration for anything of value, or make or obtain control of with intent to transport, transfer, or dispose of.

“(c) APPLICABILITY.—This section shall apply to any act or acts that occur on or after the date of the enactment of the Uruguay Round Agreements Act.

“(d) STATE LAW NOT PREEMPTED.—Nothing in this section may be construed to annual or limit any rights or remedies under the common law or statutes of any State”.

(b) CONFORMING AMENDMENT.—The table of chapters for title 17, United States Code, is amended by adding at the end the following:

“11. Sound Recordings and Music Videos 1101”.

Sec. 513. Criminal Penalties for Unauthorized Fixation of and Trafficking in Sound Recordings and Music Videos or Live Musical Performances.

(a) IN GENERAL.—Chapter 113 of title 18, United States Code, is amended by inserting after section 2319 the following:

“§ 2319A. Unauthorized fixation of and trafficking in sound recordings and music videos of live musical performances

“(a) OFFENSE.—Whoever, without the consent of the performer or performers involved, knowingly and for purposes of commercial advantage or private financial gain—

“(1) fixes the sounds or sounds and images of a live musical performance in a copy or phonorecord, or reproduces copies or phonorecords of such a performance from an unauthorized fixation;

“(2) transmits or otherwise communicates to the public the sounds or sounds and images of a live musical performance; or

“(3) distributes or offers to distribute, sells or offers to sell, rents or offers to rent, or traffics in any copy or phonorecord fixed as described in paragraph (1), regardless of whether the fixations occurred in the United States;

shall be imprisoned for not more than 5 years or fined in the amount set forth in this title, or both, or if the offense is a second or subsequent offense, shall be imprisoned for not more than 10 years or fined in the amount set forth in this title, or both.

“(b) FORFEITURE AND DESTRUCTION.—When a person is convicted of a violation of subsection (a), the court shall order the forfeiture and destruction of any copies or phonorecords created in violation thereof, as

well as any plates, molds, matrices, masters, tapes, and film negatives by means of which such copies or phonorecords may be made. The court may also, in its discretion, order the forfeiture and destruction of any other equipment by means of which such copies or phonorecords may be reproduced, taking into account the nature, scope, and proportionality of the use of the equipment in the offense.

“(c) SEIZURE AND FORFEITURE.—If copies or phonorecords of sounds or sounds and images of a live musical performance are fixed outside of the United States without the consent of the performer or performers involved, such copies or phonorecords are subject to seizure and forfeiture in the United States in the same manner as property imported in violation of the customs laws. The Secretary of the Treasury shall, not later than 60 days after the date of the enactment of the Uruguay Round Agreements Act, issue regulations to carry out this subsection, including regulations by which any performer may, upon payment of a specified fee, be entitled to notification by the United States Customs Service of the importation of copies or phonorecords that appear to consist of unauthorized fixations of the sounds or sounds and images of a live musical performance.

“(d) DEFINITIONS.—As used in this section—

“(1) the terms ‘copy’, ‘fixed’, ‘musical work’, ‘phonorecord’, ‘reproduce’, ‘sound recordings’, and ‘transmit’ mean those terms within the meaning of title 17; and

“(2) the term ‘traffic in’ means transport, transfer, or otherwise dispose of, to another, as consideration for anything of value, or make or obtain control of with intent to transport, transfer, or dispose of.

“(e) APPLICABILITY.—This section shall apply to any act or acts that occur on or after the date of the enactment of the Uruguay Round Agreements Act.”

(b) CONFORMING AMENDMENT.—The table of sections for chapter 113 of title 18, United States Code, is amended by inserting after the item relating to section 2319 the following:

“2319A. Unauthorized fixation of and trafficking in sound recordings and music videos of live musical performances.”.

Sec. 514. Restored Works.

(a) IN GENERAL.—Section 104A of title 17, United States Code, is amended to read as follows:

“§ 104A. Copyright in restored works

“(a) AUTOMATIC PROTECTION AND TERM.—

“(1) TERM.—

“(A) Copyright subsists, in accordance with this section, in restored works, and vests automatically on the date of restoration.

“(B) Any work in which copyright is restored under this section shall subsist for the remainder of the term of copyright that the work would have otherwise been granted in the United States if the work never entered the public domain in the United States.

“(2) EXCEPTION.—Any work in which the copyright was ever owned or administered by the Alien Property Custodian and in which the restored copyright would be owned by a government or instrumentality thereof, is not a restored work.

“(b) OWNERSHIP OF RESTORED COPYRIGHT.—A restored work vests initially in the author or initial rightholder of the work as determined by the law of the source country of the work.

“(c) FILING OF NOTICE OF INTENT TO ENFORCE RESTORED COPYRIGHT AGAINST RELIANCE PARTIES.—On or after the date of restoration, any person who owns a copyright in a restored work on an exclusive right therein may file with the Copyright Office a notice of intent to enforce that person’s copyright or exclusive right or may serve such a notice directly on a reliance party. Acceptance of a notice by the Copyright Office is effective as to any reliance parties but shall not create a presumption of the validity of any of the facts stated therein. Service on a reliance party is effective as to that reliance party and any other reliance parties with actual knowledge of such service and of the contents of that notice.

“(d) REMEDIES FOR INFRINGEMENT OF RESTORED COPYRIGHTS.—

“(1) ENFORCEMENT OF COPYRIGHT IN RESTORED WORKS IN THE ABSENCE OF A RELIANCE PARTY.—As against any party who is not a reliance party, the remedies provided in chapter 5 of this title shall be available on or after the date of restoration of a restored copyright with respect to an act of infringement of the restored copyright that is commenced on or after the date of restoration.

“(2) ENFORCEMENT OF COPYRIGHT IN RESTORED WORKS AS AGAINST RELIANCE PARTIES.—As against a reliance party, except to the extent provided in paragraphs (3) and (4), the remedies provided in chapter 5 of this title shall be available, with respect to an act of infringement of a restored copyright, on or after the date of restoration of the restored copyright if the requirements of either of the following subparagraphs are met:

“(A)(i) The owner of the restored copyright (or such owner’s agent) or the owner of an exclusive right

therein (or such owner's agent) files with the Copyright Office, during the 24-month period beginning on the date of restoration, a notice of intent to enforce the restored copyright; and

“(ii)(I) the act of infringement commenced after the end of the 12-month period beginning on the date of publication of the notice in the Federal Register;

“(II) the act of infringement commenced before the end of the 12-month period described in subclause (I) and continued after the end of that 12-month period, in which case remedies shall be available only for infringement occurring after the end of that 12-month period; or

“(III) copies or phonorecords of a work in which copyright has been restored under this section are made after publication of the notice of intent in the Federal Register.

“(B)(i) The owner of the restored copyright (or such owner's agent) or the owner of an exclusive right therein (or such owner's agent) serves upon a reliance party a notice of intent to enforce a restored copyright; and

“(ii)(I) the act of infringement commenced after the end of the 12-month period beginning on the date the notice of intent is received;

“(II) the act of infringement commenced before the end of the 12-month period described in subclause (I) and continued after the end of that 12-month period, in which case remedies shall be available only for the infringement occurring after the end of that 12-month period; or

“(III) copies or phonorecords of a work in which copyright has been restored under this section are made after receipt of the notice of intent.

In the event that notice is provided under both subparagraphs (A) and (B), the 12-month period referred to in such subparagraphs shall run from the earlier of publication or service of notice.

“(3) EXISTING DERIVATIVE WORKS.—(A) In the case of a derivative work that is based upon a restored work and is created—

“(i) before the date of the enactment of the Uruguay Round Agreements Act, if the source country of

the derivative work is an eligible country on such date,
or

“(ii) before the date of adherence or proclamation,
if the source country of the derivative work is not an
eligible country on such date of enactment,

a reliance party may continue to exploit that work for the duration of the restored copyright if the reliance party pays to the owner of the restored copyright reasonable compensation for conduct which would be subject to a remedy for infringement but for the provisions of this paragraph.

“(b) In the absence of an agreement between the parties, the amount of such compensation shall be determined by an action in United States district court, and shall reflect any harm to the actual or potential market for or value of the restored work from the reliance party’s continued exploitation of the work, as well as compensation for the relative contributions of expression of the author of the restored work and the reliance party to the derivative work.

“(4) COMMENCEMENT OF INFRINGEMENT FOR RELIANCE PARTIES.—For purposes of Section 412, in the case of reliance parties, infringement shall be deemed to have commenced before registration when acts which would have constituted infringement had the restored work been subject to copyright were commenced before the date of restoration.

“(e) NOTICES OF INTENT TO ENFORCE A RESTORED COPYRIGHT.—

“(1) NOTICES OF INTENT FILED WITH THE COPYRIGHT OFFICE.— (A)(i) A notice of intent filed with the Copyright Office to enforce a restored copyright shall be signed by the owner of the restored copyright or the owner of an exclusive right therein, who files the notice under subsection (d)(2)(A)(i) (hereafter in this paragraph referred to as the ‘owner’), or by the owner’s agent, shall identify the title of the restored work, and shall include an English translation of the title and any other alternative titles known to the owner by which the restored work may be identified, and an address and telephone number at which the owner may be contacted. If the notice is signed by an agent, the agency relationship must have been constituted in a writing signed by the owner before the filing of the notice. The Copyright Office may specifically require in regulations other information to be included in the notice, but failure to provide such other information shall not invalidate the notice or be a basis for refusal to list the restored work in the Federal Register.

“(ii) If a work in which copyright is restored has no formal title, it shall be described in the notice of intent in detail sufficient to identify it.

“(iii) Minor errors or omissions may be corrected by further notice at any time after the notice of intent is filed. Notices of corrections for such minor errors or omissions shall be accepted after the period established in subsection (d)(2)(A)(i). Notices shall be published in the Federal Register pursuant to subparagraph (B).

“(B)(i) The Register of Copyrights shall publish in the Federal Register, commencing not later than 4 months after the date of restoration for a particular nation and every 4 months thereafter for a period of 2 years, lists identifying restored works and the ownership thereof if a notice of intent to enforce a restored copyright has been filed.

“(ii) Not less than 1 list containing all notices of intent to enforce shall be maintained in the Public Information Office of the Copyright Office and shall be available for public inspection and copying during regular business hours pursuant to sections 705 and 708. Such list shall also be published in the Federal Register on an annual basis for the first 2 years after the applicable date of restoration.

“(C) The Register of Copyrights is authorized to fix reasonable fees based on the costs of receipt, processing, recording, and publication of notices of intent to enforce a restored copyright and corrections thereto.

“(D)(i) Not later than 90 days before the date the Agreement on Trade-Related Aspects of Intellectual Property referred to in section 101(d)(15) of the Uruguay Round Agreements Act enters into force with respect to the United States, the Copyright Office shall issue and publish in the Federal Register regulations governing the filing under this subsection of notices of intent to enforce a restored copyright.

“(ii) Such regulations shall permit owners of restored copyrights to file simultaneously for registration of the restored copyright.

“(2) NOTICES OF INTENT SERVED ON A RELIANCE PARTY.— (A) Notices of intent to enforce a restored copyright may be served on a reliance party at any time after the date of restoration of the restored copyright.

“(B) Notices of intent to enforce a restored copyright served on a reliance party shall be signed by the owner or the owner’s agent, shall identify the restored work and the work in

which the restored work is used, if any, in detail sufficient to identify them, and shall include an English translation of the title, any other alternative titles known to the owner by which the work may be identified, the use or uses to which the owner objects, and an address and telephone number at which the reliance party may contact the owner. If the notice is signed by an agent, the agency relationship must have been constituted in writing and signed by the owner before service of the notice.

“(3) EFFECT OF MATERIAL FALSE STATEMENTS.—Any material false statement knowingly made with respect to any restored copyright identified in any notice of intent shall make void all claims and assertions made with respect to such restored copyright.

“(f) IMMUNITY FROM WARRANTY AND RELATED LIABILITY.—

“(1) IN GENERAL.—Any person who warrants, promises, or guarantees that a work does not violate an exclusive right granted in section 106 shall not be liable for legal, equitable, arbitral, or administrative relief if the warranty, promise, or guarantee is breached by virtue of the restoration of copyright under this section, if such warranty, promise, or guarantee is made before January 1, 1995.

“(2) PERFORMANCES.—No person shall be required to perform any act if such performance is made infringing by virtue of the restoration of copyright under the provisions of this section, if the obligation to perform was undertaken before January 1, 1995.

“(g) PROCLAMATION OF COPYRIGHT RESTORATION.—Whenever the President finds that a particular foreign nation extends, to works by authors who are nationals or domiciliaries of the United States, restored copyright protection on substantially the same basis as provided under this section, the President may by proclamation extend restored protection provided under this section to any work—

“(1) of which one or more of the authors is, on the date of first publication, a national, domiciliary, or sovereign authority of that nation; or

“(2) which was first published in that nation.

The President may revise, suspend, or revoke any such proclamation or impose any conditions or limitations on protection under such a proclamation.

“(h) DEFINITIONS.—For purposes of this section and section 109(a):

“(1) The term ‘date of adherence or proclamation’ means the earlier of the date on which a foreign nation which, as of the date the WTO Agreement enters into force with respect to the United States, is not a nation adhering to the Berne Convention or a WTO member country, becomes—

“(A) a nation adhering to the Berne Convention or a WTO member country; or

“(B) subject to a Presidential proclamation under subsection (g).

“(2) The ‘date of restoration’ of a restored copyright is the later of—

“(A) the date on which the Agreement on Trade-Related Aspects of Intellectual Property referred to in section 101(d)(15) of the Uruguay Round Agreements Act enters into force with respect to the United States, if the source country of the restored work is a nation adhering to the Berne Convention or a WTO member country on such date; or

“(B) the date of adherence or proclamation, in the case of any other source country of the restored work.

“(3) The term ‘eligible country’ means a nation, other than the United States, that is a WTO member country, adheres to the Berne Convention, or is subject to a proclamation under section 104A(g).

“(4) The term ‘reliance party’ means any person who—

“(A) with respect to a particular work, engages in acts, before the source country of that work becomes an eligible country, which would have violated section 106 if the restored work had been subject to copyright protection, and who, after the source country becomes an eligible country, continues to engage in such acts;

“(B) before the source country of a particular work becomes an eligible country, makes or acquires 1 or more copies or phonorecords of that work; or

“(C) as the result of the sale or other disposition of a derivative work covered under subsection (d)(3), or significant assets of a person described in subparagraph (A) or (B), is a successor, assignee, or licensee of that person.

“(5) The term ‘restored copyright’ means copyright in a restored work under this section.

“(6) The term ‘restored work’ means an original work of authorship that—

“(A) is protected under subsection (a);

“(B) is not in the public domain in its source country through expiration of term of protection;

“(C) is in the public domain in the United States due to—

“(i) noncompliance with formalities imposed at any time by United States copyright law, including failure of renewal, lack of proper notice, or failure to comply with any manufacturing requirements.

“(ii) lack of subject matter protection in the case of sound recordings fixed before February 15, 1972; or

“(iii) lack of national eligibility; and

“(D) has at least one author or rightholder who was, at the time the work was created, a national or domiciliary of an eligible country, and if published, was first published in an eligible country and not published in the United States during the 30-day period following publication in such eligible country.

“(7) The term ‘rightholder’ means the person—

“(A) who, with respect to a sound recording, first fixes a sound recording with authorization, or

“(B) who has acquired rights from the person described in subparagraph (A) by means of any conveyance or by operation of law.

“(8) The ‘source country’ of a restored work is—

“(A) a nation other than the United States;

“(B) in the case of an unpublished work—

“(i) the eligible country in which the author or rightholder is a national or domiciliary, or, if a restored work has more than 1 author or rightholder, the majority of foreign authors or rightholders are nationals or domiciliaries of eligible countries; or

“(ii) if the majority of authors or rightholders are not foreign, the nation other than the United States which has the most significant contacts with the work; and

“(C) in the case of a published work—

“(i) the eligible country in which the work is first published, or

“(ii) if the restored work is published on the same day in 2 or more eligible countries, the eligible country which has the most significant contacts with the work.

“(9) The terms ‘WTO Agreement’ and ‘WTO member country’ have the meanings given those terms in paragraphs (9) and (10), respectively, of section 2 of the Uruguay Round Agreements Act”.

(b) **LIMITATION.**—Section 109(a) of title 17, United States Code, is amended by adding at the end the following: “Notwithstanding the preceding sentence, copies or phonorecords of works subject to restored copyright under section 104A that are manufactured before the date of restoration of copyright or, with respect to reliance parties, before publication or service of notice under section 104A(e), may be sold or otherwise disposed of without the authorization of the owner of the restored copyright for purposes of direct or indirect commercial advantage only during the 12-month period beginning on—

“(1) the date of the publication in the Federal Register of the notice of intent filed with the Copyright Office under section 104A(d)(2)(A), or

“(2) the date of the receipt of actual notice served under section 104A(d)(2)(B), whichever occurs first.”

(c) **CONFORMING AMENDMENT.**—The item relating to section 104A in the table of sections for chapter 1 of title 17, United States Code, is amended to read as follows:

“104A. Copyright in restored works.”

PART V

BIBLIOGRAPHY**THE LAW OF COPYRIGHT**

by HOWARD ABRAMS

Reviewed By: JEFFREY E. JACOBSON*

Howard Abrams' obvious interest and expert knowledge of copyright law is evidenced by his treatise, *The Law of Copyright*. As a prominent professor, author and scholar, he provides a current and comprehensive desk top resource while holding the reader's attention with flowing commentary, casual statements and quips that make reading enjoyable. Professor Abrams explains that inherent copyright interests must be preserved in order for creators and works of artistic and intellectual merit to thrive. This book is intended not only for lawyers, judges and scholars, but also for the general public.

Divided into two volumes, *The Law of Copyright* is a new addition to the field of intellectual property treatises. This tome is separated further into nineteen (19) chapters covering topics ranging from the general nature of copyright to more specific subjects such as the copyright protection of semiconductor chips. The first volume provides the reader with a comprehensive study of the nature of copyright law, including duration, scope of ownership rights, as well as notice and registration requirements. The second volume continues the analysis as well as containing nine (9) chapters with subject matter tailored to the maintenance and protection of copyright.

Upon opening *The Law of Copyright* to any page, the reader will see the depth of analysis and detailed commentary incorporated within Mr. Abrams' work. For example, Chapter One, "The Basis and Structure of American Copyright Law," provides an excellent Supreme Court and American constitutional law analysis of copyright protection, highlighting constitutional limitations, First Amendment issues, the Fair Use Doctrine and legislative history. Material pertaining to the congressional history

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leading up to the Copyright Act is substantial. The author supplies a twenty-one (21) year chronology of the Act covering 1955 through 1976. Included in this timeline are Congressional bills, along with studies and reports conducted by the Register of Copyrights as well as legislative panels.¹

Abrams evaluates the copyright clause of the Constitution in a meticulous fashion. Through an intensive study of the individual phrases and words in the passage, the author emphasizes the significance of this clause.²

His detailed evaluation is also apparent in Chapter Two which discusses precise standards for originality and fixation, along with constitutional, legislative and statutory subject matter requirements for a valid copyright. Standards for originality and fixation vary depending on the format of the work. Abrams discusses these requirements in relation to derivative works, collective works and compilations. This chapter also presents a detailed evaluation of the statutory categories of copyright subject matter as espoused in § 102(a) of the Copyright Act. The author devotes several pages to discussion of each type of copyrightable work included within the statutory categories.

Comprehensive analysis and detailed explanations are also found in the sixth chapter where Professor Abrams supplies a particularly thorough review of the law of preemption under the 1976 Copyright Act, focusing on constitutional standards for preemption, preemption with respect to other laws, and preemption outside section 301. Abrams incorporates numerous cases, explanations and commentary to illustrate issues which "[assume] a great deal of practical importance."³ After defining the doctrine of preemption, the chapter addresses constitutional and statutory standards as evidenced in three U.S. Supreme Court decisions.⁴ Additionally, questions and tests regarding equivalent preemptive rights and state law are explained. Abrams admits that the issue of whether a state law is pre-

¹ Legislative Appropriations Act of 1955, ch. 568, 69 Stat. 499 (1955). House Comm. on the Judiciary, 87th Cong., 1st Sess., Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 3-6 (Comm. Print 1961). House Comm. on the Judiciary, 88th Cong., 1st Sess., Copyright Law Revision Part 2, Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law 1-222 (Comm. Print 1963).

² Abrams discusses the following words and phrases: "The Congress shall have Power," "Securing" of rights, "writings," and authors." § 1.02[C][1]-[4].

³ Abrams, *The Law of Copyright*, § 6.01.

⁴ *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), *Compco Co. v. Day-Brite Lighting Inc.*, 376 U.S. 234 (1964), and, *Goldstein v. California*, 412 U.S. 546 (1973).

empted by section 106 of the federal Copyright Act is "a problem of significant, and perhaps unnecessary, complexity."⁵

Although *The Law of Copyright* is a lengthy treatise, Professor Abrams presents each topic in a clear and organized fashion. The author's ability to express complicated matters in a clear and comprehensible manner is one of the strengths of this work. Evidenced by Chapter Five, Abrams provides an understandable and approachable study of the interests in copyright ownership. Contained within the right to copyright are five substantial topics, each with their own provisions, case law, conditions and limitations.⁶ Although an explanation incorporating all five rights could be overwhelming, the author deftfully presents the information in an organized, lucid and unimposing manner. Without his clear explanations, this highly detailed and complicated field would remain esoteric to many.

Due to well established intricacies and variations, Professor Abrams admits there are many uncertain facets of copyright protection and writes, "[e]ven though the statutory provisions are explicit, such straightforward questions as when does copyright protection begin, how long does it last and when does it end, can require complicated answers."⁷ Included within the chapter covering copyright litigation procedure is a discussion of the problems and questions surrounding copyright infringement liability. Congress has recognized inequalities in liability for copyright infringement and adopted the Copyright Remedy Clarification Act of 1990.⁸ This Act serves to address the Eleventh Amendment immunity for states (in addition to state agencies and state officials acting in their official capacity) when they are involved in copyright infringement actions.⁹ Abrams explains the genesis of the Act, its provisions, applications and additional Eleventh Amendment issues which remain unresolved and in dispute. Using excellent analysis and proposed solutions, the author may be successful in his efforts to quash the mystique surrounding many aspects of copyright law.

Professor Abrams' opus contains an extensive and convenient placement of summaries, background materials and overviews of chapters and topics within the chapters. For instance, Chapter Nine contains an introduction, topic summaries, supplemental provisions, and sections devoted to terminology and general information. As a result, the work is particularly useful. Moreover, the author provides especially practical informa-

⁵ Abrams at § 6.03[C].

⁶ The right to copy, prepare derivative works, distribute, publicly perform, and the right to publicly display.

⁷ Abrams, *The Law of Copyright* § 7.01.

⁸ Publ. L. 101-553, 104 Stat. 2749 (1990) (codified at 17 U.S.C. §§ 501(a), 511, 910(a), 911(g)).

⁹ 17 U.S.C. § 511(a).

tion such as how, when, where and by whom a copyright registration may be filed.

Also, included within *The Law of Copyright* are current fee rates, hypothetical situations, examples of copyright protection duration under both the old and new statutes, and service requirements. Another informative aspect of this work is the consistent comparison of the 1909 and 1976 Copyright Acts for many areas including works made for hire, copyright duration, publication as well as notice. Various procedural guidelines are incorporated, including those for effective copyright transfer, ownership, distribution of royalties, in addition to requirements for obtaining an impounding order. Case commentary and overviews in the book provide excellent information regarding applicable case law. As a practical bibliography and reference resource, this work is rendered a handy addition to the intellectual property attorney's library.

In order to take advantage of Professor Abrams' extensive work, the reader must be able to expeditiously locate the desired topic or case. Within the index, cross references are listed, as are listings of those cases which appear as a heading within a chapter. Further supplied is an alphabetical table of cases which appear in the text and footnotes. Although the index is complete and clearly organized, it appears only at the end of Volume II, thereby making it difficult for the reader of Volume I to utilize the index unless both volumes are at close range. A Table of Contents is found in each volume and both volumes commence with a Summary of Contents, listing the titles of all chapters. Every chapter begins with a table listing the contents of that particular chapter. Chapters often begin with a very helpful and informative introduction. Case commentaries are interspersed throughout the chapters and numerous footnotes provide additional worthwhile case references as well as valuable extra information.

An interesting and timely aspect of this work is the final chapter entitled, "Protection of Semiconductor Chips." Abrams devotes thirty pages to this subject, demonstrating his belief that increased awareness and supportive information must be provided for the copyright protection of high technology. The format of this chapter parallels that of *The Law of Copyright* as a whole. Focusing on the copyright protection of semiconductor chips only, the professor discusses and provides detailed explanations of subject matter, duration, ownership and transfer, the five basic rights, limitations, infringement and remedies. Chapter 19, "Protection of Semiconductor Chips," is a very thorough discourse and treatise in and of itself.

Possible criticism of *The Law of Copyright* is minimal. Published in 1991, the review copy did not include an update in accordance with the 1992 Amendments to the Copyright Act. Furthermore, a useful addendum would include an appendix of copyright forms to be used as a convenient desk top reference. Lastly, by adding the 1909 law, the 1976 copyright

statute, as well as the legislative updates, these volumes would certainly replace *Nimmer on Copyright* as the acknowledged standard reference in the field.

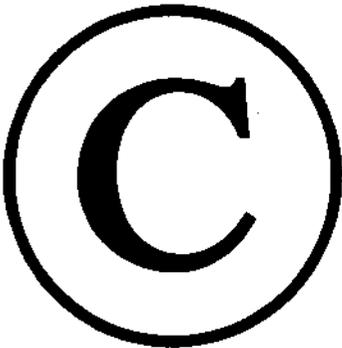
Overall, this work is comprehensive in addition to being extremely detailed, yet not overwhelmingly nor overly academic. *The Law of Copyright* provides an excellent, straight-forward articulation and explanation of the law. Professor Abrams has produced a work worthy of considerable respect and one which rivals all other major copyright treatises.

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PART I

ARTICLES

CONSIDERING COPYRIGHT CRIMES

by ROGER J. MINER
U.S. Circuit Judge
Brace Lecture
The Copyright Society of the U.S.A.
Wednesday, April 26, 1995

In the face of the epidemic of copyright infringement that has been afflicting our nation, I suggest that the federal courts have been underutilized for the prosecution of copyright crimes. There are those who might find this a strange statement for me to make, since I am the author of a number of articles railing against the expansion of the criminal jurisdiction of the federal courts.¹ But my criticism has been directed at the congressional exercise of power to criminalize conduct that traditionally has been the concern of the States. I have recommended that the definition of federal crimes be limited to anti-social behavior that primarily is a matter of national concern.²

In an effort to consolidate and pare down the 3,000-odd United States Code provisions criminalizing acts and omissions of various kinds, I would also eliminate a number of anachronistic provisions. Among these are the transportation of water hyacinths in interstate commerce,³ the impersonation of a member of the 4-H Club,⁴ and the movement of dentures into a State without the permission of a local dentist.⁵ Ever since the Supreme Court decided that Congress could define a crime on the basis of conduct that somehow affects interstate commerce,⁶ Congress has demonstrated precious little capacity for self-restraint in this area. After all, what legislator can resist advising his or her constituents that a new federal crime has

¹ See, e.g., Roger J. Miner, *Crime and Punishment in the Federal Courts*, 43 *Syr. L. Rev.* 681 (1991); Roger J. Miner, *The Consequences of Federalizing Criminal Law*, *Criminal Justice*, Spring 1989, at 16.

² Roger J. Miner, *Federal Courts, Federal Crimes, and Federalism*, 10 *Harv. J.L. & Pub. Pol'y* 117, 127 (1987).

³ 18 U.S.C. § 46.

⁴ *Id.* § 916.

⁵ *Id.* § 1821.

⁶ See *Perez v. United States*, 402 U.S. 146, 155 (1971).

been defined and, accordingly, that some problem or other has been solved? The fact that a corresponding state crime already exists is of no moment to those who enact our federal laws.

The situation is much different, in my opinion, when it comes to the definition of copyright crimes. Copyright *is* a matter of national interest, and it has been so since the adoption of the federal Constitution. The Constitution not only confers upon Congress the power to legislate in the area of copyrights and patents, but it also tells us why such legislation is socially beneficial: the power is to enact laws to “secur[e] for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;” the beneficial purpose of such laws is “[t]o promote the Progress of Science and Useful Arts.”⁷ James Madison, one of the authors of that well-known series of persuasive articles urging ratification of the Constitution, made some interesting comments about these provisions. In Federalist No. 43, Madison wrote:

The utility of this power will scarcely be questioned. The copy right of authors has been solemnly adjudged in Great Britain to be a right at common law. The right to useful inventions, seems with equal reason to belong to inventors. The public good fully coincides in both cases, with the claims of individuals. The States cannot separately make effectual provisions for either of these cases.⁸

Madison thus made two important points, both of which favor copyright enforcement through federal criminal prosecution. First, he observed that the public good, by which he meant the national interest, coincides with the copyright claims of individuals, by which he meant the private interest. Second, he asserted that the States cannot be effective in separately providing for copyright enforcement. I shall return to the second point a little later. As to Madison’s first point, the Supreme Court has made it abundantly clear just what is the more important interest to be served. The Court has written that the monopoly privileges granted to authors and inventors are “limited in nature and must ultimately serve the public good.”⁹ The Court also has written that “copyright law . . . serves the purpose of enriching the general public through access to creative works,”¹⁰ and that “private motivation must . . . serve its cause of promoting broad public availability of literature, music and the other arts.”¹¹ In a

⁷ U.S. Const. art. I, § 8, cl. 8.

⁸ The Federalist No. 43, at 217-18 (James Madison) (Bantam Classic ed. 1982).

⁹ Fogerty v. Fantasy, Inc., 114 S. Ct. 1023, 1029 (1994).

¹⁰ *Id.* at 1030.

¹¹ Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975).

recent case holding that ordinary compilations generally are not copyrightable, the Supreme Court put it this way:

[C]opyright assures authors the right to their original expression, but encourages them to build freely upon the ideas and information conveyed by a work.¹²

We are thus left with the understanding that the purpose of copyright law is no less than the dissemination of knowledge, the promotion of cultural enrichment, the conveyance of information and the consequent betterment of society through the encouragement of creativity and innovation. This being so, what could be a more important matter of national interest than the enforcement of copyright law?

Although the first Congress recognized the national policy implications of the Copyright Clause by enacting the first copyright law in 1790,¹³ it was not until 1897 that the first criminal copyright provision found congressional approval.¹⁴ That provision established a misdemeanor penalty for unlawful performances and presentations of copyrighted dramatic and musical compositions. In order for the penalty to be imposed, it was necessary to establish that the defendant's conduct was "willful" and "for profit."¹⁵ The 1909 Copyright Act extended the misdemeanor penalty to all types of copyrighted works, except sound recordings, and continued the same *mens rea* language.¹⁶ Sound recordings were brought within the coverage of the statute by the Sound Recording Act of 1971.¹⁷ The 1976 Copyright Act restated the offense of copyright infringement as a misdemeanor, providing fines of not more than \$10,000 or imprisonment of not more than one year or both.¹⁸ In the case of sound recordings or motion pictures, the statute provided for fines of up to \$25,000 or imprisonment for not more than one year or both. Repeat offenders could be fined up to \$50,000 or punished by up to two years of imprisonment or both. The 1976 Act changed the *mens rea* element to require that the infringing conduct be engaged in "willfully and for purposes of commercial advantage or private financial gain."¹⁹

It was not until 1982, almost two hundred years after the first copyright statute and eighty-five years after the first criminal provision, that felony sanctions for copyright infringement were authorized. In that year, responding to the demands of the sound recording and motion picture in-

¹² *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349-50 (1991).

¹³ Act of May 31, 1790, ch. 15, 1 Stat. 124.

¹⁴ Act of January 6, 1897, ch. 4, 29 Stat. 481-82.

¹⁵ *Id.*

¹⁶ Copyright Act of 1909, ch. 320, 33 Stat. 1075-82.

¹⁷ Act of Oct. 15, 1971, Pub. L. No. 92-140, 85 Stat. 391.

¹⁸ Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541.

¹⁹ *Id.*

dustries,²⁰ criminal copyright infringements involving the reproduction or distribution of records, motion pictures and audiovisual works were designated as felonies.²¹ While the criminal offense was still defined in Title 17, the copyright title of the U.S. Code, the felony penalty provisions were established in a new section of Title 18, the crimes and criminal procedure title.²² The felony penalty provision applied to a defendant convicted of reproducing or distributing, during any 180-day period, at least one thousand phonorecords or copies infringing the copyright in one or more sound recordings or at least sixty-five copies infringing the copyright in one or more motion pictures or other audiovisual works.²³ The penalties consisted of imprisonment of the infringer for up to five years, a fine of up to \$250,000 or both.²⁴ The same fine, with imprisonment for no more than two years, applied in the case of more than one hundred but less than one thousand phonorecords and more than seven but less than sixty-five copies of motion pictures or other audiovisual works.²⁵ All other criminal copyright infringement offenses continued to be classified as misdemeanors.²⁶

A case involving a felony prosecution under the 1982 Act came to my court in 1991.²⁷ The defendant, one Julio Larracuenta, owned and operated a videocassette rental store. An investigator for the Motion Picture Association of America identified tapes rented by the store as counterfeit, and a surveillance was undertaken by the investigator and, later, by an FBI agent. The defendant was observed unloading boxes of blank videotapes from his car into his home and taking videotapes from his home to his store. A search of his house, conducted pursuant to a warrant, revealed 1,670 counterfeit videocassettes of movies, 78 VCRs, videotape copying equipment of various types and hundreds of cassette covers and stickers. The jury convicted defendant of both the substantive and conspiracy offenses of criminal copyright infringement. In answer to interrogatories, the jury specifically found that the defendant had made at least sixty-five copies of copyrighted films within a 180-day period, the statutory threshold calling for a punishment of up to five years in prison and a fine of up to \$250,000. The district court imposed a sentence of twelve months, the bottom of the guidelines sentencing range.

²⁰ Mary Jane Saunders, *Criminal Copyright Infringement and the Copyright Felony Act*, 71 Denv. U.L. Rev. 671, 676 (1994).

²¹ Act of May 24, 1992, Pub. L. No. 97-180, 96 Stat. 91.

²² 18 U.S.C. § 2319 (1982).

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

²⁷ See *United States v. Larracuenta*, 952 F.2d 672 (2d Cir. 1992).

We took the opportunity in the *Larracuent* case to address two issues previously unresolved in our circuit. One was a defense analogous to the defense of "first sale,"²⁸ and the other was the method of ascertaining "retail value" under the Sentencing Guidelines.²⁹ It was the contention of the defendant on appeal that the government had failed in its obligation to prove that licensees of the copyright owners had not authorized him to reproduce the films. We decided that the elements of the criminal offense to be proven were the same as those in a civil copyright case—ownership of a valid copyright and copying. It was, of course, also necessary for the government to establish the *mens rea* requirement as well as the numerosity and temporal threshold requirements. The possession of a sub-license, we held, was a matter of affirmative defense.³⁰ Even if the absence of a sub-license was an element, a defendant would have to introduce some evidence of a sub-license in order for the prosecution to shoulder the burden of negating that element beyond a reasonable doubt. This shifting of the burden of production seems to be the better approach and has been taken by most courts in connection with the similar defense of "first sale," which permits the owner of a copy lawfully made to sell or otherwise dispose of the copy without the authority of the copyright owner.³¹ The first sale doctrine is said to vitiate the copyright owner's power to prevent further sales or dispositions, and the legislative history seems to oblige a defendant to come forward with evidence that the copies were legally made in order to take advantage of the first sale doctrine.

Turning to the sentencing issue in *Larracuent*, I first note that I am no fan of the Sentencing Guidelines. When the Guidelines took effect in November of 1987, their starting point was the average sentence that had been imposed before the effective date of the Sentencing Reform Act of 1984, which spawned the Guidelines.³² The Sentencing Commission never has really taken a fresh look at those averages, with the result that some sentences remain much too high and some remain much too low. In any event, we now have a formulaic approach to sentencing, based in large part on the offense rather than upon the offender. So much for giving sentencing discretion to a commission rather than to a judge! It seems to me, in light of the national policy with which we are concerned, that the penalties for copyright felonies are much too low. Turning to the specific formula for the offense of copyright infringement, we find that the base offense level of six is to be enhanced as follows: "If the retail value of the

²⁸ *Id.* at 673-74.

²⁹ *Id.* at 674-75.

³⁰ *Id.* at 673-74.

³¹ See 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.12[B] [hereinafter Nimmer].

³² Federal Sentencing Guidelines Manual, Ch. 1, Pt. A, 4(g).

infringing items exceeded \$2,000, increase by the corresponding number of levels from the table" that applies to fraud and deceit offenses.³³ If that is not confusing enough, the Guidelines Commentary advises us that "[i]nfringing items" means the items that violate the copyright . . . laws (not the legitimate items that are infringed upon).³⁴ We are also told that "the value of the infringing items . . . will generally exceed the loss or gain due to the offense."³⁵

In *Larracuent*, we approved the district judge's application of the Sentencing Guidelines.³⁶ The judge accepted the prosecution expert's testimony that the retail price of the films copied averaged \$73 per copy. She multiplied that price times 2,652 tapes, which included those seized from defendant's home and from a store he supplied as well as those purchased by investigators. The total, \$193,596, resulted in a 7-level adjustment, which, in the case of *Larracuent* converted to a sentencing range of twelve to eighteen months. He was sentenced on the low end of the range, an especially light sentence considering the statutory maximum of five years. Defendant's operation appeared to be a substantial one, but, according to the Sentencing Guidelines table, defendant as a first offender would have had to infringe more than \$80 million dollars worth of retail value to get the maximum sentence of imprisonment. And that is one of the reasons why I say that the Guidelines make no sense.

The most recent amendment to the criminal copyright statute, enacted in 1992, has an interesting history. Congress originally had before it a bill to elevate the piracy of computer software from a misdemeanor offense to a felony offense.³⁷ The bill came in response to a serious escalation in the infringement of computer software copyrights and was intended to make the unauthorized production and distribution of multiple copies of computer software equally as culpable as the unauthorized production and distribution of multiple copies of phonorecords, sound recordings and motion pictures.³⁸

Remarks attributed in the Congressional Record to Senator Hatch included the statements that "stiffer penalties toward piracy do act as a deterrent to these types of crimes," and that "these new penalties for large-scale violations of copyright in computer software will have a similar deterrent effect."³⁹ The remarks also included the following: "If we do not address the piracy of these programs, we may soon see a decline in this

³³ *Id.* § 2B5.3(b)(1).

³⁴ *Id.* appl. note 1.

³⁵ *Id.* appl. note background.

³⁶ 952 F.2d at 674-75.

³⁷ S. Rep. No. 893, 102nd Cong., 1st Sess. (1991).

³⁸ S. Re[. No. 268, 102nd Cong., 2nd Sess. (1992).

³⁹ 138 Cong. Rec. S7580 (June 4, 1992).

vibrant and important sector of our economy.”⁴⁰ Referring to the 1982 statute and the felony penalties provided therein, Senator Hatch said: “It is my understanding that this law, the criminal enforcement of copyright statute found at 18 U.S.C. § 2319, has worked well since its enactment.”⁴¹ I do not know where Senator Hatch obtained this information, but it is wrong. If the 1982 statute was intended to deter piracy in records and movies, it has failed woefully. But I suppose that rose-colored glasses are part of the equipment of a United States Senator.

The bill to increase criminal sanctions for the violation of software copyrights underwent a metamorphosis in the House of Representatives. It was there decided that the felony penalty provisions should be extended across-the-board to all types of large-scale copyright infringement, including motion pictures, books, records and computer software.⁴² The bill eventually became “An Act to amend title 18, United States Code, with respect to criminal penalties for copyright infringement.” Further remarks attributed to Senator Hatch on the return of the bill from the House included this important comment:

[T]his 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.⁴³

We hear in these remarks the language of fair use, which apparently is to be as good a defense to criminal copyright infringement as it is to civil copyright infringement. Moreover, the legislative history indicates that the Copyright Felony Act is not to be applied to “ordinary business disputes such as those involving reverse engineering of computer programs or contract disputes over the scope of licenses.”⁴⁴

Section 2319 in its new form still refers to Title 17 to define the *mens rea* element of criminal copyright infringement. Title 17 provides:

Any person who infringes a copyright willfully and for purposes of commercial advantage or private financial gain shall be punished as provided in Section 2319 of title 18.⁴⁵

But effective October 28, 1992, the penalty provisions of section 2319 were expanded to apply to all copyright infringements. For purposes of the fel-

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² See 138 Cong. Rec. H1129 (Oct. 3, 1992).

⁴³ 138 Cong. Rec. S17958 (Oct. 8, 1992).

⁴⁴ H.R. Rep. No. 997, 102nd Cong., 2d Sess. 4 (1992).

⁴⁵ 17 U.S.C. § 506(a).

ony penalties, the threshold numerosity requirements have been significantly reduced, but a minimum value threshold has been added.

The five-year sentence, \$250,000 fine provisions now apply to one who reproduces or distributes during any period of 180 days "at least 10 copies or phonorecords, of 1 or more copyrighted works, with a retail value of more than \$2,500."⁴⁶ For a second or subsequent copyright felony offense, the maximum prison sentence is ten years.⁴⁷ Again, it is unlikely that anyone will ever receive such a sentence. According to those wonderful Sentencing Guidelines, a defendant would need to be responsible for more than \$80 million dollars worth of infringing items and have something like five prior felony convictions to get a ten-year sentence.

For criminal copyright infringements that cannot meet the threshold requirements, as regards reproduction or distribution rights, misdemeanor penalties continue to apply. Such penalties also continue to apply to violations of adaptation, performance and display rights. It is a rare thing indeed for a United States Attorney to initiate a misdemeanor prosecution in any case, let alone a copyright infringement case. It should be noted, however, that in connection with any criminal copyright conviction the court must order the forfeiture and destruction of the infringing copies or phonorecords as well as all equipment used in manufacturing the items.⁴⁸ Any sentence for a copyright infringement crime may also, of course, entitle the victim to restitution under the federal Victim and Witness Protection Act.⁴⁹

The addition of a minimum retail value threshold in the 1992 amendment to the felony copyright statute has raised once again the question posed by the Sentencing Guidelines' reference to "retail value." It is generally understood that the definition given by my court in *Larracuente* was the correct one: retail value, in a case involving copies of good quality, is the suggested retail price of the legitimate copyrighted work when it was released and not the value of the infringing copies.⁵⁰ If the work is not ordinarily marketed through normal retail channels, courts may look to the wholesale price, the replacement cost of the item or financial injury to the copyright owner.⁵¹ Whatever approach is used, it should not be difficult to reach the \$2,500 retail value threshold for a felony prosecution,

⁴⁶ 18 U.S.C. § 2319(b)(1).

⁴⁷ *Id.* § 2319(b)(2).

⁴⁸ 17 U.S.C. § 506(b).

⁴⁹ See 18 U.S.C. § 3663; see also Roger J. Miner, *Victims and Witnesses: New Concerns in the Criminal Justice System*, 30 N.Y.L. Sch. L. Rev. 757 (1985).

⁵⁰ See 138 Cong. Rec. S17958 (Oct. 8, 1992); see also Nimmer, *supra* note 31, § 15.01[B], at 15-7.

⁵¹ Nimmer, *supra* note 31, § 15.01[B], at 15-7.

considering value generally in this day and age. And that raises some interesting questions.

For example, a panel of my court recently held that the defense of fair use was not established where a company reproduced and distributed to its scientists for archival use certain articles of interest taken from scientific journals.⁵² I do not say whether or not the panel opinion is the last word on the subject. I do raise the question whether, if enough copies of the articles (certainly more than ten) were distributed within a period of 180 days and had a value that could be proved to exceed \$2,500, the felony threshold could be met. And that would lead to the question of whether there could be said to exist a willful infringement for purposes of commercial advantage or private financial gain. Is the distribution of articles to be filed away by scientists for possible future use in their work an activity manifesting a purpose of commercial activity or private financial gain? The Seventh Circuit Court of Appeals has said that it is sufficient in a criminal prosecution to show that infringing activity is intended for commercial advantage or private financial gain, and that such advantage or gain need not be realized.⁵³ In the context of our civil case, we noted that the company did not gain a direct or immediate commercial advantage, and we classified the use as "intermediate."⁵⁴ How such a classification would stand up in a criminal case remains to be seen.

The failure of the fair use defense also may result in the imposition of criminal liability upon book publishers. There is at least exposure to criminal liability in cases where large chunks of copyrighted material are lifted from the work of the original author and inserted in the work of another. Having written an opinion on the issue of fair use of unpublished material in a biographical novel,⁵⁵ I am well aware of the fine line between fair use and foul play.⁵⁶ Although my opinion did not receive the unanimous approval of the copyright community and may well have been a contributing cause to the amendment of the fair use statute, the defendant publisher actually prevailed on the defense of laches. Assuming that the use of the unpublished material was impermissible, would criminal liability attach? Certainly there was distribution for commercial advantage. I think that a good criminal defense lawyer would argue that willfulness could not be established and, accordingly, that *mens rea* could not be proved beyond a

⁵² *American Geophysical Union v. Texaco Inc.*, 37 F.3d 881 (2d Cir. 1994).

⁵³ *United States v. Cross*, 816 F.2d 297, 301 (7th Cir. 1987).

⁵⁴ *American Geophysical*, 37 F.3d at 889-90.

⁵⁵ See *New Era Publication Int'l v. Henry Holt & Co.*, 873 F.2d 576 (2d Cir. 1989), *reh'g denied*, 884 F.2d 659 (2d Cir.), *cert. denied*, 493 U.S. 1094 (1990).

⁵⁶ Roger J. Miner, *Exploiting Stolen Text: Fair Use or Foul Play*, 37 J. Copyright Soc'y 1 (1989).

reasonable doubt. The lifting of entire books and publications, however, clearly would fall under the criminal copyright statute, although it does not appear that very many prosecutions of book infringers have occurred to date.

It does not in fact appear that very many prosecutions of any kind have occurred under the copyright infringement statute. According to the Statistical Reports of the United States Attorneys' Offices, 46 criminal copyright cases were filed and 64 cases were terminated in 1993.⁵⁷ In 1992, 54 cases were filed and 46 were terminated.⁵⁸ These are national statistics and seem to pale into insignificance in the face of the enormity of the problems the criminal copyright statute was designed to resolve. For example, the Software Publishers of America ("SPA") has estimated that software vendors lost \$2 billion in the United States in 1991 due to illegal software copying.⁵⁹ 93% of those polled by the SPA said that they had copied or used software illegally at some time.⁶⁰ It was estimated that there were ten illegal copies for every legal copy of a computer game and five illegal copies for every legal copy of non-game software.⁶¹ In a household survey, up to 50% of software in household use was found to be copied.⁶² The problem of identifying software piracy in homes, referred to by one author as "softlifting,"⁶³ is a particularly difficult one. Software piracy in general has proven difficult to investigate, and the SPA, sometimes referred to as the "software police," have gone so far as to provide a Manual to assist the FBI and the United States Attorneys in the investigation and prosecution of software piracy.⁶⁴ According to one news dispatch, the SPA is considering the pursuit of legislation that would criminalize the illegal copying of software, whether done for profit or not.⁶⁵

The disease is only slightly less virulent in the case of recordings and motion pictures. The Motion Picture Association of America estimates

⁵⁷ United States Department of Justice, Statistical Report for the United States Attorneys' Offices: Fiscal Year 1993, table 3.

⁵⁸ United States Department of Justice, Statistical Report for the United States Attorneys' Offices: Fiscal Year 1992, table 3.

⁵⁹ Susan Athey & John Plotnicki, *Would the Software Police Find Your Company Guilty?*, J. Sys. Mgmt., Oct. 1994, at 32.

⁶⁰ *Id.*

⁶¹ *Id.*; see also David Germain, *Digital Technology Aids Pirates*, Alb. Times Union, Mar. 6, 1995, at B8 (discussing piracy involving CD-ROM games).

⁶² Athey & Plotnicki, *supra* note 59.

⁶³ See David M. Hornick, *Combating Software Piracy: The Softlifting Problem*, 7 Harv. J.L. & Tech. 377 (1994); see also Greg Short, *Combating Software Piracy: Can Felony Penalties for Copyright Infringement Curtail the Copying of Computer Software?*, 10 Computer & High Tech. L.J. 221 (1994).

⁶⁴ Hornick, *supra* note 63, at 393.

⁶⁵ See PR Newswire, *Software Publishers Association Position Statement on the Lamacchia Decision*, January 5, 1995.

that filmmakers lose \$220 million dollars a year in domestic sales.⁶⁶ The Recording Industry Association says it loses \$600 million each year due to domestic music piracy.⁶⁷ Estimates of the losses sustained through the piracy of American copyrighted works world-wide are mind-boggling: \$1.2 billion dollars annually in the case of recordings; \$2 billion dollars annually in the case of films; and \$7.5 billion annually in the case of business application software.⁶⁸ The protection of American industry from foreign piracy has become a goal of our national foreign policy. This is so because foreign nations have seemed quite reluctant to assist in the enforcement of our country's copyrights, especially by criminal prosecution. For example, it has been estimated that 95% of all software installed in Russia has been obtained illegally.⁶⁹ Bootleg videocassettes in Russia are available in titles not yet available in the United States.⁷⁰ Copyright laws generally are ignored, and there are no criminal enforcement penalties in Russia.

The problems of intellectual property piracy in China have been widely reported, and one source has estimated the cost to United States industries through the piracy of U.S. patents, trademarks and copyrights in China at nearly \$1 billion dollars per year.⁷¹ According to one news dispatch, "[t]he U.S. has been pressing China to raid 29 plants in Southern China, which allegedly flood Asia with pirated laser and compact discs."⁷² On the verge of imposing punitive tariffs on Chinese exports, the U.S. Trade Representative reported to Congress on a recent agreement whereby China promised to enforce vigorously copyright and other intellectual property rights.⁷³ An enforcement mechanism supposedly was created to investigate, prosecute and punish infringing activities throughout China. Time will tell whether the Chinese government is interested in eradicating this billion-dollar industry.

But China and Russia are not the only countries that fail to enforce copyright laws with adequate criminal penalties. Mexico was, until 1991, one of seven countries with the largest pirate industries and least effective

⁶⁶ John M. Glionna, *High Tech Robbery: A Boom in Bogus Tapes, CDs and Videos Has Police Redoubling Anti-Piracy Efforts*, L.A. Times, Sept. 13, 1994, business section, at 3.

⁶⁷ *Id.*

⁶⁸ *Id.*; PR Newswire, *supra* note 65.

⁶⁹ Athey & Plotnicki, *supra* note 59.

⁷⁰ Michael Specter, *Latest Films for \$2: Video Piracy Booms in Russia*, N.Y. Times, Apr. 11, 1995, at A3.

⁷¹ *To Higher Authority: Some Shift in U.S.—China Talks*, Daily News, Feb. 20, 1995, at C9.

⁷² *Id.*

⁷³ *Prepared Statement by Michael Kantor Before the House Ways and Means Subcommittee on Trade*, Fed. News Serv., Mar. 9, 1995.

intellectual property protections.⁷⁴ Apparently, Mexico reformed its copyright laws in 1991 to expand enforcement activities. The North American Free Trade Agreement, to which Mexico is a signatory, refers to criminal enforcement of intellectual property but leaves it to each signatory to define the violations. There are recent reports of the enactment of criminal provisions for the infringement of copyright law in Poland,⁷⁵ Belgium,⁷⁶ Thailand,⁷⁷ and Panama.⁷⁸ But as with every criminal statute, there must be investigation and prosecution if the statute is to have any meaning. Past experience does not bode well for the future on the international scene. In the event that we cannot get the cooperation of other countries, I have a thought with regard to the matter.

It is a well-settled principle of international law that a nation may attach criminal liability to acts occurring outside the nation that produce effects within the nation.⁷⁹ This theory of jurisdiction was enunciated by Justice Holmes in a 1911 Supreme Court decision in which he wrote: "Acts done outside a jurisdiction, but intended to produce and producing effects within it, justify a state in punishing the cause of the harm as if he had been present at the effect, if the state should succeed in getting him within its power."⁸⁰ Of course, Justice Holmes was talking about a domestic state rather than a foreign state, but the principle is the same. Congress has relied on this theory of jurisdiction to prohibit the manufacture of drugs in foreign nations intending the substances to be imported into the United States or knowing that they will be so imported.⁸¹ If we cannot get the cooperation of foreign nations for the investigation and prosecution of copyright crimes that victimize the American economy and American national interests, extra-territorial jurisdiction may be an option.

Prosecution begins at home, however, and there seems to be precious little of that at present. Given the tendency of United States Attorneys to become interested in high-profile crimes, there probably is not much romance for them in the prosecution of copyright crimes. To be fair, however, the federal prosecutors cannot possibly prosecute in every situation involving an activity defined as criminal by a generous Congress. Selectiv-

⁷⁴ Laurie L. Levenson, *NAFTA: A Criminal Justice Impact Report*, 27 U.C. Davis L. Rev. 843, 859 (1994).

⁷⁵ *Polish Copyright Law Takes Effect*, J. Proprietary Rights, July 1994, at 33.

⁷⁶ *Belgium Moves to Increase Copyright Protection of Software*, J. Proprietary Rights, Sept. 1994, at 34.

⁷⁷ *Thailand Senate Approves Expanded Copyright Protection*, J. Proprietary Rights, Nov. 1994, at 35.

⁷⁸ *Panama's Copyright Law Takes Effect*, J. Proprietary Rights, Jan. 1995, at 31.

⁷⁹ See, e.g., Restatement (Third) of the Foreign Relations Law of the United States § 401 (1986).

⁸⁰ *Strassheim v. Daily*, 221 U.S. 280, 285 (1911).

⁸¹ 21 U.S.C. § 959.

ity is necessary. There are, nevertheless, certain other crimes that often accompany criminal copyright infringement and that can be charged along with it. This is the type of "piling on" that may be interesting to prosecutors. The number of these other crimes is severely restricted by the *Dowling* case, decided by the Supreme Court in 1985.⁸² In that case, which involved the manufacture and distribution of bootleg Elvis Presley recordings, the Court held that the statute proscribing the interstate transportation of goods stolen or taken by fraud did not cover this conduct. The Court observed that the property rights of copyright holders have a character distinct from the possessory interests of the owners of other goods. It concluded that the history of the criminal infringement provisions of the Copyright Act indicated that Congress did not intend to cover the conduct in question under the interstate transportation rubric. Most commentators are of the opinion that the *Dowling* case restricts the prosecution of copyright infringement to the criminal copyright statute.⁸³

There are some other federal criminal statutes dealing specifically with copyright activities other than the felony statute whose evolution I have been discussing. These include fraudulent use of a copyright notice,⁸⁴ fraudulent removal of a copyright notice,⁸⁵ and false representation in connection with a copyright application.⁸⁶ Conspiracy to commit any of the copyright crimes also is, of course, a separate crime.⁸⁷ The crime of money laundering encompasses criminal copyright infringement as a "specified unlawful activity."⁸⁸ It is interesting that felony copyright infringement is not listed as one of the predicate offenses under the Racketeer Influenced and Corrupt Organization statute.⁸⁹ I think that the prosecution of copyright crimes would be considerably enhanced if it were included. Effective December 8, 1994, a new copyright felony has been added: unauthorized fixation of and trafficking in sound recordings and music videos of live musical performances.⁹⁰ A new section 2319A has been added to Title 18 of the U.S. Code as part of the Bill entitled "An Act to Approve and Implement the Trade Agreements Concluded in the Uruguay Round of Multilateral Trade Negotiations." The new statute pertains to sounds and images of a live musical performance and provides felony penalties for violations. The lack of performance protection in the

⁸² See *Dowling v. United States*, 473 U.S. 207 (1985).

⁸³ See, e.g., *Nimmer*, *supra* note 31, § 15.05, at 15-24.

⁸⁴ See 17 U.S.C. § 506(c).

⁸⁵ *Id.* § 506(d).

⁸⁶ *Id.* § 506(e).

⁸⁷ 18 U.S.C. §§ 2, 371.

⁸⁸ See *id.* § 1956(c)(7).

⁸⁹ See *id.* § 1961(1).

⁹⁰ Uruguay Round Agreements Act, Dec. 8, 1994, Pub. L. No. 103-465, ch. 11, § 513, 108 Stat. 4974.

provisions of section 2319 finally are remedied by the adoption of section 2319A.

There is a serious question whether copyright-related activities can be the subject of criminal prosecution in the state courts. Apparently, some state law enforcement agencies proceed on the basis of state fraud laws or statutes imposing sanctions for passing off counterfeit merchandise.⁹¹ In 1973, the Supreme Court decided that it was permissible to convict under a California statute providing criminal penalties for piracy of sound recordings.⁹² The Court held there was no violation of the Supremacy Clause because there was then no conflict with the federal copyright law. This situation changed entirely when the Sound Recording Act of 1971 was passed by Congress. Latman makes the flat-out statement that "[s]tate prosecution for criminal activity with regard to copyright infringement are, of course, preempted, except as regards pre-1972 sound recordings."⁹³ His authority is section 301 of Title 17, which does provide for federal preemption of the entire field of copyright. I am not as sure as Latman that state laws can so easily be written off. In this regard, I refer to section 3231 of the Federal Criminal Code:

The district courts of the United States shall have original jurisdiction exclusive of the States of all offenses against the laws of the United States.

Nothing in this Title shall be held to take away or impair the jurisdiction of the courts of the several States under the laws thereof.⁹⁴

Whether or not the states have some residual or peripheral area of responsibility, it seems clear that Madison had it right when he said that states cannot make effective provisions in these cases. The states just do not have the resources or the expertise to pursue the criminal prosecution of copyright infringement. I predict that there will be greater involvement of federal law enforcement agencies in these prosecutions. The author of one article suggesting that the Copyright Office may become obsolete in the next century has observed "that it appears that virtually every copyright infringement is a misdemeanor and a great many are felonies."⁹⁵ Ac-

⁹¹ Matt Hicks, *S.F. Cops Lack Tools to Catch High-Tech Criminals: Technology Constantly Changing, Violence Top Priority*, S.F. Examiner, Feb. 16, 1995, at A1; see also Joseph Scott, *He is the Fashion Police*, N.Y. Magazine, Mar. 6, 1995, at 36.

⁹² See *Goldstein v. California*, 412 U.S. 546 (1973).

⁹³ Alan Latman, *The Copyright Law* 295 (6th ed. 1986).

⁹⁴ 18 U.S.C. § 3231; see Roger J. Miner, *Preemptive Strikes on State Autonomy: The Role of Congress*, 99 *The Heritage Lectures* 7-8 (1987).

⁹⁵ Pamela Samuelson, *Will the Copyright Office Be Obsolete in the Twenty-First Century?*, 13 *Cardozo Arts & Ent. L.J.* 55, 64 (1994).

cordingly, one of her proposals is that the FBI might take over the Copyright Office. I would not go that far!

In view of the national interests served, copyright infringement properly has been designated a federal crime. The provisions for increased penalties have not yet had much of a deterrent effect, as is evidenced by the rise in large-scale infringements of all types of copyrighted works. The resourcefulness of the infringers is well-known to all who are interested in copyright protection. Some adjustments in the Sentencing Guidelines may be required so as to increase the penalties for copyright crimes. Also, the RICO statute might be extended to include copyright felonies as predicate acts, but the real problem seems to be that too few federal prosecutions have been instituted to make the criminal provisions a credible deterrent to copyright infringement. Greater efforts must be made by those affected to cooperate with federal law enforcement authorities by bringing infringements to their attention and assisting in the investigations.⁹⁶ With this type of assistance, perhaps there would be more activity in this area by the United States Attorneys. In any event, it seems to me inevitable, given the increasing boldness of those who engage in large-scale copyright infringement, that all of us who are concerned with copyright law will be more and more involved in considering copyright crimes.

⁹⁶ See Kent Walker, *Federal Criminal Remedies for the Theft of Intellectual Property*, 16 *Hastings Comm. & Ent. L.J.* 681, 689 (1994).

GLOBAL USE/TERRITORIAL RIGHTS: PRIVATE INTERNATIONAL LAW QUESTIONS OF THE GLOBAL INFORMATION INFRASTRUCTURE

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Introduction

In the private international law of intellectual property, and particularly of literary and artistic property, the basic principle is territoriality.¹ Each country provides for its own regime of protection of works of authorship. The Berne Convention for the Protection and Literary and Artistic Works and the Universal Copyright Convention oblige their members to respect the rule of national treatment, that is, of non discrimination between domestic and foreign works from member countries.² This rule reinforces the principle of territoriality, for it confirms the role of local copyright laws, by requiring that local law apply equally to the protection of local and foreign works of authorship.

Although the nondiscrimination rule of national treatment regarding the existence and scope of copyright protection has been the cornerstone of the Berne Convention since its first elaboration in 1886,³ the rule today may be ripe for reconsideration. Certain premises underlie the rule — premises understandable in a 19th-century document last revised in 1971. One of these premises, I believe, is that international infringements will occur sporadically, and seriatim, as works move relatively slowly from one Berne member to another. However, transborder broadcasting and satellite transmissions have already strained this assumption.⁴ The Global Information Infrastructure (GII) further erodes (if it does not completely undermine) this premise of the private international law of copyright.

A key feature of the GII is its ability to render works of authorship pervasively and simultaneously accessible throughout the world. The principle of territoriality becomes problematic if it means that posting a work on the GII calls into play the laws of every country in which the work may be received when, as we shall see, these laws may differ substantively. Should the rights in a work be determined by a multiplicity of inconsistent legal regimes when the work is simultaneously communicated to scores of countries? Simply taking into account one country's law, the complexity

¹ Melville B. Nimmer & Paul E. Geller, *International Copyright Law and Practice*, § 3 (1988-94).

² Berne Convention for the Protection of Literary and Artistic Works, art. 5.2 (Paris Act, 1971); Universal Copyright Convention, art. II (1952).

³ See generally, Sam Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886-1986*, §§ 2.1-2.52 (1987).

⁴ Indeed, the European Union has diverged from the principle of territoriality in its Directive on the communication of works by satellite. Council Directive 93/83/EEC of September 27, 1993, O.J.E.C. L 248/15, preamble ¶ 14, art. 1.2(b) (law of the country of uplink applies to determine liability for unauthorized public performance by means of satellite transmissions). See discussion, *infra*.

of placing works in a digital network is already daunting:⁵ should the task be further burdened by an obligation to assess the impact of the laws of every country where the work might be received? Put more bluntly, for works on the GII, there will be no physical territoriality; no way to stop works at the border, because there will be no borders. Without physical territoriality, can legal territoriality persist?

The GII presents problems additional to the questions of legislative competence posed above. There are also the questions of judicial competence (choice of forum and personal jurisdiction over the parties) and of execution of judgments. Consider the following hypothetical: Suppose that a hacker in the U.S. had gained access to and copied the entirety of a copyrighted work, and had posted it on a French-headquartered commercial service that can be accessed from anywhere in the world. Subscribers in Mexico, China and Saudi Arabia do indeed download the work. Whom may the author(s) of the copyright work pursue for copyright infringement? The hacker? The individuals who download the work? The online service that made the bulletin board available to the hacker, and the work available to the downloaders? In what forum (or fora) should the suit proceed? If the copyright owner obtains a judgment against any of these parties, will other courts (of which a defendant may be a national or domiciliary, or in whose territory a defendant may have assets) enforce the order?

This article will first address the problem of forum selection and the related question of obtaining execution of a foreign judgment against online infringers (I). The article will then examine in greater detail the points of substantive conflict of national laws (IIA), before turning to choice of law approaches (IIB).

I. Judicial Competence

To put the issue of jurisdiction over foreign online infringers in perspective, it may help to pursue the hypothetical posed above. Suppose the copyright owner determines that it is not worthwhile to pursue the individual international downloaders, or even the hacker, but that the commercial online service would furnish a target not only likely to be able to satisfy a judgment, but also in a position to prevent similar infringements in the future. Where is the online service amenable to suit? Certainly at

⁵ See, e.g., I. Trotter Hardy, *The Proper Legal Regime for "Cyberspace"*, 55 *U.Pitt. L. Rev.* 993 (1994); Jessica Litman, *The Exclusive Right to Read*, 13 *Cardozo Arts & Ent. L. J.* 29 (1994); David J. Loundy, *E-law: Legal Issues Affecting Computer Information Systems and Systems Operator Liability*, 3 *Alb. L. J. Sci. & Tech.* 79 (1993).

the place of its corporate domicile.⁶ But suppose this place is remote from the plaintiff, and that the plaintiff does not wish to (or cannot afford to) incur the trouble and expense of litigating abroad. Would the online service also be subject to the personal jurisdiction of the courts of any of the countries in which the infringing communication is in fact received (supposing one of these is plaintiff's local forum)?⁷ In the courts of any countries in which the infringing transmission is capable of being received? In the courts of the domicile of the online subscriber who uploaded the copyrighted work without permission (the hacker)?

If the copyright owner wishes to (or is obliged to) join a direct infringer, such as the hacker or a downloader, to the suit against the service, the choice of fora may be more limited, since, apart from the hacker, these individuals may not be amenable to suit outside their domicile. The hacker's susceptibility to suit away from home may depend on the forum's willingness to entertain suit against a foreign defendant who injects an infringement into international commerce, and who knows (or should know) that the infringement may be reproduced in that forum. These complications with respect to individual defendants, who may in any event be ill-situated to satisfy a judgment, reinforce the likelihood that questions of judicial competence in the Global Information Infrastructure will focus on jurisdiction over bulletin board services and larger online providers.

The ability to pursue a non domiciliary online infringer in a convenient forum is of limited value, however, if the claim must be restricted to acts done in or closely affecting the forum. The copyright owner would seek to bring a claim addressing all acts of infringement, wherever occurring. But even if the forum accepted jurisdiction over so broad a claim against a non domiciliary, it may be difficult to obtain enforcement from other countries' courts of that portion of the judgment requiring entry of relief abroad.⁸

The availability of a convenient forum may also determine the kind of plaintiff that will be able to pursue international online infringers. If plaintiff is an individual author or modest copyright owner, no suit is likely to

⁶ See *Judicial Enforcement of Judgments in Civil and Commercial Matters*, O.J.E.C. 1978 (L 304)77, Title II, art.2.; Rudolph B. Schlesinger, *Comparative Law: Cases, Texts, Materials* 383 (1988). See also *Brussels Convention of September 27, 1968*, arts. 2, 5.3 (judicial competence within the European Union).

⁷ The prevailing view is that plaintiff can sue in tort either where the harm originated, or where it impacted. Schlesinger, *supra* note 6, at 391; D. Holleaux, J. Foyer, G. de Geouffre de la Pradelle, *Droit international privé* §§ 713 et seq. (1987).

⁸ *Judicial Enforcement of Judgments*, *supra* note 6, Title III. See also Peter Herzog and Delmar Karlen, *Attacks on Judicial Decisions*, in *XVI International Encyclopedia of Comparative Law*.

proceede if the defendant is not amenable to suit in plaintiff's domicile. To return to our hypothetical, suppose the copyright owner is Australian. If, under Australian principles of personal jurisdiction, a local court is not competent to hear a claim against a French entity not otherwise present in Australia, involving acts occurring in the U.S., Mexico, China and Saudi Arabia, then that may be the end of the claim, unless the Australian plaintiff has the resources to litigate in France or in another forum where the online service might be sued. Moreover, even if the French entity is amenable to suit in Australia, it may not be worthwhile to sue there if defendant lacks Australian assets sufficient to satisfy the judgment, and if other courts, for example, France's, would not execute the judgment.

These observations prompt further conclusions. In the long run, effective judicial pursuit of international online piracy may require that infringers be amenable to suit in every country in which the infringement is capable of being received (i.e., throughout the world), and that the entire, world-wide claim be litigable in any country [for the law(s) applicable to the claim, see *infra*, part II]. Alternatively — and more likely — copyright owners lacking the resources to conduct multinational infringement suits will need to belong to a collective licensing organization or trade association capable of pursuing infringement actions in one or (many) more foreign countries.

II. Legislative Competence

Even if it is possible to bring before a single national court a claim alleging world-wide infringements of copyright, the principle of territoriality normally requires application of the law of each country in which protection is sought against the unauthorized copying or communication of works of authorship.⁹ This would mean that the forum would be obliged to apply scores of foreign laws, in addition to its own copyright law. Such an exercise could prove daunting, particularly if the applicable laws differ significantly (A). It may therefore be appropriate to consider whether a different choice of law rule should be adopted (B). One rule, inspired by the EU Satellite Directive, would look to the law of the country from which the infringing network communication originated.¹⁰ In effect, the Directive's law of the country of uplink would become the GII's law of the country of upload. But there is at least one major deficiency in this approach. The approach may work in the EU because all member countries must adhere to a minimum standard of protection.¹¹ If the approach is

⁹ Berne Convention, art. 5.2. See also Sam Ricketson, *supra* note 3, at §§ 5.51-5.68.

¹⁰ Cf. Council Directive, *supra* note 4.

¹¹ See Proposal for a Council Directive on the coordination of certain rules concerning copyright and neighboring rights applicable to satellite broadcasting

extended to the whole world, one runs the risk of a "race to the bottom": that is, pirates will seek to upload from the least protective country possible. So long as there is no effective world wide minimum standard of protection, it will be necessary to articulate alternative choice of law criteria, and none are likely to prove wholly satisfactory.

A. *Points of substantive divergence*

Choice of law will be an issue in GII infringement cases to the extent that there are substantive differences between potentially applicable national laws. These differences are most likely to occur in the following areas: protectability of the uploaded work; ownership of copyright interests in the work; availability of moral rights protection for the work; and scope of liability of online services for either direct or indirect infringements.

1. *protectability of uploaded work*

a. *subject matter*

There is currently a high degree of consistency among many countries even outside the European Union, by virtue of multilateral agreements, primarily the Berne and Universal Copyright Conventions, and the GATT TRIPs accord. By and large, the Berne Convention harmonizes the subject matter of copyright protection.¹² Moreover, the GATT TRIPs accord further insures against divergence of national laws with respect to the kinds of works each member country will protect: the accord obliges members to protect computer programs as literary works, as well as to cover compilations of fact, to the extent the compilations manifest an original selection or arrangement of data.¹³

However, measures pending in the European Union threaten to present the subject matter problem more acutely than may now be the case. The draft Directive on the protection of databases would establish a sui-generis right to prevent unauthorized extraction of data: this right would benefit EU members, and proprietors of databases created outside the EU, if the country of creation offers reciprocal protection to EU members.¹⁴ To the extent that those countries lack an unauthorized extraction

and cable retransmission, Explanatory Memorandum, COM(91) 276 Final at 4, 26-29 (establishment of a common level of protection for copyright and neighboring rights is necessary component of EC Satellite Directive).

¹² Berne Convention, art.2 and 2bis. See also Ricketson, *supra* note 3, §§ 6.1-6.86.

¹³ Agreement on Trade-Related Aspects of Intellectual Property Rights (1994), art. 10, reproduced in William Patry, 3 COPYRIGHT LAW & PRACTICE 2207 (1994).

¹⁴ See Council of the European Union, Amended Proposal for a European Parliament and Council Directive on the legal protection of databases (fourth

remedy, there will be a significant difference in the scope of protection of databases available in the different countries having access to databases posted on the GII.¹⁵

Sound recordings present another subject matter of divergent coverage. In the U.S., sound recordings are within the subject matter of copyright,¹⁶ but in most other countries they are not, and the Berne Convention does not include sound recordings among the categories of works that member countries must protect.¹⁷ The Rome Convention protects performers and producers of phonograms, but the U.S. is not a member of that treaty, and Article 5, member countries are required to grant national treatment only to producers of phonograms who are nationals of another Rome member country, a phonogram first fixed in another Rome member country, or a phonogram first published in another Rome country, criteria that would fit the U.S. phonograms rarely.

b. rights protected

The Berne Convention obliges member countries to ensure the author's "exclusive right of authorizing the reproduction of [literary and artistic] works, in any manner or form."¹⁸ That treaty also guarantees the rights of authors of "dramatic, dramatico-musical and musical works" to the "public performance by any means or process," and to "any communication to the public of the performance."¹⁹ The Berne Convention also ensures authors of "literary and artistic works" generally the right to broadcast their works or to communicate them "by any other means of wireless diffusion of signs, sounds or images."²⁰ Because, however, the GII is (or will be) a "wired" network, this right would seem not to apply. The treaty does not, moreover, instruct member countries how to classify particular acts as reproductions or as public performances or other communications to the public.

While distinguishing between reproductions and public performances may not have seemed problematic for the exploitation of works by analog technologies, digital technology has significantly blurred the traditional categories. With digital transmissions of works, the same act can be con-

consolidated text), doc. no. 5205/95 PI 10 CULTURE 7 CODEC 20, arts. 10-13.

¹⁵ Article 10 of the TRIPs agreement requires only protection of the original selection and arrangement of compilations of data; it does not mandate protection of the data itself.

¹⁶ See 17 U.S.C. § 102(a)(7). However, the scope of protection is more limited than for other subject matter of copyright.

¹⁷ See Berne Convention, art. 2.

¹⁸ Berne Convention, art 9.1

¹⁹ *Id.* art 11.

²⁰ Berne Convention, art. 11bis.1(i) (emphasis supplied).

sidered either or both a reproduction and a public performance or communication, depending on the applicable law. This is because at least in the U.S. and the European Union, receiving a digital document in a computer's memory is making a copy of the work,²¹ and because, at least under U.S. law, sending the document to members of the public who request it is also a public performance or display by means of transmission.²²

The classification of an act of digital exploitation of works of authorship can have practical consequences: the Berne Convention allows member countries greater leeway in limiting the broadcast/communication right than in restricting the reproduction right.²³ Moreover, because the subject matter of the public performance right explicitly covers only "dramatic, dramatico-musical and musical works," it is not clear that the treaty guarantees to authors of literary and artistic works a general right of public

²¹ Electronic distribution entails the making of "copies" within the meaning of the 1976 Copyright Act, at least as amended in 1980, when Congress adopted the recommendations of the Commission on New Technological Uses (CONTU). Under the CONTU approach, a "copy" is made when a computer program (or by extension, any work expressed digitally) is received into the computer's temporary memory. See Report of the Commission on New Technological Uses, quoted in Robert A. Gorman and Jane C. Ginsburg, *COPYRIGHT FOR THE NINETIES* 692-94 (4th ed. 1993). This approach is the premise for § 117 of the U.S. Copyright Act, and has been followed in the European Union. See Council Directive 91/250 1991 O.J. (L 122) 42, art. 4(a). U.S. courts have also applied this principle. See, e.g., *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir. 1993); *Advanced Computer Servs. of Mich., Inc. v. MAI Sys. Corp.*, 845 F. Supp. 356 (E.D. Va. 1994) (unauthorized loading of a program into computer's temporary memory held to create an infringing copy); *Telerate Sys. Inc. v. Caro*, 8 USPQ 2d 1740 (SDNY 1988) (unauthorized remote access to database: receipt of data in unauthorized user's computer held to create a copy). Thus, to receive an electronic distribution is to make a copy, even if no further, more permanent, copy follows. See generally, *Intellectual Property and the National Information Infrastructure: Preliminary Draft of the Report of the Working Group on Intellectual Property Rights* [hereafter "NII Green Paper"] at 35-37 (1994).

However, several commentators have questioned or even strongly criticized the proposition that receipt in a computer's random access memory entails making a "copy." See, e.g., David Post, *New Wine, Old Bottles: The Case of the Evanescent Copy*, "Plugged In," *American Lawyer*, May, 1995 (questioning); Jessica Litman, *The Exclusive Right to Read*, 13 *Cardozo Arts & Ent. L. J.* 29 (1994) (criticizing).

²² See, e.g., *Sega v. MAPHIA*, 30 U.S.P.Q.2d 1921 (N.D. Cal. 1994); *Playboy Ents. v. Frena*, 839 F.Supp. 1552 (M.D. Fla. 1993).

²³ Compare Berne Convention art. 9 with art. 11*bis*. In the U.S., for example, most of the statutory exemptions and compulsory licenses apply to the public performance right. See 17 U.S.C. secs. 110, 111, 114, 118, 119.

performance.²⁴ In addition, the Berne Convention does not explicitly set forth a right of public display for any work. As a result, if a member country classified digital delivery as a public performance and not a reproduction, but further determined that this right applied neither to literary works nor to images of artistic works, then the unauthorized online communication in that country of a photograph, news commentary, or database might not violate any rights protected under local copyright law.

Classifying an act of exploitation on the GII as a reproduction or a public performance may have other practical consequences as well. For example, if the communication of a digital recording of a musical composition to a user's computer is a public performance, then the communication might be licensed by a performing rights organization such as, in the U.S., ASCAP or BMI. (Because there is currently no public performance right in a sound recording, it is not necessary to secure a U.S. license from the copyright owner of the sound recording.) By contrast, if the communication were considered a reproduction, the right to license the communication would reside not with a performing rights organization, but with the copyright owner of the musical composition, and the copyright owner of the sound recording. If the communication could be considered both a reproduction and a public performance, it might even be necessary to obtain licenses from multiple sources. Thus, classification of the act implicates the competence of different rights owners or their representatives, particularly with respect to copyright collectives.

c. duration

Local copyright legislation may also differ as to the duration of copyright protection. While the Berne Convention mandates a minimum term of life-plus-fifty (or for certain works, fifty years from being made public),²⁵ and many countries, including the U.S., apply that term at least in part,²⁶ the European Union has harmonized the duration of copyright to life-plus-seventy.²⁷ Nonetheless, disparate durations appear not to pres-

²⁴ Article 11*ter* grants authors of literary works "the exclusive right of authorizing the public *recitation* of their works, including such public recitation by any means or process; [and] any communication to the public *of the recitation* of their works" (emphasis supplied). The specificity of this text may make it difficult to apply to digital communication of literary documents.

²⁵ Berne Convention, art. 7.

²⁶ See e.g. 17 U.S.C. § 302 (applying life-plus-fifty term to works, other than anonymous, pseudonymous or works for hire, created on or after January 1, 1978).

²⁷ Council Directive 93/98/EEC of October 29, 1993, O.J.E.C. No. L 290/9. The harmonized term goes into effect on July 1, 1995; at that time, any work still protected in any country of the European Union will be protected throughout the Union, for the full life-plus-seventy term.

ent a problem for the GII because the Berne Convention provides an additional harmonizing rule: when the duration in the country where protection is claimed exceeds the term fixed in the country of origin, then the first country may apply the shorter term of the country of origin.²⁸ As a result, if the country of origin's term is shorter, then the work may receive in every Berne country protection coterminous with the protection it would receive at home (and shorter than local works receive).

However, the Berne Convention's reference to the term of protection in the country of origin can present other difficulties in the context of the GII. These difficulties concern not duration specifically, but rather the concept of the "country of origin." The Berne Convention identifies the "country of origin" as the country of first publication.²⁹ For unpublished works (or works published outside the Berne Union), the country of origin is "the country of the Union of which the author is a national."³⁰ If a work is created in whole or in part on the GII, with data or other contributions emanating from participants located in many different countries, is the "country of origin" every country of which a participating author is a national? If the work is simultaneously and continuously available throughout the world, is there *a* country of first publication?³¹ The problem of identifying a country of origin is significant not only to the calculus of duration, but to the availability under the Berne Convention of reciprocal protection for applied art.³² Moreover, in the absence of clear direction from the Berne Convention, some authorities look to the country of origin to determine ownership rights in the work.³³

²⁸ Berne Convention, art. 7.8. The U.S., however, does not generally apply the rule of the shorter term; § 104 extends the full benefits of U.S. copyright to qualifying foreign works, without reference to their status in the country of origin. By contrast, the new provisions on copyright restoration, 17 U.S.C. § 104A, do require a comparison of terms: U.S. copyright will not be "restored" to a foreign work no longer protected in its "source country." See § 104A(h)(6)(B). According foreign works greater protection than that required by the Berne Convention is consistent with that treaty, see art. 19.

²⁹ Berne Convention, art. 5.4.

³⁰ *Id.* art. 5.4(c).

³¹ The Berne Convention does to some extent anticipate the problem of multiple countries of first publication. Article 5.4(a) provides "in the case of works published simultaneously in several countries of the Union which grant different terms of protection, the country whose legislation grants the shortest term of protection" is the country of origin. This solution, however, does not identify *a* country of origin either in the event that all the countries of "first" publication have the *same* term of protection, or that if not all, at least many countries share the same shorter term of protection.

³² Berne Convention, art. 2.7.

³³ See, e.g., Henri Batiffol, note on the decision of the French Court of Cassation, April 29 1970, in *Revue critique de droit international privé* 1971.270; Olivier Carmet, note on the decision of the Paris Correctional Court, Decem-

2. *ownership of copyright*

Ownership supplies another category of substantive differences in national copyright regimes. There are at least two types of problems concerning copyright ownership: initial title to copyright; and limitations on transfers of copyright.

a. *initial title to copyright*

In the first case, some countries provide for employer-ownership of works created by employees pursuant to their functions;³⁴ in others, employment status does not derogate from the creator's initial title to the work.³⁵ A middle ground followed in some countries may presume a transfer of ownership from the employee to the employer, but the transfer may not apply to all employees, nor cover all rights.³⁶ The kinds of employees covered, and the scope of their presumed transfer, will depend on the national copyright regime. Finally, the initial copyright ownership of works specially ordered or commissioned from independent contractors may vary from country to country.³⁷

b. *transfers of copyright*

This type of problem includes national law restrictions on the nature or scope of an author's assignment of copyright interests. The general problem of determining when old licenses might still govern new media unknown at the time of contracting assumes particular importance in the digital world, including on the GII. For example, suppose that a publisher to whom the author, before the advent of digital media, transferred the rights to print, publish and sell her novel now wished to purvey the novel as a CD ROM or online. Would the pre-digital era grant cover this new exploitation? Different national laws supply different answers. In some

ber 3 1979, *Revue critique de droit international privé* 1980.110. See also George Koumantos, *Le droit international privé et la Convention de Berne, Droit d'auteur* 1988.439.

³⁴ See, e.g., 17 U.S.C. §§ 101 (definition of works made for hire), 201(b) (ownership of copyright in works made for hire); United Kingdom, *Copyright, Designs and Patent Act, Part I, Chap. I(11)(2)* (1988).

³⁵ See, e.g., France, *Code of Intellectual Property*, art. L. 111-1.3; Germany, *Copyright Law of 1965 (as amended 1990)*, Section III, art. 7.

³⁶ See, e.g., France, *Code of Intellectual Property*, art. L. 132-24 (discussing ownership of audiovisual works); Spain, *Copyright Law of 1987, Chapter I, art. 5.2, 8* (discussing ownership of collective works).

³⁷ See, e.g., 17 U.S.C. § 101 (defining certain categories of works as capable of being a "work specially ordered or commissioned" as a work made for hire); Jane Ginsburg, *Conflicts of Copyright Ownership Between Authors and Owners of Original Artworks: An Essay in Comparative and Private International Law*, 17 *Colum.-VLA J. L. & the Arts* 395, 403-05 (1993).

countries, authors may not grant rights in forms of exploitation unknown at the time of contracting,³⁸ while in others such a grant will be honored if it is explicit,³⁹ and in still others, ambiguities in the contract with respect to future exploitations may be construed in favor of the grantee.⁴⁰

3. *moral rights*

Similarly, moral rights pose a problem of inconsistent domestic copyright/contract law: in some countries moral rights are alienable, or at least waivable⁴¹; in others, such a contractual clause would be ineffective.⁴² Moral rights present other issues as well. The author's non-pecuniary interests in being credited for her work, and particularly to preserve its integrity, receive different degrees of protection in different countries. In some countries, there is little, if any, protection outside of copyright ownership of the economic rights or contractual agreement.⁴³ In others, strong protection for the work's integrity remains ensured, even if the author has granted pecuniary rights to exploit the work.⁴⁴

4. *secondary liability*

One of the most significant areas of potential divergence for the GII, especially in light of the earlier discussion concerning judicial competence, is the question of liability of the bulletin board service or other online provider through whom the infringing material is communicated. The online service may be a direct infringer, under national laws that hold that the placement of digital documents in a computer's temporary memory constitutes a reproduction, requiring the copyright holder's permission.⁴⁵ If some national laws do not find infringement at the "input" stage, then it may be more difficult to find the online service directly liable in those countries.

For such countries, as well as for countries that do recognize "input" as an act subject to copyright but may also expand liability beyond that act, the availability of relief on a theory of secondary liability assumes particular importance. In the U.S. at least, there is a well-elaborated doctrine

³⁸ See, e.g., Germany, Copyright Law of 1965 (as amended 1990), Section V, art. 31.4.

³⁹ See, e.g., France, Code of Intellectual Property, art. L. 131-6.

⁴⁰ *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150 (2d Cir. 1968). *Contra*, *Cohen v. Paramount Pictures Corp.* 845 F.2d 851 (9th Cir. 1988).

⁴¹ See, e.g., 17 U.S.C. § 106A(e); UK, 1988 Copyright Act § 87(2), (3).

⁴² See, e.g., France, Code of Intellectual Property Law, art. L. 121-1.

⁴³ Or, in the U.S., false representation claims under the Lanham Act or similar state laws. See, e.g., *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14 (2d Cir. 1976).

⁴⁴ See, e.g., France, Code of intellectual property, art. L. 121-1.

⁴⁵ See sources cited *supra*, note 21.

of vicarious liability of entities that furnish and are capable of controlling the means by which third parties commit copyright infringement.⁴⁶ These doctrines are now beginning to be applied to online services.⁴⁷ In other countries the general tort law theory of secondary liability, or its application to copyright cases, may be less developed.

This rapid survey suggests that there may be many areas of potential substantive conflict of copyright regimes, particularly concerning communication of works on the GIL. It is now appropriate to turn to private international law approaches to resolving those conflicts.

B. choice of law approaches

1. Scope of competence of the law of the places of infringement

In principle, there is no such thing as "international copyright"; instead, there are a multiplicity of national copyright regimes.⁴⁸ An author and international copyright owner possesses no supranational rights;⁴⁹ she is instead, and at once, the proprietor of a French copyright, a U.S. copyright, a Mexican copyright, a Japanese copyright, and so on.

As a result, it would follow that the unauthorized copying of the author's work in each of these countries gives rise to an action for the violation of the local copyright law. But, since this approach presents a variety of problems, it is appropriate to inquire how broad is the competence which the Berne Convention attributes to the law of the place of infringement. In fact, the Berne Convention does not explicitly designate applica-

⁴⁶ See *Polygram Int'l Publ. Inc. v. Nevada/TIG, Inc.*, 855 F.Supp. 1314 (D. Mass. 1994); *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963).

⁴⁷ See *Sega v. MAPHIA*, 857 F.Supp. 679 (N.D. Cal. 1994) (online service provider encouraged posting of unauthorized copies of videogames). See also *Playboy Enters. v. Frena*, 839 F.Supp. 1552 (M.D. Fla. 1993) (direct liability for infringing display of images sent from electronic bulletin board to subscribers, even though BBS operator did not originate the transmission of the images).

⁴⁸ See Jon Baumgarten, *Primer on the Principles of International Copyright*, in *FOURTH ANNUAL U.S. COPYRIGHT OFFICE SPEAKS: CONTEMPORARY COPYRIGHT AND INTELLECTUAL PROPERTY ISSUES* 470, 471 (1992) (Prentice-Hall Law & Business): "The term 'international copyright' is something of a misnomer, for neither a single code governing copyright protection across national borders, nor a unitary multi-national property right, exists. What does exist is a complex of copyright *relations* among sovereign states, each having its own copyright law applicable to acts within its territory." (emphasis in original).

⁴⁹ However she benefits from the minimum standards imposed on domestic laws by the Berne and Universal Copyright Conventions and the TRIPs accord-Berne Convention arts. 5, 6bis-18; Universal Copyright Convention, art. I-VII; Agreement on trade-related aspects of intellectual property rights 1994, art. 9-14.

tion of the law of the place of infringement to resolve *all* issues of a copyright claim. At least as to most questions of copyright ownership, the Berne Convention does not clearly designate any choice of law rule.⁵⁰ However, as to ownership of rights in cinematographic works, the treaty does set forth conflicts rules, and these point, at least presumptively, to the law of the country where protection is sought.⁵¹ Finally, in the one other area in which the Berne Convention's choice of law rule seems clear — the law applicable to determining whether the copyright owner's rights have been infringed — the resulting competence of a plethora of national copyright laws renders the Berne conflicts rule problematic.

a. issues as to which the Berne Convention poses no choice of law rule: copyright ownership in general

Apart from the article specifically addressing the law applicable to determine ownership of copyright in cinematographic works, the Berne Convention proffers no general choice of law rule for copyright ownership. The provision of a specific rule on cinematographic works lends itself to the two contrary interpretations with respect to the treaty as a whole. Either the rule simply confirms the choice of law implicit in the Berne Convention, or the specification of applicable law was necessary precisely because the treaty's default rule implicitly refers to the ownership rules of the country of origin.⁵² Because neither of these arguments from the text of the Convention is wholly persuasive, it may be useful to consider the consequences of the interpretations.

If the law of the place of infringement controls the determination of initial or transferred copyright ownership, then the international exploitation of the work may be disrupted, or at least complicated, because the identity of the owner, or the scope of his rights, may vary each time the work crosses a border. On the other hand, applying the law of the country of origin to determine copyright ownership may not always supply a simple solution either — at least for those works that are created in whole or in part on the GII. As indicated earlier, with such works, both the place of "first publication" and the nationality or domicile of the authors may be

⁵⁰ See generally, S. Ricketson, *supra* note 3, at §§ 5.68, 16.21.

⁵¹ See Berne Convention, art. 14bis.

⁵² By contrast, the recent U.S. law on restoration of foreign copyrights explicitly resolves the choice of law issue by designating the law of the "source country" to determine who is the copyright owner (and who, therefore, is entitled to claim the U.S. restoration), 17 U.S.C. § 104A(b) as amended by Pub. L. 103-465 (1994). The same question as posed for article 14bis recurs here, in reverse: does the new U.S. legislation confirm or create an exception to the general choice of law rule for designating owners of copyright?

most multiple: if the usual criteria are applied, the work is likely to have a plethora of countries of origin.

It may therefore be necessary to articulate a different point of attachment for the law applicable to determining copyright ownership. The goal is to enhance the international commercial security of the work by designating a national law that will ascribe at least initial copyright ownership, and will be recognized in all countries to which the work is communicated. The law chosen must therefore have the most significant relationship to the work's creation or dissemination. Possible candidates for determining initial ownership of works created on the GII by multiple authors include:

1. The law specified in the contract between the initiating author or entity (including a juridical person) and the other participants in the work's creation;
2. The nationality, domicile or effective business establishment of the initiating author or entity (including a juridical person); and
3. The country from which the the first authorized communication of the work is made.

The third point of attachment would apply, not to works still in evolution on the GII, but only at the point at which the initiating author or organizing entity determines that the "work" has taken definitive form, and disseminates the work as such.

- b. issues as to which the Berne Convention does pose a choice of law rule, but the choice is problematic for the GII

i. ownership of copyright in cinematographic works

The complex provisions of article 14bis of the Berne Convention declare the question of ownership of copyright in cinematographic works "a matter for legislation in the country where protection is claimed."⁵³ This article also attempts to palliate the anarchy potentially resulting from that choice of law rule, by setting forth a contractually rebuttable presumption of transfer of rights to the producer from certain contributors to the cinematographic work. However, this presumption of transfer is of limited effect, since it does not apply to the film's director, screenwriters or composer of the soundtrack.⁵⁴

Because article 14bis' choice of law rule can result in the application of many conflicting attributions of copyright ownership, the rule and accompanying presumptions were already criticized before the advent of

⁵³ Berne Convention, art. 14bis(2)(a).

⁵⁴ Id. art. 14bis(2)(b)(c)(d), art. 14bis(3).

digital networks.⁵⁵ One may expect that its application to digital communications will be even more strongly deplored. One may also expect that, were the rule to continue to apply, producers of audiovisual and similar works might endeavor to elude the rule's coverage by contending that the work at issue is not a "cinematographic work" within the meaning of the Berne Convention.

In the context of multimedia products, this claim may not be fanciful. The Berne Convention does not define a "cinematographic work," but the treaty's list of works comprehended in the designation "literary and artistic works" includes "cinematographic works to which are assimilated works expressed by a process analogous to cinematography."⁵⁶ What does "a process analogous to cinematography" mean? To the extent that it implies use of a camera, it may not include the kinds of computer-generated images and sequences that characterize many multimedia products.

However, despite the Berne Convention's incorporation of the term "*process* analogous to cinematography," perhaps the emphasis should be less on the way the images are created, and more on the way the viewer perceives the images.⁵⁷ Leading commentators, addressing an older technology problem, have suggested this emphasis, in rejecting the argument that works made for television should not be considered "cinematographic works." Hence, in that context, whether the sequence of images was prerecorded on film or broadcast live, the televised images "produce the same effect for the television viewer"; "that which is visible on the screen should therefore be protected in the same way in both cases."⁵⁸ In other words, if the multimedia work looks like a motion picture, it should be considered a "cinematographic work."

However, multimedia works might also lend themselves to other categorizations. For example, because multimedia products may assemble a

⁵⁵ See, e.g., HENRI DESBOIS, ANDRE FRANÇON & ANDRE KEREVER, *LES CONVENTIONS INTERNATIONALES DU DROIT D'AUTEUR ET DES DROITS VOISINS* 216-21 (1976); S. Ricketson, *supra* note 3 at § 10.33 ("the provisions adopted are among the most obscure and least useful in the whole Convention.").

⁵⁶ Berne Convention, art. 2.1. Compare 17 U.S.C. § 101 (defining audiovisual works as "works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.").

⁵⁷ Compare the 1948 Brussels text of this article, which assimilated "works produced by a process analogous to cinematography" (emphasis supplied). See generally S. Ricketson, *supra* note 3, at § 10.12 (discussing the history of this provision).

⁵⁸ Claude Masouyé, *Guide de la Convention de Berne* 16 (WIPO 1978). See also S. Ricketson, *supra* note 3, at §§ 10.12-10.14.

variety of pre-existing as well as newly-created elements, many of them static, such as text or single images, the products might be considered collective works rather than, or as well as, cinematographic works.⁵⁹ This different, or additional, characterization might justify the nonapplication of article 14bis.

Ownership of rights in cinematographic works offers one example of the problem of territoriality in the GII. But this issue concerns a relatively peculiar and obscure corner of the convention. The real problem goes to the heart of the Berne system: the application of the rule of national treatment to intensely multinational infringement claims.

ii. too many applicable laws governing the infringement

If the law of each country of alleged infringement is to apply, then in the GII, the laws of every country in the world might be applicable. The choice of law problem also affects the selection of forum: if each claim is territorially distinct, so might be each litigation. Alternatively, a plaintiff might endeavor to plead before one court the laws of every place of alleged infringement; however, it would not be surprising if some courts proved reluctant to entertain the extra-territorial portions of the action. At least in the U.S., litigants have argued, and some courts have agreed, that a claim requiring the interpretation of foreign law should be dismissed on *forum non conveniens* grounds, in favor of pursuing the action before the courts whose national laws are to be construed.⁶⁰

Presumably, a copyright owner is not obliged to plead the laws of every place of infringement; she might prefer to limit her action to unauthorized exploitation in industrial (and perhaps industrializing) nations. Nonetheless, there remains the potential for a substantial variety of substantively divergent legal regimes.

⁵⁹ Or in Berne Convention terminology, "collections of works," see art. 2.5. On the classification of multimedia products as collective works, see, e.g., Pierre-Yves Gautier, *Multimedia Works in French Law*, 160 RIDA 90, 104-108 (1994).

⁶⁰ See, e.g., *Timberlane Lumber v. Bank of America Nat'l. Trust & Sav. Ass'n.*, 549 F.2d 597, 616 (9th Cir. 1976) (dismissing antitrust claim on *forum non conveniens* grounds because, *inter alia*, Honduran law applied). See also, *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947) (it is appropriate to try a diversity case "in a forum that is at home with the state law that must govern the case, rather than having a court in some other forum untangle problems in conflict of laws, and in law foreign to itself.").

But see *London Film Prods. v. Intercontinental Communications*, 580 F.Supp. 47 (SDNY 1984) (retaining exercise of federal diversity jurisdiction over foreign law claim by UK plaintiff against U.S. defendant alleged to have licensed plaintiff's films for exhibition in South America, without plaintiff's authorization, and in violation of plaintiff's rights in the South American countries at issue).

The practical difficulties of adhering to a strictly territorial choice of law approach underscore the importance of evaluating other choice of law rules. These might include the law of the country of upload; the law of the country of origin (where that country is discernible); the law of the forum; or some combination of these criteria.

2. *Country of Upload*

In the U.S., some courts have simplified the choice of law problem by applying U.S. law to the entirety of a multinational infringement claim, when the root act of copying occurred in the U.S.⁶¹ From this viewpoint, the extraterritorial infringements are all the direct consequences of a local U.S. infringement. Where, however, the extraterritorial infringements cannot be rooted in a germinal U.S. violation of copyright, U.S. law might not apply to allegedly infringing acts occurring beyond U.S. borders. Thus, for example, in a recent decision, the Ninth Circuit, having determined that defendant's mere "authorization" in the U.S. to reproduce copies abroad without the copyright owner's permission was not itself a violation of U.S. copyright law, further held that the making of the reproductions abroad similarly did not infringe the U.S. copyright.⁶² As a middle ground, U.S. copyright law might apply to unauthorized reproductions occurring abroad if U.S. shores appear designed to be the ultimate destination of the foreign-made copies.⁶³

The root act or master copy approach to choice of law resembles the EU Directive's designation of the law of the country of "uplink" to govern liability for dissemination of programs by satellite.⁶⁴ Although the satellite signal can be received in a great many countries, the multinational communication can be traced to a single point of departure. In GII terms, the place of the root act or uplink would be called the country of the "upload".

⁶¹ See, e.g., *Update Art v. Modii Publishers*, 843 F.2d 67 (2d Cir. 1988).

⁶² See *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088 (1994).

⁶³ See, e.g., *Metzke v. May Department Stores*, 878 F.Supp. 756 (W.D. Pa. 1995) (off-shore copying may violate U.S. copyright law if defendant commissioning the making of unauthorized copies abroad knew, or should have known, that the copies would be sold in the U.S.). See also *Nintendo of America v. Aeropower, Ltd.*, 34 F.3d 246 (4th Cir. 1994) (holding overbroad an injunction against sales in Mexico and Canada by Taiwanese manufacturer of unauthorized copies of Nintendo videogames, but suggesting the injunction should have been drawn to enjoin Mexican and Canadian sales of copies that were likely to reach the U.S.). Cf. *Steele v. Bullova Watch Co.*, 344 U.S. 280 (1952).

⁶⁴ Council Directive 93/83/EEC, *supra* note 4, preamble ¶ 14, art. 1.2(b) (law of the country of uplink applies to determine liability for unauthorized public performance by means of satellite transmissions).

Designation of the law of the country of upload to judge alleged infringements occurring throughout the world would appear to enjoy the virtue of simplicity. However, it also shares the vice of manipulability.⁶⁵ Cyberpirates will simply make sure they post the unauthorized copies from, or locate their services in, a country having an extremely lax intellectual property regime. Perhaps, just as certain nations have become the venue of choice for entrepreneurs seeking maximum banking secrecy and minimum taxes, some nations will endeavor to enhance the local economy by attracting professional infringers to their copyright-free shores.⁶⁶ Without a serious minimum standard applicable to all nations, or without a pirate nation exception from the application of the law of the upload, this choice of law rule is likely to prove unsatisfactory.

3. *Country of origin*

A choice of law rule appointing the law of the country of origin to govern multinational infringements is probably an unlikely candidate, despite its apparent simplicity and comparative resistance to manipulation. First, as discussed earlier, on the GII, it may not always be easy to determine the country of origin. Second, designation of such a rule goes against a hundred-plus year tradition of the Berne Convention.⁶⁷ It is not necessary here to rehearse all the arguments made within and without the Berne Union for and against application of the law of the country of origin. Suffice it to say that while such a rule might submit all infringements, wherever occurring, to a single legal norm, that same norm would appear multiple to the national judge, who, in judging claims respecting foreign works, would be obliged to apply different laws to different plaintiffs.⁶⁸

4. *The Law of the Forum*

Arguably, article 5.2 of the Berne Convention does not in fact mandate application of the law of each place of infringement.⁶⁹ Rather, in

⁶⁵ Moreover, it may not always be simple to identify the country of upload; in some instances, the communication may emanate from more than one country. For example, the transmission may combine a communications program sent from one country with a database from another, with further contributions from other sources.

⁶⁶ Proposal for a Council Directive, Explanatory Memorandum, *supra* note 11, at 4 (explaining that harmonization is necessary in order to avoid the creation of "copyright havens").

⁶⁷ See Ricketson, *supra* note 3, at §§ 5.51-5.69.

⁶⁸ Accord, S. Ricketson, *supra* note 3, at § 5.53.

⁶⁹ See generally, A. Lucas and H. J. Lucas, *Traité de la propriété littéraire et artistique*, §§ 1066-1074 (1994) (discussing arguments for application of the *lex fori*, but concluding that article 5.2's designation of the law of the country where protection is sought must refer to the law of the country where the infringement was committed).

designating the application of the law of the country "where protection is sought," the treaty is referring not (or not only) to the places where the acts against which the copyright owner is seeking protection occurred, but rather to the forum country.⁷⁰ After all, it is before the courts of that country that the copyright owner is seeking protection. Under this interpretation, a single law — that of the forum — would apply to the entirety of multinational infringements. This apparently would be the case even if no infringements were alleged to have occurred within the forum: there may be an independent basis, such as defendant's domicile, for a given country to be made the forum.⁷¹

This approach presents a double advantage of simplicity: it designates a single law applicable to the entire claim, and that law will be the judge's domestic legislation. However, this approach is also susceptible to manipulation — from both sides. A copyright owner may "forum shop" the most favorable jurisdiction, regardless of its remoteness from either the defendant's domicile, the root of the infringement, or even substantial infringing acts. A copyright defendant might seek to preempt this kind of forum selection by engaging in forum shopping of its own. Thus, the potential defendant might seek a declaratory judgment (where available) in a country whose laws either do not reach, or would excuse, defendant's activities.

This analysis suggests that it may not be possible to designate a single choice of law rule to govern infringements on the GII. Rather an approach combining points of attachment may prove more fruitful.

5. *Combination of Choice of Law Rules: Proposal*

In light of the previous analyses, it may be worthwhile to propose a choice of law rule to designate the law applicable to infringement of copyright allegedly occurring in a multiplicity of nations. The proposed rule also seeks to avoid the excesses of forum shopping by requiring a nexus between the defendant's domicile or activities and the claim. This concern for fairness, however, makes the rule susceptible to manipulation by defendants locating themselves or their activities in infringement havens.⁷² The proposed rule draws inspiration as to content and technique from the

⁷⁰ See, e.g., S. Ricketson, *supra* note 3, at § 5.87; Eugen Ulmer, *Intellectual Property and the Conflict of Laws* 10 (1978). *Contra*, Henri Desbois et al., *supra* note 55, at 153; A. Lucas & H.-J. Lucas, *supra* note 69.

⁷¹ See Schlesinger, *supra* note 6.

⁷² See Proposal for a Council Directive, *supra* note 66.

EU Satellite Directive;⁷³ the Hague Convention on Products Liability,⁷⁴ and the Restatement Second of Conflicts.⁷⁵

INFRINGEMENTS ALLEGED TO OCCUR IN MULTIPLE TERRITORIES: In the absence of an applicable treaty supplying a substantive rule, the law applicable to determine the existence and scope of copyright protection, as well as available remedies, shall be the law of the forum country, if that country is also either —

the country from which the infringing act or acts originated; or

the country in which the defendant resides or of which it is a national or domiciliary; or

the country in which the defendant maintains an effective business establishment. For the purposes of this provision, the “country in which the infringing act or acts originated” includes the country from which an unauthorized copy of the work was first communicated, including by any means of transmission.

⁷³ Council Directive *supra* note 4.

⁷⁴ Hague Conference on International Law, Collection of Conventions (1951-1988), No. 22, Convention on the Law Applicable to Products Liability, articles 4-6.

⁷⁵ American Law Institute, Restatement (Second) of Conflict of Laws ch. 7 § 145 (1988).

PART II

**LEGISLATIVE AND ADMINISTRATIVE
DEVELOPMENTS***United States*

U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE. 37 C.F.R. Parts 251, 252, 253, 257, and 259. Copyright Arbitration Royalty Panels. Final regulations. *Federal Register*, vol. 59, no. 234 (Dec. 7, 1994), pp. 63025-43.

This final rule governs the conduct of royalty distribution and rate adjustment proceedings prescribed by the Copyright Royalty Tribunal Reform Act of 1993. The Act eliminated the Copyright Royalty Tribunal and replaced it with a system of ad hoc Copyright Arbitration Royalty Panels (CARPs) administered by the Librarian of Congress and the Copyright Office. Under the new system, the CARP's adjust royalty rates and distribute royalties collected under the various compulsory licenses and statutory obligations of the Copyright Act.

U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE. 37 C.F.R. Part 259. Representation for claiming DART royalties in musical works. Waiver of interim rule; and request for comments. *Federal Register*, vol. 59, no. 234 (Dec. 7, 1994), pp. 63043-45.

The Office waived its rule requiring a performing rights organization to have written authorization in order to represent its members and affiliates for 1993 and 1994 DART royalties in the Musical Works Fund. Additionally, it sought comment on whether a performing rights society should have separate, specific written authorization from its members to collect DART royalties for its members or affiliates.

U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE. Ascertainment of controversy for 1990 and other cable royalty funds. Notice with request for comments. *Federal Register*, vol. 59, no. 240 (Dec. 15, 1994), pp. 64714-15.

This notice sought the following: (1) comment from all claimants to royalty fees collected for secondary transmission by cable systems in 1990 as to whether there was controversy concerning the distribution of the fees; (2) comment on whether the distribution of the 1990 cable royalties and other cable royalty funds collected in subsequent years should be consolidated; and (3) Notice of Intent to Participate from all claimants who intended to take part in the distribution proceeding.

U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE. Copyright Arbitration Royalty Panels; list of arbitrator names. Determination of 1995 CARP arbitrator list. *Federal Register*, vol. 59, no. 249 (Dec. 29, 1994), pp. 27342-44.

The Copyright Office waived its rules and extended the effective date of its current CARP arbitrator list until the end of 1995. Arbitrators listed for 1994 who filed financial disclosure statements with the Office will be eligible to serve on a CARP for any royalty distribution or rate adjustment proceedings beginning in calendar year 1995.

U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE. 37 C.F.R. Part 201. Cable compulsory license; definition of cable system. Amendment of cable license regulation. *Federal Register*, vol. 59, no. 250 (Dec. 30, 1994), pp. 67635-36.

The 1994 Satellite Home Viewer Act amended the definition of a "cable system" in 17 U.S.C. 111, the cable compulsory license, to include "wireless" cable systems. "Wireless" cable operators, which provide video retransmission in the Multipoint Distribution Service (MDS) and the Multichannel Multipoint Distribution Service (MMDS) are eligible for the section 111 compulsory license. The Office has amended sec. 201.11(a) and (b) of its regulations to reflect passage of the Act, including the royalty rate and the definitional changes to the Copyright Act's compulsory license for satellite carriers.

U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE. 37 C.F.R. Part 201. Cable compulsory license; notice of inquiry regarding merger of cable systems and individual pricing of broadcast signals. Extension of comment period. *Federal Register*, vol. 60, no. 5 (Jan. 9, 1995), pp. 2365-67.

The Office reopened the comment period in its examination of the issues of merger and acquisition of cable systems and their impact on the computation and reporting of royalties under the cable compulsory license. The purpose of the extension is to solicit comment on how compulsory license royalty payments should be made for *a la carte* offerings of broadcast signals by cable operators.

U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE. Cable compulsory license: specialty station list. Request for information. *Federal Register*, vol. 60, no. 15 (Jan. 24, 1995), pp. 4639-40.

The Office is in the process of updating the list of commercial broadcast television stations that claim to qualify as specialty stations under the former distant signal carriage rules of the Federal Communications Commission (FCC). This information request notice asked all interested television broadcast stations that qualify as specialty stations, including those

that previously filed affidavits, to submit sworn affidavits stating that their programming satisfies certain former FCC requirements.

U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE. Ascertainment of controversy for 1994 digital audio recording royalty funds. Notice with request for comments. *Federal Register*, vol. 60, no. 43 (Mar. 6, 1995), pp. 12251-53.

This notice directed claimants to royalty fees collected for digital audio recording devices and media (DART) for the 1992 and 1993 Musical Works Fund and the 1994 Musical Works and Sound Recordings Funds to comment on whether a controversy existed as to distribution of the funds. The notice also announced May 5, 1995, as the deadline for filing Notices of Intent to Participate in the distribution proceedings for the funds.

U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE. Distribution of 1990, 1991 and 1992 cable royalty funds. Notice of consolidation . . . *Federal Register*, vol. 60, no. 54 (Mar. 21, 1995), pp. 14971-76.

This document notified the public that the Office consolidated the distribution of the 1990, 1991 and 1992 cable royalty funds into a single proceeding. It requested that claimants to the 1991 and 1992 royalty funds file a Notice of Intent to Participate in the distribution proceeding for those funds, if they had not done so. It also set the prehearing schedule for the 1990-1992 distribution proceeding, including the dates for declaration of controversies and initiation of arbitration.

U.S. LIBRARY OF CONGRESS. COPYRIGHT OFFICE. Registrability of pictorial, graphic, or sculptural works where a design patent has been issued. Policy decision and amendment of regulations. *Federal Register*, vol. 60, no. 57 (Mar. 24, 1995), pp. 15605-06.

This policy decision clarified practices and amended regulations pertaining to the registrability of claims to copyright in pictorial, graphic, and sculptural works for which a design patent has been issued. The Office's policy had been to refuse registration for a copyright claim in a patented design or in a scientific or technical drawing in an application of an issued patent. It has now concluded that the availability of protection or grant of protection under the law for a utility or design patent does not affect the registrability of a claim in an original work of pictorial, graphic, or sculptural authorship.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Parts 73 and 76. Cable Act of 1992—must-carry and retransmission consent provisions. Final rule. *Federal Register*, vol. 59, no. 232 (Dec. 5, 1994), pp. 62330-45.

The FCC has adopted a final rule which amends the Commission's regulations regarding must-carry and retransmission consent. This docu-

ment was issued to implement the must-carry and retransmission consent provisions of the Cable Television Consumer Protection and Competition Act of 1992 and to clarify the obligations of cable operators and broadcasters. The final rule also was issued in response to petitions for reconsideration.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Part 76. Cable Television Act of 1992. Seventh notice of proposed rulemaking. *Federal Register*, vol. 59, no. 233 (Dec. 6, 1994), pp. 62703-04.

The FCC sought comment on (1) whether cable operators electing to use the per channel adjustment under the new FCC rules should be allowed to take the 7.5% mark-up on programming cost increases for channels added to the system before May 15, 1994; and (2) whether operators electing to use the current going forward rules should be permitted to pass-through the 7.5% mark-up on new programming cost increases after the initial mark-up on programming costs of new channels. This notice then proposed and sought comment on a rule to eliminate the pass-through to subscribers of unnecessary cost increases.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Part 76. Cable Television Act of 1992. Final rule. *Federal Register*, vol. 59, no. 233 (Dec. 6, 1994), pp. 62614-26.

The Commission adopted a Sixth Order on Reconsideration and Fifth Report and Order to provide cable operators with additional incentives to expand their facilities and services in a way that both ensures that cable rates are reasonable and expands the opportunities for cable programmers to reach viewers. The Commission confirmed that cable operators do not have to obtain the affirmative consent of subscribers before making rate adjustments so long as the changes are permitted under FCC rules and the fundamental nature of the affected tier is unaltered. The agency also decided to retain its cable affiliate transaction rule.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Part 76. Cable Television Act of 1992—program distribution and carriage agreements. Final rule; petitions for reconsideration. *Federal Register*, vol. 59, no. 246 (Dec. 23, 1994), p. 66255-59.

This final rule is in response to nine petitions for reconsideration of the rules adopted in the First Report and Order implementing section 19 of the Cable Consumer Protection and Competition Act of 1992. It amends, affirms or clarifies certain aspects of the implementing rules to ensure fairness and nondiscriminatory access to video programming for competitors to cable distributors. The issues the rule addresses include: damages, attribution, competitive harm or hindrance to access, confidentiality, and subdistribution agreements.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Part 76. Cable Television Act of 1992—program distribution and carriage agreements. Final rule; petition for reconsideration; denial. *Federal Register*, vol. 60, no. 9 (Jan. 13, 1995), pp. 3099-3102.

The FCC denied a petition for reconsideration of its rule prohibiting exclusive programming contracts between cable operators and satellite cable or satellite broadcast programming vendors in which a cable operator has an attributable interest, in areas unserved by cable. The rule was promulgated to implement section 19 of the Cable Television Consumer Protection and Competition Act of 1992. The agency held that the rule is a reasonable interpretation of the Act and that there are other provisions in the Act under which a distributor can challenge a noncable distributor's exclusive contract.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Part 76. Cable Act of 1992—rate regulations. Final rule. *Federal Register*, vol. 60, no. 16 (Jan. 25, 1995), pp. 4863-66.

The Commission has amended its rules to provide independent small systems, small systems owned by small multiple system operators and certain other cable operators with further incentives to add new channels to cable programming services tiers and to single-tier systems.

U.S. FEDERAL COMMUNICATIONS COMMISSION. 47 C.F.R. Part 76. Cable Television Act of 1992. Final rule. *Federal Register*, vol. 60, no. 52 (Mar. 17, 1995), pp. 14373-77.

The Commission adopted an Eighth Order on Reconsideration to revise certain cable regulations affecting small systems and certified local franchising authorities. Certified local franchising authorities, independent small systems, and small systems owned by small multiple system operators will be permitted to enter into alternative rate regulation agreements that comply with the Communications Act of 1934, as amended.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE. Identification of priority foreign countries: request for public comment . . . *Federal Register*, vol. 59, no. 248 (Dec. 28, 1994), pp. 66981-82.

The Trade Representative has requested comment regarding any foreign country whose acts, policies, and practices deny adequate and effective protection for intellectual property rights or deny fair and equitable market access to U.S. persons who rely on intellectual property protection. Submissions should include a detailed description of the problems experienced and the effects of the acts, policies, and practices on U.S. industry.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE. Extension of 301 investigation of the People's Republic of China's protection of intellectual property . . . Notice of determination . . . *Federal Register*, vol. 60, no. 3 (Jan. 5, 1995), pp. 1829-31.

The Trade Representative (USTR) extended the investigation of China's acts, policies, and practices with respect to intellectual property rights and market access to persons who rely on intellectual property protection. If the issues which are the basis of this investigation are not resolved, the USTR proposes to determine that the acts, policies, and practices of the Chinese government with respect to intellectual property rights and the provision of market access are unreasonable and constitute a burden or restriction on U.S. commerce. The agency solicited public comment and held a hearing on the proposed determination and on the appropriate action that should be taken under section 301.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE. Termination of section 301 investigation and action regarding the People's Republic of China's protection of intellectual property . . . Termination of investigation . . . and requests for public comment. *Federal Register*, vol. 60, no. 44 (Mar. 7, 1995), pp. 12582-83.

The Trade Representative has determined to: (1) terminate the section 301 investigation with respect to China; (2) monitor implementation of the agreement under section 306 of the Trade Act; (3) terminate the action ordered pursuant to section 301 with respect to raising tariffs on certain products originating in China; and (4) revoke China's identification as a priority foreign country under section 182 of the Trade Act. The public was asked to comment on the decision to terminate.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE. Negotiation of Chilean accession to the North American Free Trade agreement. Notice of negotiations . . . *Federal Register*, vol. 60, no. 49 (Mar. 14, 1995), pp. 13746-47.

This notice announced that the United States, Canada, and Mexico expect to enter negotiations with Chile regarding its accession to NAFTA. It identified the range of Chilean articles for which U.S. tariffs and non-tariff measures may be reduced or eliminated as a result of the negotiations, informed the public that the International Trade Commission had been asked to provide advice on the economic effects of Chilean accession, and requested public comment on the negotiations. The notice also indicated that Trade Policy Staff Committee will conduct public hearings.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE. Notice of meeting of the industry policy advisory committee. *Federal Register*, vol. 60, no. 50 (Mar. 15, 1995), p. 14040.

The Industry Policy Advisory Committee conducted a meeting on current issues which influence U.S. trade policy. The discussions focused on matters the disclosure of which would seriously compromise the development by the U.S. Government of trade policy, priorities, negotiating objectives or bargaining positions with respect to the operation of any trade agreement and other matters arising in connection with the development, implementation and administration of the trade policy of the U.S.

PART IV

**JUDICIAL DEVELOPMENTS IN LITERARY AND
ARTISTIC PROPERTY****RECENT DEVELOPMENTS IN COPYRIGHT: SELECTED
ANNOTATED CASES**

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I. JURISDICTION AND PROCEDURAL ISSUES**A. Jurisdiction and Venue**

AutoScribe Corp. v. Goldman & Steinberg, 33 U.S.P.Q.2d 1758 (4th Cir. 1995)

Plaintiff, a Maryland corporation operating in Maryland, licensed its software and provided technical support to a New Jersey debt collection agency. Plaintiff subsequently discovered that a separate corporation operating at same New Jersey address and sharing same president was marketing similar software under a different name. Wife of plaintiff's vice president of marketing requested and received by mail sales information from New Jersey corporations concerning software. Based on these discoveries, plaintiff sued New Jersey corporations for infringement of copyright to licensed software program. District Court dismissed action for lack of personal jurisdiction. On appeal, Fourth Circuit preliminarily noted that in federal question cases, unless relevant federal law authorizes nationwide service of process, personal jurisdiction is limited by due process clause of Fifth Amendment and forum state's long arm statute. Since copyright laws do not provide for nationwide service, jurisdiction was thus assessed under Maryland's long arm statute. Plaintiff conceded that defendants did not have sufficient contacts with Maryland to justify assertion of general personal jurisdiction — i.e., as to all causes of action — but argued that copyright claim arose out of sufficient contacts with Maryland to base specific jurisdiction. Court first held that, by executing form licensing agreement in New Jersey, mailing agreement back to plaintiff in

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Maryland, and seeking occasional telephone technical support from Maryland plaintiff, defendants had not "purposefully directed" actions to state of Maryland. Moreover, by simply answering request for sales information from wife of plaintiff's vice president of marketing, defendants had not initiated contacts with potential Maryland customers or established a distribution channel or stream of commerce in that state. Finally, fact that defendant had mailed a small percentage of its debt collection letters into Maryland was irrelevant, insofar as cause of action did not spring from those letters. Plaintiff's insistence that public policy favored assertion of jurisdiction notwithstanding, court held that cited contacts individually and collectively did not establish sufficient purposeful activity on defendants' part in Maryland and affirmed District Court's dismissal for lack of personal jurisdiction.

Irwin v. American Interactive Media Inc., 31 U.S.P.Q.2d 1366 (C.D. Cal. 1994)

Defendant hired plaintiff to create musical score for promotional videotape. Defendant was dissatisfied with score upon delivery, refused to pay agreed upon price of \$2,000, hired another composer to finalize score, and then incorporated music in video distributed to national video rental chain. Plaintiff thereafter sent defendant letter purporting to revoke agreement, refused defendant's effort to pay \$2,000 and sued defendant and company that commissioned defendant to produce video for copyright infringement. Defendant moved for summary judgment, arguing, *inter alia*, that court lacked subject matter jurisdiction, because plaintiff's copyright claim was in essence one for breach of contract not involving interpretation or enforcement of Act. Citing Ninth Circuit's holding in *Effects Associates, Inc. v. Cohen*, 817 F.2d 72 (9th Cir. 1987), court held that plaintiff was "master of his claim" and could opt either to pursue copyright or contractual claims on facts stated. Since defendant had allegedly used plaintiff's copyrighted material without written license agreement, plaintiff's complaint set forth *bona fide* infringement claim that vested court with jurisdiction.

Rosenblatt v. Estate of Morris Levy, Copyright L. Rep. (CCH) ¶ 27,243 (S.D.N.Y. 1994)

Court dismissed claim for lack of subject matter jurisdiction where plaintiff alleged that defendant's ownership of copyright in 1965 song "It's Only Love" was wrongfully obtained. Defendant, principal of record label which released recording of song, allegedly claimed copyright in his own name and threatened plaintiff's safety to prevent disclosure of plaintiff's authorship of song. Defendant later assigned copyright to third party. Citing *Keith v. Scruggs*, 507 F.Supp. 968 (S.D.N.Y. 1981), court held that where sole purpose of plaintiff's case is to establish ownership of copy-

right allegedly obtained wrongfully by another, action does not "arise under" Copyright Act and federal court has no jurisdiction.

Close v. New Line Cinema Corp., 33 U.S.P.Q.2d 1154 (N.D. Ohio 1994)

In infringement action regarding authorship of underlying work for film "The Lawnmower Man," Ohio district court transferred action to Central District of California on grounds that various defendants lacked minimum contacts with Ohio sufficient to support personal jurisdiction. Defendants Leonard and Everett, writers of "Lawnmower Man" screenplay, transacted no business in Ohio and had no other "systematic and continuous" contacts with the state. Their company Filmlight, and another California corporation, Benjade, were not licensed to do business in Ohio, had negotiated no contracts in Ohio, and did not sell, advertise or market any products or services in Ohio. Thus, court lacked general jurisdiction over these parties. Court also lacked specific jurisdiction, since action did not arise out of defendant's contacts with Ohio. Under 28 U.S.C. § 1406(a), defendants sought dismissal of claims against them, but court cited *International Pizza Co. v. C & F Packing Co.*, 30 U.S.P.Q.2d 1876 (S.D. Ohio 1994) to hold that statute allows transfer of case rather than dismissal, even where first court had no personal jurisdiction.

Wilson v. Mr. Tee's, 855 F. Supp. 679 (D.N.J. 1994)

Court rejected defendants' assertion that court lacked subject matter jurisdiction over claims based on alleged infringement of miniature golf course hole designs for which plaintiffs had not yet obtained registration. Under § 411, registration is prerequisite to infringement action. Court ruled, however, that § 411 is satisfied when plaintiff establishes payment of required fee, deposit of work at issue, and receipt of application from Copyright Office. Since plaintiffs included with amended complaint copies of deposits and applications, which indicated that filing fees had been paid and applications had been received in Copyright Office, court held that it had jurisdiction over action.

Modern Computer Corp. v. Ma, 862 F. Supp. 938 (E.D.N.Y. 1994)

Court held that pursuant to New York's long-arm statute ("CPLR § 302"), personal jurisdiction existed over Taiwanese defendant who allegedly obtained copyrights by means of misrepresentations and also engaged New York attorneys to mail cease-and-desist letters relating thereto. Plaintiffs sought declaratory judgment of noninfringement of copyrights and invalidity of copyrights due to fraud by defendant. Defendant moved to dismiss partly on grounds of lack of personal jurisdiction. Plaintiffs were designers, manufacturers and sellers of notebook computers. Defendant was founder and former president of and also in charge of re-

search and development for one of plaintiffs. Plaintiffs alleged that defendant misappropriated computer designs for which he fraudulently obtained copyright registration and had Customs Service seize plaintiffs' products as infringing at ports of entry, including airport in New York. Defendant also allegedly had attorneys in Eastern District send cease-and-desist letters to plaintiffs' customers in New York. Court noted that because Copyright Act does not provide for nationwide service of process, court may not employ national contacts test as basis of personal jurisdiction, but rather must look to defendant's minimum contacts with New York. Applying two-step analysis, court first found that defendant, whose contact with New York was alleged "agency" relationship with New York law firm, was not consistently and systematically doing business in state as required for general jurisdiction under CPLR § 301. Therefore, court next applied long-arm provision of CPLR § 302 and concluded that defendant's conduct did in fact satisfy statutory requirements that non-domiciliary either (1) commit tortious act within state or (2) commit tortious act outside state, but which causes injury to person or property within state. As conduct which satisfied CPLR § 302, court cited defendant's interference with plaintiffs' relations with New York customers via Custom's seizures of plaintiffs' products and cease-and-desist letters sent by defendant's attorneys to such customers.

Herbert v. U.S., 33 U.S.P.Q.2d 1204 (Fed. Ct. Cl. 1994)

Court denied defendant's motion for summary judgment to dismiss plaintiff's claim pursuant to 28 U.S.C. § 1498(b) which bars copyright infringement actions against United States by government employees where copyrighted work was prepared as part of employee's official function, or in preparation of which Government time, material, or facilities were used. Plaintiff was volunteer member of committee at National Academy of Sciences ("Academy"), private, non-governmental, non-profit corporation that was hired under contract by Department of Health and Human Services ("HHS") of United States government to prepare edition of nutritional guidelines, known as Recommended Daily Allowances. Plaintiff obtained copyright registration on his portion of draft and claimed that HHS's subsequent publication and sale of nutritional guidelines infringed his copyright. Court found genuine issues of material fact as to whether plaintiff was government employee, where plaintiff's laboratory, office equipment, and secretary were his own and not government's.

B. Pleading

Fonovisa, Inc. v. Cherry Auction, Inc., 847 F. Supp. 1492 (E.D. Cal. 1994)

On defendant's 12(b)(6) motion, court dismissed direct, contributory and vicarious infringement claims against swap meet operator who rented

booths to vendors of counterfeit audio tapes. Citing *Klinger v. Weekly World News, Inc.*, 747 F.Supp. 1477 (S.D. Fla. 1990), court ruled that since complaint did not allege facts stating by what acts and during what time defendant infringed copyright, no direct infringement claim was pleaded. Contributory infringement claim dismissed because allegation that defendant rented space to infringers did not support inference of "substantial participation" required under *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159 (2d Cir. 1971). Under test of *Shapiro Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963), court also dismissed vicarious infringement claim since court found no reasonable inference that defendants supervised or profited from infringing acts of vendors. Where defendant charged flat fee rather than percentage of receipts, and sale of tapes was small portion of total business at swap meets, defendant's ability to supervise vendors did not rise to employer-like control present in *Shapiro*, defendant was not in "best position" to police infringement, and court rejected conclusory allegation of direct financial benefit.

Villa Crespo Software, Inc. v. Chicago Computer Broker, Inc.,
Copyright L. Rep. (CCH) ¶ 27,283 (N.D. Ill. 1994)

In denying defendant's motion to dismiss infringement claim, court held that factual issues, such as proof of ownership of copyright, are not appropriately addressed on motion to dismiss. Court also found plaintiff had standing simply by alleging ownership of copyright. Plaintiff, developer, marketer and manufacturer of computer software, brought infringement action seeking injunction and damages against defendant who copied and sold its copyrighted computer software. Defendant moved to dismiss, contending plaintiff failed to state *prima facie* claim and also lacked standing because plaintiff had not shown that it owned copyright for program. Court, rejecting defendant's arguments, noted that plaintiff alleged that it had exclusive license from creator of computer program to manufacture and distribute software program, as well as right to enforce copyright thereto. While allegation did not conclusively establish plaintiff's ownership of copyright, court concluded it need not reach such factual question on motion to dismiss.

C. *Discovery*

Data General Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147
(1st Cir. 1994)

In action for software infringement, First Circuit found no abuse of discretion in district court's refusal to compel plaintiff to produce entire source code of infringed program. Defendant sought to show that errors in source code deposited with Copyright Office were sufficiently serious

that program would not run properly on deposited code. Since defendant's theory, even if correct, would not likely lead to denial of registration by copyright examiners, court found that any errors to be discovered were probably immaterial. Because supplying more than 40,000 pages of code would be extremely burdensome to plaintiff, district court was correct to deny defendant's motion to compel production.

D. Jury Trial

Cass County Music Co. v. C.H.L.R. Inc., 33 U.S.P.Q.2d 1703 (E.D. Ark. 1994)

Court granted plaintiff's motion to strike defendants' demand for jury trial in copyright infringement action in which plaintiff sought injunction, statutory damages, and costs including reasonable attorney's fees. Court recognized split between circuit courts of appeal and district courts as to whether there is right to jury trial when plaintiff seeks only statutory damages as its monetary relief. Noting absence of Eighth Circuit case, court followed *Rodgers v. Breckinridge Hotels Corp.*, 512 F. Supp. 1326, 1327 (E.D. Mo. 1981), another district court in circuit, in concluding that statutory damages are purely equitable relief. Court accordingly granted motion to strike defendants' jury demand.

Broadcast Music, Inc. v. Penny, 872 F. Supp. 348 (E.D. Tex. 1994)

Court granted plaintiffs' motion to strike defendant's demand for jury trial, citing Fifth Circuit holding, in *Twentieth Century Music Corp. v. Frith*, 645 F.2d 6 (5th Cir. 1981) that no right to jury trial exists where plaintiff seeks minimum statutory damages and injunctive relief. Copyright Act contains no explicit provision granting right to jury trial, and court has discretion to set damages within statutory range without creating right to trial by jury without offending Seventh Amendment.

E. Miscellaneous

Nintendo of America, Inc. v. Aeropower Company, 34 F.3d 246 (4th Cir. 1994)

Fourth Circuit vacated injunction under Copyright Act and Lanham Act to extent it purported to prohibit extraterritorial conduct of defendant. Defendant produced unauthorized copies of plaintiff's video games in Taiwan and sold them in U.S., Mexico and Canada. Finding copyright infringement and violations of Lanham Act and 1984 Trademark Counterfeiting Act, district court awarded monetary damages and entered injunction prohibiting infringement of plaintiff's copyrights and trademarks in all three countries. Fourth Circuit vacated injunction under Copyright Act, noting that Act has no extraterritorial application, since it lacks broad jurisdictional grant of Lanham Act, but remanded for reconsideration of

Lanham Act injunction under standards of *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952).

Bourne Co. v. Walt Disney Co., 31 U.S.P.Q.2d 1858 (S.D.N.Y. 1994)

In action for unauthorized use of plaintiff's musical compositions in videocassettes and television advertising, court refused to vacate prior order on basis of plaintiff's claim of newly discovered evidence. In May 1993, after defendant won jury verdict that defendant's use of songs in videocassettes was non-infringing, plaintiff moved unsuccessfully for judgment as matter of law. Plaintiff now seeks relief from May, 1993 order on grounds of judicial estoppel, claiming that defendant had prevailed on inconsistent argument in previous unrelated litigation. Court refused relief on two grounds, holding first that decision and papers from previous litigation were public records and thus not "newly discovered" under Rule 60(b), and second, that estoppel doctrine did not apply because prior inconsistent position was not adopted by court. Defendant did not prevail on ownership issue in previous action and in current action, jury found defendant lawfully acquired right to use songs.

Uniscor Inc. v. New Jersey Education Ass'n, 30 U.S.P.Q. 2d 1972 (E.D. Pa. 1994)

Court denied plaintiff's application for temporary restraining order and preliminary injunction against teacher's organization that allegedly had infringed copyright in plaintiff's computer-tabulated election ballots. After defendant mailed allegedly infringing ballots to its members in connection with pending election, plaintiff sought to enjoin electronic copying of completed ballots for tabulation of results. Because defendant contended that it had authored ballots used in election prior to claimed date of creation of forms by plaintiff, court found that plaintiff had not established ownership despite *prima facie* validity of registration certificates. Thus, plaintiff failed to show likelihood of success on merits. Further, plaintiff failed to demonstrate prospect of irreparable harm if ballots were electronically copied, since any harm would be compensable in money damages. Finally, public interest militated strongly against enjoining election, since many of defendants 140,000 members might be denied right to choose representatives if school year ended before new election could be held.

Althin CD Medical, Inc. v. West Suburban Kidney Ctr. S.C., 874 F. Supp. 837 (N.D. Ill. 1995)

Court granted defendants' motion to dismiss, finding plaintiff, which was sub-licensee of software used to analyze and bill kidney dialysis services, had no standing to bring infringement claim. Since plaintiff was not owner of software, it argued it had standing through contracts which gave

it sub-license for exclusive rights. Court found plaintiff lacked standing because original license agreement between owner and licensee, which was sub-licensor of plaintiff's rights, provided that owner had sole right to determine whether to take action against alleged infringements. Licensee could sue only if it gave prompt written notification of alleged infringements to owner and received written permission to sue. Court held that sub-licensee of such agreement is subject to same conditions since sub-licensor cannot grant rights greater than it has. Since plaintiff did not meet these two conditions, court held it lacked standing. Court also held plaintiff did not have standing under § 501 of Act because it was not exclusive sub-licensee. Owner of original rights retained right to determine whether to bring infringement action and gave only narrow exception as to when licensee could assign or transfer license agreement.

II. COPYRIGHTABILITY

A. *Compilations*

CCC Information Servs., Inc. v. Maclean Hunter Market Reports, Inc., 44 F.3d 61 (2d Cir. 1994)

Second Circuit reversed district court's holding that "Red Book" compilation of used car values did not contain sufficient original authorship to warrant copyright protection, and also reversed alternate holding that merger doctrine barred copyright in compilation of numerical estimates. Maclean's Red Book, issued in four regional editions every six weeks, contains publisher's projections of average used car values for each region, organized by make, model, body style and engine type, with adjustments in value for various options and mileage amounts. Since 1988 appellee CCC has included Red Book data in various similar compilations of its own, and many Red Book subscribers have switched to CCC publications. CCC sought declaratory judgment that its publications did not infringe Red Book, and Maclean counterclaimed for infringement. District court adopted magistrate's findings that Red Book embodied no original selection, coordination or arrangement and that individual valuations were either facts, or expressions merged with facts. Citing *Feist v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991), Second Circuit first reversed as to originality of Red Book's selection, coordination and arrangement. Under minimal level of originality required by *Feist*, court found that division of U.S. into regions, selection and manner of presenting optional features, adjustments for mileage in 5,000-mile increments, use of "average" vehicle as basis for valuation, and selection of how many model years to include, all displayed sufficient originality. Court also found individual valuations original, since they comprised estimates and predictions of regional car values, based on judgment and expertise, not merely raw facts. Court also reversed as to merger, holding that copyright policy requires protecting

certain compilations even where "idea" of compilation arguably merges with expression. Citing *Kregos v. Associated Press*, 937 F.2d 700 (2d Cir. 1991), court proposed classifying ideas as either "infused with taste and opinion" or alternatively, "building blocks of understanding." Protection for compilations expressing "taste" ideas presents no danger of withholding "important and useful" ideas from society, reasoned court, thus merger doctrine does not bar copyright in such compilations. Since Red Book values are "no more than predictions," protecting them will not withdraw "more important and useful ideas" from public discourse. Further, wholesale copying of Red Book weighed against applying merger doctrine, since courts in Second Circuit consider merger to determine infringement, not copyrightability.

University of Colorado Found. v. American Cyanamid, No. 93-K-1657, 1995 U.S. Dist. LEXIS 4702 (D. Colo. April 3, 1995)

On motion for summary judgment, plaintiff's bar graph figures and columnar table from scientific article were held copyrightable and infringed by defendant's reproduction of materials in patent application. Employees of plaintiff and defendant collaborated on research regarding bloodstream absorption of iron, and plaintiff's employees published findings in medical journal. Defendant's employee received pre-publication copy of article, and subsequently reproduced figures and tables from article in patent application. Defendant contended that bar graph and data-point figures, and table summarizing research results, were insufficiently original to merit copyright. Court disagreed, citing *Feist v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991) to hold that plaintiff's selection, coordination and arrangement of facts "to present considerable amount of information in small space" was more original than "practically inevitable" alphabetical arrangement of information in *Feist*.

Gemel Precision Tool Co. v. Pharma Tool Corp., Copyright L. Rep. (CCH) ¶ 27,369 (E.D. Pa. 1995)

Owner of copyright in blueprints and computer databases for pharmaceutical machine which packages pills sued defendants, *inter alia*, for copyright infringement. Defendants moved to dismiss, based partly on argument that databases were not copyrightable matter, but consisted only of facts and "utilitarian items." Citing § 103 and *Feist Publications v. Rural Telephone Service Co.*, 499 U.S. 340 (1991), court noted that compilations of facts are protectible to the extent of original selection and arrangement of those facts. After rejecting "utilitarian items" argument under § 102(b) as not applicable to compilations governed by § 103, court held that defendants had not proffered any evidence that databases were devoid of original selection and arrangement. Because defendants had not

met burden of overcoming presumption of validity attaching to copyright certificates for databases, motion to dismiss was denied.

GI Corp. v. U.S. Electronics Components Corp., Copyright L. Rep. (CCH) ¶ 27, 329 (N.D. Ill. 1994)

Court denied summary judgment as to protectability of data compilation, where plaintiff selected data codes from 86 different television remote control units for incorporation into universal control unit. Data codes, which instruct remote control units to transmit particular patterns of infrared light to perform specific functions such as adjusting volume, are different for each make and model of television and VCR. Court found that codes are factual information available to public, and that by studying other units plaintiff "laboriously" compiled thousands of codes. At request of outside manufacturer, plaintiff used codes to produce universal remote control unit. Specifications required unit to operate as many U.S. televisions as possible, control only four basic functions, and require no more than 4K of ROM memory. Of 255 codes for televisions, 167 were excluded under these criteria. Of 88 remaining codes, 86 were incorporated into plaintiff's unit. When defendant used codes from plaintiff's unit to produce its own competing unit, plaintiff claimed infringement of its compilation of codes. Under "very low standard of creativity" announced in *Feist v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991), court could not conclude whether selection and arrangement of 86 codes from 88 meeting manufacturer's specifications was sufficiently original to warrant copyright. Since plaintiff applied various selection criteria such as amount of memory taken up by given code, geographic area where code would function, and number of devices which given code would operate, court found genuine issue of fact regarding copyrightability of plaintiff's compilation.

Marshal & Swift v. BS&A Software, 871 F. Supp. 952 (W.D. Mich. 1994)

District court granted partial summary judgment for publisher of cost appraisal schedules where defendant sold computer program containing data taken from plaintiff's work, but declined to assert jurisdiction over claim regarding unregistered work. Plaintiff, under contract from State of Michigan, produced printed cost schedules in 1986 and updated version in 1991. By contract, plaintiff retained copyright in schedules as published by state tax commission. Court found valid copyright in actual data, not merely in arrangement, since each schedule was unique estimate created by plaintiff and not externally-discoverable fact. Court stressed complexity of producing concrete dollar values from numerous factors and variables, and recognized high degree of selection and judgment exercised by

plaintiff. Further, court held that "assessment" "estimate" or "appraisal" is creative "by its very definition" even where process consists partly of routine calculation. Distinguishing *Feist v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991)(telephone directory white pages), *Victor Lalli Enterprises, Inc. v. Big Red Apple Inc.*, 936 F.2d 671 (2d Cir. 1991)(horse race betting chart) and *Financial Information, Inc. v. Moody's Investors Serv. Inc.*, 808 F.2d 204 (2d Cir. 1986), *cert. denied*, 484 U.S. 820 (1987) (municipal bond information), court found protection warranted for plaintiff's selection of figures "to plug into its tables" as in *Eckes v. Card Prices Update*, 736 F.2d 859 (2d Cir. 1984)(baseball card price guide). Court also held that copyright in numerical form of estimates was not impermissible under merger doctrine, citing § 101 definition of "literary work" as including works expressed in "numerical symbols or indicia."

B. Pictorial, Graphic and Sculptural Works

Gemel Precision Tool Co. v. Pharma Tool Corp., Copyright L. Rep. (CCH) ¶ 27,369 (E.D. Pa. 1995)

Owner of copyright in blueprints and computer databases for pharmaceutical machine which packages pills sued defendants, *inter alia*, for copyright infringement. Defendants moved to dismiss, based partly on argument that blueprints were not copyrightable, but were useful articles whose utilitarian functions were inseparable from artistic elements. Treating blueprints as "pictorial, graphic, or sculptural" works under § 101, court rejected defendants' insistence that blueprints were useful articles subject to artistic separability test. Cited cases imposing that test involved efforts to protect actual useful article like machine itself, whereas here, plaintiff claimed protection only for blueprints. Since, sole utility of blueprints was to portray appearance of and explain arrangement of parts in machine, blueprints were not useful articles subject to artistic separability test. Court thus denied defendants' motion to dismiss for non-copyrightability of blueprints.

Aldridge v. Gap, Inc., 866 F. Supp. 312 (N.D. Tex. 1994)

Court dismissed claim by clothing designer alleging that retailer sold children's wear which infringed plaintiff's work. Citing *Whimsicality v. Rubie's Costume Co.*, 891 F.2d 452 (2d Cir. 1989), court noted that clothing is useful article and thus uncopyrightable. Because alternative theories for protecting designs under state law were preempted under § 301, court granted motion to dismiss under Rule 12(b)(6).

Superior Form Builders v. Dan Chase Taxidermy Supply Co., 851 F. Supp. 222 (E.D. Va. 1994)

Plaintiff owned registrations for four taxidermy forms used in making replicas of raccoons, deer, and otters. Plaintiff alleged that defendant cop-

ied forms and placed its own copyright notice on copies. Defendant responded that plaintiff's forms are not copyrightable, insofar as they are useful articles and so can only be protected to extent that their artistic elements can be separated from their utilitarian function. Noting that under § 101 of Act, useful article is one "having an intrinsic utilitarian function that is not merely to portray the appearance of the article," court disagreed with defendant. Forms, whose usefulness is precisely to portray appearance of animals, are not useful articles. Defendants' arguments about separability of usefulness and artistry accordingly were irrelevant. Court also distinguished *Carol Barnhardt Inc. v. Economy Cover Corp.*, 773 F.2d 411 (2d Cir. 1985), where headless and limbless mannequins were held to be useful articles possessed of no separable artistic elements. The mannequins in that case were "generic . . . changeable advertisement," while the taxidermy forms before court in instant case are "unquestionably . . . permanent artistic object[s]." Court further rejected defendants' concern that plaintiff's copyright gave it "virtual monopoly" in taxidermy business, explaining that, as long as they do not copy plaintiff's forms, others can create animal forms from scratch. Summary judgment denied to defendant. (Subsequent jury verdict for plaintiff).

C. *Originality of Authorship*

Norma Ribbon & Trimming, Inc. v. Little, 51 F.3d 45 (5th Cir. 1995)

Fifth Circuit affirmed district court's grant of summary judgment for plaintiff, finding defendants could not establish copyright ownership in ribbon flowers, because they lacked originality. Although ribbon flowers have existed since 18th century, they could still be subject to copyright if author, through skill and effort, contributed distinguishable variation from older works. Court found plaintiff rebutted presumption of validity of copyrights flowing from registration certificates for flowers, since distinguishable variation, which must be substantial, was not present. Defendants claimed their flowers distinguishable from earlier ones because they are of higher quality, have greater symmetry and uniformity and different height and petal shape. Court found, however, that there was nothing new in flowers' design, only in manufacturing process, which is not copyrightable.

Innovative Networks, Inc. v. Satellite Airlines Ticketing Centers, Inc., 871 F. Supp. 709 (S.D.N.Y. 1995)

In action for infringement of airline business center floor plan and workstation designs (collectively "plans"), court partially granted plaintiff's motion for summary judgment. Plaintiff designed and obtained copyright registration in plans. Defendants, competitor including plaintiff's former employee instrumental in design of plans, circulated copies of

plans under their own name to prospective customers. Finding that plaintiff owned copyrights in plans as work for hire, court examined issue of copyrightability of floor plan. Court held that floor plan met requisite originality of authorship because elements of plan were not dictated by configuration of property. Noting that defendants did not dispute that they had made and distributed copies of floor plan, court found infringement and accordingly granted plaintiff's motion for summary judgment as to floor plan. Court, however, denied motion as to workstation designs, because plaintiff failed to establish that defendants created infringing designs substantially similar to those of plaintiff sufficient to prove copying.

D. Derivative Works

Ronald Mayotte & Assocs. v. MGC Building Co., 34 U.S.P.Q. 2d 1073 (E.D. Mich. 1994)

Court granted motion for preliminary injunction based on copyrighted architectural plans for suburban homes. Plaintiffs designed and constructed original suburban homes allegedly copied by defendants, construction company and architect. Arguing invalidity of plaintiffs' copyright registrations, defendants claimed that plaintiffs' architectural plans constituted derivative works not properly identified in application, because plaintiffs' had featured plans in promotional flyers circulated prior to finalization of architectural plans. Rejecting argument, court stated that plaintiffs' final architectural plans could not be "derivative" of flyers meant to advertise those same plans.

Entertainment Research Group, Inc. v. Genesis Creative Group Inc., 853 F. Supp. 319 (N.D. Cal. 1994)

Plaintiff, with authorization of copyright owners, manufactured three-dimensional, inflatable costumes of various advertising characters, such as the Pillsbury Doughboy, Toucan Sam, Cap'n Crunch and others. Plaintiff brought action claiming defendant infringed plaintiff's derivative copyright in costumes, and defendant, with support from owners of copyright in original characters, moved for summary judgment challenging validity of plaintiff's derivative work copyright. Court cited *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905 (2d Cir. 1980) for proposition that, to be copyrightable, original aspects of derivative work must be more than trivial and must not affect scope of protection in underlying work. Treating plaintiff's costumes as "sculptural works," whose protection is limited by § 101 definition to nonutilitarian design features, court reasoned that differences between derivative and preexisting work driven by functional purposes could not supply requisite originality for protection of derivative work. Court held that only differences between original characters and plaintiff's costumes were functional alterations necessary to accommodate human body — such as enlarging Toucan Sam's legs — rather than result

of "artistic" decision making. Plaintiff's characters were successful precisely because, to the extent possible, they exactly replicated original characters in three dimensions without any original artistic contribution. Moreover, granting protection to costumes would unfairly limit original copyright owners' rights by effectively giving plaintiff a "pseudo-monopoly" on all inflatable characters and depriving owners of rights to copy or permit others to copy their own creations. Court accordingly granted defendant's motion for summary judgment.

E. Architectural Works

Bryce & Palazzola Architects and Assocs. v. A.M.E. Group, 31 U.S.P.Q.2d 1844 (E.D. Mich. 1994)

Court denied defendants' motion to dismiss and/or for summary judgment in action in which plaintiff asserted claim based on infringement of building structure itself based on defendants' building allegedly virtually identical home to one built by plaintiff. In 1990, architectural works became subject to copyright protection pursuant to § 102(a)(8) of Act. Since effective date of § 102(a)(8) is December 1, 1990, however, architectural works cannot be registered if builder's plans or drawings were published before December 1, 1990 or building was constructed or otherwise published before then. Court found genuine issues of material facts existed as to whether drawings were published before December 1, 1990 and whether sufficient work on building had been completed by then to constitute "construction." Plaintiff had obtained certain permits for building before December 1, 1990, but, according to plaintiff, construction such as rough framing, roof installation and bricking did not occur until 1991.

Richmond Homes Management Inc. v. Raintree, Inc., 862 F. Supp. 1517 (W.D. Va. 1994)

Court held both interior and exterior structures of residential designs protectable as original "selection and arrangement" of "unoriginal underlying component parts." Court noted that 1990 Architectural Works amendment to Copyright Act extended protection to original structures independent of any functional purpose structures might serve. Court also applied low standard of originality to protect independently created designs "regardless of how simple." Thus, because defendants could produce no other designs having same arrangement of features as plaintiff's design, court held designs protectable.

F. Miscellaneous

CCC Information Servs., Inc. v. Maclean Hunter Market Reports, Inc., 44 F.3d 61 (2d Cir. 1994)

Second Circuit reversed district court's holding that "Red Book" compilation of used car values did not contain sufficient original author-

ship to warrant copyright protection, and also rejected argument that Red Book had fallen into public domain by virtue of its use as valuation standard in state insurance regulations. CCC, which copied Red Book figures into its own price guides, contended that since Red Book data was incorporated into various state insurance codes, public must have free access to work. On procedural grounds, court distinguished leading case of *Building Officials and Code Administration v. Code Tech., Inc.*, 628 F.2d 730 (1st Cir. 1980), and noted also that state school systems have long included copyrighted works in mandatory curricula without depriving such works of copyright.

Napoli v. Sears, Roebuck & Co., 874 F. Supp. 206 (N.D. Ill. 1995)

Court rejected plaintiff's argument in infringement action that she was sole owner of copyright in computer program, including screen displays allegedly created by defendant, because she was sole author of source code. Plaintiff claimed only author of source code could be author of non-literal elements, such as screen displays, because source code instructs computer to produce screen displays. Court held that copyright in computer program extends to its screen displays. Although single registration for computer program extends to literal elements of program, such as source code, as well as to screen displays if they contain original creative authorship, computer program and screen displays are nevertheless distinct for copyright purposes and actual designs of screen displays are separately copyrightable. Issue of fact precluded summary judgment for either party.

Trenton v. Infinity Broadcasting Corp., 865 F. Supp. 1416 (C.D. Cal. 1994)

Court denied defendant's motion to dismiss infringement claim in action based on alleged appropriation format for radio program called "Loveline." Plaintiff, radio announcer for station owned by defendant, allegedly conceived of program which used novel techniques and methods of presentation. After suspending plaintiff, defendant continued to air program with different host. Plaintiff sued, bringing claim under state law for copyright infringement. Court held infringement action arose at least in part under federal law because some programs were fixed in tangible medium of expression. Section 980(a)(1) of California Civil Code provides copyright protection to original works of authorship not fixed in tangible medium of expression. Section 980(a)(1), like federal law, does not provide copyright protection to ideas. Defendant submitted evidence to establish that some programs were recorded simultaneously with transmission and therefore fixed in tangible medium. Other two elements for copyrightability under § 102 were met since neither party disputed pro-

grams were sufficiently original and creative to be copyrightable and programs, as sound recordings, fell within subject matter of federal copyright law. To extent certain programs were not simultaneously recorded, they would not be fixed and copyrightable under federal statute. Court rejected plaintiff's contention that he had copyright interest in "Loveline" title since, under Copyright Office's regulations, words and short phrases, such as titles, are not copyrightable.

Practice Management Info. Corp. v. American Medical Ass'n, 877 F. Supp. 1386 (C.D. Cal. 1994)

In action for declaratory judgment, court granted defendant's motion for summary judgment and denied plaintiff's cross-motion on validity of defendant's copyright in work. Plaintiff Practice Management Information Corporation ("PMIC"), publisher of medical books, sought declaration that copyrights for book entitled *Physicians' Current Procedural Terminology* ("CPT") by defendant American Medical Association ("AMA") were invalid and unenforceable because federal agency required physicians' use of CPT's numerical codes for describing medical procedures when requesting government reimbursement. AMA had granted royalty-free, nonexclusive license to agency of U.S. Department of Health to use CPT coding system, in exchange for which agency mandated that healthcare providers use CPT codes when seeking reimbursement from federal and state governments for medical services. Intending to publish its own manuals which would reprint modified version of CPT coding system, plaintiff sought declaration that defendant's copyrights were invalid because government incorporated CPT codes into federal laws, published list of codes in Federal Register and required physicians' use of codes. Court held that copyrights of privately developed works have been upheld and not ruled "laws" where public has been required to use such works in governmental programs, commenting that to find otherwise would constitute unlawful taking of private property. As CPT coding system was sufficiently original to warrant copyright protection and copyright in CPT was valid, court accordingly granted defendant's motion for summary judgment and denied plaintiff's cross-motion.

III. OWNERSHIP

A. Works for Hire

Playboy Enters., Inc. v. Dumas, Nos. 94-7500L, 94-7542 XAP, 1995 U.S. App. LEXIS 10191 (2d Cir. May 5, 1995)

Reversing district court, Second Circuit held that series of paintings which appeared in Playboy magazine prior to 1978 were made at magazine's expense, and thus were works made for hire under 1909 Act if magazine also "motivated" or "induced" their creation. Though district court cited factors from *CCNV v. Reid*, 490 U.S. 730, 751-52 (1989) to find that

works were created at artist's expense, Second Circuit rejected application of *Reid* test to "expense" prong of work for hire analysis and held that magazine's payment of fixed sum for each painting, rather than royalty, was "sufficient to meet requirement that works be made at Playboy's expense." Magazine was also held to be "motivating factor" of works for which it gave specific assignments, but Second Circuit remanded for determination of when artist began creating works without specific direction or assignment. Court then examined whether stamped check endorsement which purported to assign "all right, title and interest" to Playboy, could be considered agreement to contrary under 1909 Act negating work for hire. Endorsement did not specifically mention statutory or common-law copyright, and thus Second Circuit found it "impossible to discern intent of parties." Second Circuit thus reversed district court holding that pre-1978 check endorsements proved works were not made for hire.

After 1978, works could only be considered made for hire under § 101(2), since artist was not formal employee. Magazine was "collective work" under statute, but requirements of "written instrument" and "specially ordered or commissioned" were not clearly met and court remanded for further findings. As to writing requirement, court held that check endorsement legends signed after creation of works could be valid writings, if they confirmed agreements which existed prior to creation of works and met other formal requirements. Legend used from January 1978 until July 1979 was not valid because it did not contain express work for hire language. Thus, works from that period were not works made for hire. Legends used after July 1979 contained proper language, and court found that they confirmed parties' prior agreement that works were made for hire, but court remanded for determination of whether checks were signed by agents authorized to enter into work for hire relationship on artist's behalf. As to statutory requirement that work be "specially ordered or commissioned," court held that commissioning party need not possess or exercise artistic control, and that "specially ordered or commissioned" issue under 1976 Act is equivalent to "instance and expense" issues under 1909 Act. Since Second Circuit remanded for determination of whether and when Playboy ceased to be "motivating factor" in creation of works, however, status of works as "specially ordered or commissioned" under 1976 Act could not be resolved until that issue was decided on remand. District court was to consider whether parties' course of conduct showed Playboy to be "motivating factor" for post-1978 works, and if so, such works could be "specially ordered or commissioned" within § 101(2).

Carter v. Helmsley-Spear, Inc., 861 F. Supp. 303 (S.D.N.Y. 1994)

In first application of 1990 Visual Artists Rights Act (VARA), district court enjoined removal or destruction of site-specific sculpture in lobby of

commercial building, finding that sculpture was not work made for hire. Artists were contracted by owner of building to create and install work, under agreement which provided for artists' complete creative freedom, ownership of copyright, and weekly paychecks. After more than two years, building was sold and new owners sought to remove still-unfinished work. Artists obtained preliminary injunction under VARA, which prevents distortion, mutilation or other modification of artworks covered by statute. At trial, owners contended *inter alia* that statute, which specifically excludes works made for hire, did not cover artists' work. Court disagreed. Despite numerous factors suggesting that artists were employees, such as provision of health benefits, regular paychecks and tax withholding, court stressed other factors and found independent contractor status: artists' high level of skill, creative autonomy, and assignment to single, finite project. Court also found contract terms vesting copyright in authors to be "plus factor" suggesting independent contractor status, as was fact that hiring party's normal business did not include creating artwork. After finding work within scope of VARA, court also found it to be of "recognized stature" and thus prohibited destruction of work during lifetime of artists. Currently *sub judice* in Second Circuit.

Muller v. Walt Disney Productions, 871 F. Supp. 678 (S.D.N.Y. 1994)

Court granted summary judgment that soundtrack of animated film *Fantasia* was work made for hire under 1909 Act. Because film company was "motivating factor" in creation of work, work was produced at its "instance and expense," and film company had contractual right to reject or approve conductor's work, score was made for hire despite conductor's active participation in making of film. Further, court noted that conductor himself had never asserted joint authorship in film from 1939 till his death in 1977.

Saenger Org., Inc. v. Nationwide Ins. Licensing Assocs., Inc., 864 F. Supp. 246 (D. Mass. 1994)

Court granted plaintiff's motion for preliminary injunction in copyright infringement action. Plaintiff, manufacturer of insurance training manuals, claimed that defendant, plaintiff's former employee, infringed its copyrights in two texts when defendant marketed his own line of manuals similar to plaintiff's line. Notwithstanding argument that he was "co-author," court found that defendant's contribution to plaintiff's texts was "work made for hire". Court noted that although first set of copyright application forms designated plaintiff and defendant each as "co-author of entire text", at same time forms stated that contribution was "work made for hire", and plaintiff subsequently amended applications to list plaintiff

corporation as sole author. Amended copyright registration forms, plus other evidence that defendant acted within scope of his employment when he contributed to texts, supported court's holding that defendant's contribution was "work made for hire" and that defendant's texts infringed plaintiff's copyrights in training manuals, warranting preliminary injunction against defendant.

Avtec Systems, Inc. v. Peiffer, Copyright L. Rep. (CCH) ¶ 27,360 (E.D. Va. 1994)

On remand from Fourth Circuit district court revisited whether computer program at issue was work for hire owned by plaintiff or was otherwise owned by defendant Peiffer, alleged former employee who created program. Plaintiff had burden to show that program was authored by employee acting within scope of employment. Citing *Restatement of Agency*, court first found that Peiffer was clearly plaintiff's employee at time of program's creation. Again citing *Restatement*, court explained that Peiffer would have been acting within scope of employment if all of following were satisfied: work in creating program (1) was of kind Peiffer was employed to perform, (2) occurred substantially within authorized time and space limits of employment, and (3) was actuated at least partly by purpose to serve employer. On first factor, court found that writing of computer programs was part of Peiffer's job description. On second factor, court noted that Peiffer developed and maintained possession of program at home, and thus was not acting substantially within authorized space and time limits. On third factor, although Peiffer had demonstrated program to potential client of plaintiff, which then paid Peiffer a bonus for demonstration, court nonetheless found that Peiffer was not "appreciably" motivated by a desire to further plaintiff's corporate goals in creating program. Since Peiffer was accordingly owner of program, court ordered plaintiff to withdraw its copyright application for program.

Trenton v. Infinity Broadcasting Corp., 865 F. Supp. 1416 (C.D. Cal. 1994)

In action based on alleged infringement of format for radio program entitled "Loveline," court dismissed plaintiff's infringement claim, finding defendant radio station owned interest in program under work for hire doctrine. Plaintiff, radio announcer who worked for defendant's station, allegedly conceived of program. Court ruled, however, that defendant owned copyrightable interests in program, including "Loveline Jingle" to extent it was copyrightable, because program was created within scope of plaintiff's employment. Plaintiff failed to plead existence of written agreement expressly naming him as owner of rights, as would be required under § 201(b) of Act.

Philadelphia Orchestra Ass'n v. Walt Disney Co., Copyright L. Rep. (CCH) ¶ 27,291 (E.D. Pa. 1994)

Court denied defendant's summary judgment motion regarding ownership of copyright in soundtrack of animated film "Fantasia." In prior proceeding, 821 F. Supp. 341 (E.D. Pa. 1993), court held that soundtrack was work made for hire, since it was specially commissioned for use as part of motion picture. Under this holding, Disney argued that all plaintiff's claimed interest in work was precluded by law of the case. Court disagreed, noting that rights of author of work made for hire may be limited by written instrument. Since critical term of contract between parties was found ambiguous in prior proceeding, and since ambiguity had not been resolved, genuine issue of material fact remained for trial.

Rubloff Inc. v. Donahue, 31 U.S.P.Q.2d 1046 (N.D. Ill. 1994)

In action against former president for infringement of real estate training manual entitled *Links to Success*, court held that manual was not work made for hire and plaintiff consequently did not own copyright in work. In March 1990, plaintiff registered work as work made for hire although independent contractors hired to work on manual had not agreed that manual would be such. In July 1993, two of three individuals who worked on manual assigned their interests to plaintiff and plaintiff supplemented its registration to reflect assignments. Plaintiff argued that manual was work made for hire under second prong of § 101's work for hire definition — specifically ordered or commissioned works of certain types including instructional tests — even though no written agreement existed providing for work for hire status, as required by § 101. In addition, plaintiff asserted assignments from two of three individuals who worked on manual corrected any deficiency in registration. Court concluded, however, that such argument had been rejected by Seventh Circuit in *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410 (7th Cir. 1992). As in *Schiller*, subsequent assignments here could not render manual work for hire since assignments were signed only by assignors and statute requires agreement be signed by both parties. Furthermore, writing must precede work's creation and assignments here were not executed until years later, after action was filed.

Bryce & Palazzola Architects & Assocs. v. A.M.E. Group, 865 F. Supp. 401 (E.D. Mich. 1994)

Court denied defendants' motion to dismiss and/or for summary judgment in action based on infringement of architectural plans and building, rejecting defendants' argument that plaintiff did not own copyright in plans, which it created as independent contractor on fee for service basis for third party, because they were work for hire. Work made for hire is

work: (1) prepared by employee within scope of his or her employment; or (2) specially ordered or commissioned for use as contribution to collective work if parties expressly agree in written instrument signed by them that work shall be considered for hire. Court found plaintiff was independent contractor and followed Sixth Circuit statement that independent contractors are not employees for work for hire purposes. Plaintiff, therefore, owned rights in architectural drawings and had standing to sue, because plaintiff and third party had no written agreement signed by them providing architectural plans were work for hire.

B. *Transfer of Ownership*

Arthur Rutenberg Homes, Inc. v. Drew Homes Inc., 29 F.3d 1529 (11th Cir. 1994)

Court reversed and held plaintiff, as assignee, owned valid copyright in architectural drawings and plans at time of infringement. Chrysalis Home Associates had commissioned Heise Group, Inc. to prepare drawings which parties orally agreed would be owned by Chrysalis. Registration certificate obtained by Chrysalis identified it as copyright claimant and author under work for hire doctrine. Subsequently, Eleventh Circuit held in another case that home builder employer of independent contractor hired to make plans is not author under work for hire doctrine. Chrysalis therefore obtained release certificate from Heise confirming it had from beginning assigned rights to Chrysalis. Chrysalis then assigned rights to plaintiff's predecessor, which assigned them to plaintiff. Under § 204(a) of Act, copyright ownership can only be transferred by writing signed by owner or owner's agent. Trial court held plaintiff did not own valid copyright because Heise executed release after Chrysalis obtained registration and Chrysalis was not entitled to register copyright since it did not own it at that time. Eleventh Circuit reversed and held that Chrysalis was owner of contractual right in copyright by assignment from beginning. Court accepts rule that prior oral grant subsequently confirmed in writing satisfies § 204(a). Since release to Chrysalis and assignment to plaintiff occurred before alleged infringement, plaintiff owned valid copyright at time of alleged infringement. Fact that registration was originally erroneous by identifying Chrysalis as author under work for hire doctrine, rather than owner or assignee, did not invalidate copyright ownership.

Jim Henson Productions v. John T. Brady & Assocs., 867 F. Supp. 175 (S.D.N.Y. 1994)

Plaintiffs created puppet characters in late 1950s for use in coffee advertising campaign, and assigned rights in characters to coffee company in 1958. Company's assets were transferred numerous times over the years, allegedly resulting in defendants owning rights and license to characters.

When plaintiffs became aware of revived use of characters, they sought, *inter alia*, declaration that defendants had not succeeded to rights conveyed to original coffee company. Defendants contended that plaintiffs were equitably estopped from asserting claim in light of plaintiffs' original assignment of rights to characters. Court rejected defendants' argument that original assignment constituted a false representation that plaintiffs would no longer claim rights in the characters, and in any event, noted that defendants had failed to show that they relied to their detriment on any such representations by developing goodwill in the characters. Court further found break in chain of title in second to last transfer, which covered at most only trademark rights, which had lapsed for failure of use. Court accordingly granted summary judgment on plaintiffs' claim for declaratory relief.

Trenton v. Infinity Broadcasting Corp., 864 F. Supp. 1416 (C.D. Cal. 1994)

Court dismissed plaintiff radio announcer's infringement claim, holding defendant radio station owned any copyright interest in "Loveline" program allegedly created by plaintiff, including conceived "Loveline Jingle" to extent it was copyrightable. Plaintiff argued "Loveline" began airing before he allegedly granted defendant license to use it. In addition, plaintiff claimed existence of oral contract acknowledging plaintiff's creation and exclusive right to perform "Loveline," which superseded written employment contract. Court held that, even if copyrightable interests in program existed before it was broadcast and simultaneously recorded, § 204(a) defeated plaintiff's argument because any transfer of ownership must be in writing and signed by owner of rights.

Maljack Productions, Inc. v. Goodtimes Home Video Corp., 30 U.S.P.Q.2d 1959 (C.D. Cal. 1994)

In 1963, Batjac Productions, Inc. produced the film "MCLINTOCK!" and accompanying soundtrack. Batjac shortly thereafter entered into distribution agreement with United Artists Corporation (UA) providing among other things, that Batjac "grants, sells, assigns, transfers and sets over unto [UA] any and all worldwide rights under copyright and otherwise" in musical compositions included in soundtrack. In 1993, Batjac by quitclaim instrument transferred all rights in home video version of film to plaintiff Maljack Productions, Inc. In same year, UA's successor in interest, EMI Catalog Partnership, granted non-exclusive synchronization rights to defendant. Maljack sued defendant for copyright infringement and defendant moved for summary judgment. In granting defendant's motion, court held that UA had been assigned all rights in compositions included in soundtrack under original 1963 distribution agreement. Ab-

sence in agreement of specific language on videocassette rights or future technologies clause was not significant, and plaintiff had no standing to assert copyright claims.

Herbert v. U.S., 33 U.S.P.Q.2d 1204 (Fed. Ct. Cl. 1994)

Court denied defendant's motion for summary judgment to dismiss plaintiff's copyright claim on grounds that copyright interest in work at issue had been transferred to it. Plaintiff had contributed to creation of work as volunteer member of National Academy of Sciences, private, non-governmental corporation ("Academy"), which was under contract with United States Department of Health and Human Services ("HHS") to create nutritional guidelines. Plaintiff had obtained copyright registration on his portion of draft nutritional guidelines and claimed that HHS's publication and sale of nutritional guidelines infringed his copyright. In support of its motion for summary judgment, defendant claimed joint ownership of copyright in nutritional guidelines because all contributing members of Academy jointly owned copyright in draft guidelines, and one member had transferred his copyright interest to defendant by letter. Citing letter of transfer's meaning as genuine issue of material fact, court accordingly denied defendant's motion for summary judgment.

C. Joint Works and Co-Ownership

Aymes v. Bonelli, 30 U.S.P.Q.2d 1718 (S.D.N.Y. 1994)

On remand from appeal in which dismissal of infringement claim was reversed, district court again dismissed claim that purchaser of computer program infringed plaintiff's copyright in program. Plaintiff contended that defendant agreed not to make certain uses of program, but court found no evidence of such agreement or of breach. Although dismissal of infringement claim obviated defendant's joint authorship argument, court noted that under *Childress v. Taylor*, 945 F.2d 500 (2d Cir. 1991) each joint author must make copyrightable contribution to work, and that proper test of copyrightability of computer programs is abstraction/filtration/comparison method from *Computer Associates, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992). Record was not sufficient to resolve joint authorship issue, but no further trial needed since no infringement found.

Napoli v. Sears, Roebuck & Co., 874 F. Supp. 206 (N.D. Ill. 1995)

Court denied plaintiff's partial summary judgment motion establishing her sole ownership of software program created for defendant and denied defendant's partial summary judgment cross-motion that it is joint author of work, finding there were genuine issues of material fact. Plaintiff, who worked on program as employee of independent company which defendant hired and then directly with Sears, claimed sole ownership of copyright because she was sole author of source code. Sears argued genu-

ine issue of material fact existed as to whether plaintiff was sole author of entire source code. Sears also contended it was joint author because it supplied graphic screen and report designs. To be joint work under *Erickson v. Trinity Theater, Inc.*, 13 F.3d 1061 (7th Cir. 1994), each author's contribution must be copyrightable and parties must have intended to be joint authors at time work was created. Court found genuine issue of material fact existed as to plaintiff's sole authorship of source code, because agreement between defendant and plaintiff's former employer provided Sears owned all rights in program and it was question of fact as to whether any of final source code incorporated code created while plaintiff worked for Sears as employee of independent company hired by Sears. Although court held screen displays created by Sears are copyrightable separate from computer program, court denied Sears' cross-motion for partial summary judgment of joint authorship. Issue of fact found because plaintiff swore in affidavit that she created new screen displays for program, although they were strikingly similar to those created by Sears and given to plaintiff, and did not use screen displays created by Sears.

Balkin v. Wilson, 863 F. Supp. 523 (W. D. Mich. 1994)

Court granted summary judgment for plaintiff songwriter where defendant, claiming co-authorship of plaintiff's children's songs, produced and sold tapes of songs. In 1990, plaintiff and defendant worked together on literacy project for use in schools. Defendant supplied ideas for songs and wrote teaching manuals, while plaintiff composed words and music. Defendant contributed no words or music and made no modifications to plaintiff's finished songs. Plaintiff obtained copyright registrations for songs in his own name. Shortly before project dissolved, plaintiff supplied defendant with tapes of songs for defendant to sell to students. Defendant later sold tapes and made some payment to plaintiff from proceeds. Plaintiff sought accounting, return of all tapes, and injunction against further infringement. Defendant claimed co-authorship by virtue of involvement with original project from which songs originated. Court rejected defendant's claim, noting that project was never completed or copyrighted, but songs were. As to songs, court rejected defendant's theory (derived from *Nimmer*) that contribution of ideas was sufficient to establish co-authorship. Instead, court relied on rule of *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061 (7th Cir. 1994), that each co-author must contribute "copyrightable subject matter" to create joint work under Act, regardless of parties' intent. Since defendant did not claim to have authored copyrightable expression contained in works, and since plaintiff transferred no rights by contract, court entered summary judgment for plaintiff.

Rubloff Inc. v. Donahue, 31 U.S.P.Q.2d 1046 (N.D. Ill. 1994)

In action against former president for infringement of real estate training manual entitled *Links to Success*, court rejected plaintiff's argument that it was joint author of manual. Defendant, as former president of plaintiff, had hired employee, who compiled course materials and prepared outlines, to oversee development of manual. Defendant also hired two independent contractors who wrote manual. Drafts were submitted to defendant, who reviewed and edited them, to plaintiff's chairman, for suggestions and/or approval, and to other employees, for review, grammatical editing, typing and formatting. Defendant wrote one-and-one-half page introduction to manual, which exceeded five hundred words. Under § 101 of Act, "joint work" is "work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." Seventh Circuit uses two-part test in determining whether contributors to work are "joint authors": (1) contribution of each must be independently copyrightable; and (2) parties must intend at time work is created to be joint authors. Court rejected plaintiff's argument that it was joint author of work based on contributions of employee who oversaw project's development since documents filed by plaintiff with Copyright Office identified such individual as independent contractor and she and plaintiff did not have written agreement providing manual was for hire. Accordingly, plaintiff could not be joint author of work based on such employee's contributions. Court also rejected plaintiff's argument that contributions of various employees, who reviewed and edited drafts, suggested changes, formatted and revised text, and coordinated manual's production, established joint authorship. Court relied on *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061 (7th Cir. 1994) and *Childress v. Taylor*, 945 F.2d 500 (2d Cir. 1991) in which Seventh and Second Circuits found similar contributions by others did not make them joint authors since portions of contributions were not independently copyrightable and parties did not intend work to be joint work. Finally, court held that defendant's introduction to manual as work for hire did not make plaintiff joint author since introduction was not intended to be merged into inseparable or interdependent parts of unitary whole. As court said, law cannot be that individual who writes preface or introduction to work can legitimately claim to be joint author.

Fred Riley Home Building Corp. v. Cosgrove, 864 F. Supp. 1034 (D. Kan. 1994)

Court held that builders who supplied only concepts and ideas for home designs were not co-authors of architectural works, where independent contractor actually prepared all drawings and plans. Builders were thus not proper plaintiffs in infringement action. Citing *Erickson v. Trinity*

Theatre, Inc., 13 F.3d 1061 (7th Cir. 1994), court held that each co-author of joint work must contribute independently copyrightable expression, not merely concepts. Thus, builders were not co-authors of infringed home designs, or of derivative works based on infringed designs, and registration certificates claiming joint authorship were deemed invalid. Validity of certificates as to independent contractor's authorship was not affected, however, and court entered judgment.

Herbert v. U.S., 33 U.S.P.Q.2d 1204 (Fed. Ct. Cl. 1994)

Court denied defendant's motion for summary judgment to dismiss plaintiff's copyright claim based on defendant's allegation that it jointly owned copyright at issue. Plaintiff had contributed to creation of work as volunteer member of National Academy of Sciences, private, non-governmental corporation ("Academy"), which was under contract with United States Department of Health and Human Services ("HHS") to create nutritional guidelines. Plaintiff had obtained copyright registration for his portion of draft nutritional guidelines and claimed that HHS's publication and sale of nutritional guidelines infringed his copyright. In support of its motion for summary judgment, defendant contended that it jointly owned copyright in nutritional guidelines because all contributing members of Academy jointly owned copyright in draft guidelines, and one member had granted non-exclusive license of copyright by letter to defendant. Court found genuine issue of material fact as to whether letter created license, warranting denial of defendant's motion for summary judgment.

D. Contracts and Licenses

Original Appalachian Artworks, Inc. v. S. Diamond & Assocs., 44 F.3d 925 (11th Cir. 1995)

Eleventh Circuit affirmed summary judgment that exclusive licensee of Cabbage Patch Kids logo and characters for stickers was not entitled to share in proceeds of settlement agreement between licensor and alleged infringer. Licensor's copyright and trademark action against producer of satirical "Garbage Pail Kids" stickers terminated in settlement, under which licensor received seven million dollars in damages and agreed not to authorize further actions by its licensees. Licensee's motion to intervene in settlement was denied, and licensor then filed for declaratory judgment that licensee was not entitled to any proceeds from settlement. Under Georgia law, district court held that licensee did not compete in same sticker category as infringer and therefore suffered no damage from infringement, and that licensor did not breach any duty owed to licensee. Eleventh Circuit affirmed, declining to apply doctrine of judicial estoppel in absence of express recognition by Georgia courts, and finding no clear error in district court's judgment that licensee suffered no harm.

Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435 (9th Cir. 1994), *cert. denied*, 1995 U.S. LEXIS 1535 (1995)

Ninth Circuit affirmed summary judgment that Microsoft and its licensee did not infringe Apple graphical user interface (GUI), since all copying of protectable elements was authorized by 1985 license from Apple. Apple contended that license was only for use of GUI in Windows 1.0 program, but court found that plain language of agreement authorized Microsoft to use GUI in "present and future software programs, and to license" to third party uses. Further, court rejected Apple's argument that Microsoft exceeded scope of license by developing later Windows programs incorporating unlicensed Apple features. Distinguishing cases in which licensee infringed by breaching express prohibition in license, court found that where licensee's work includes both licensed and unlicensed features, no infringement can result unless unlicensed features are entitled to protection. Under district court's copyright analysis, which Ninth Circuit also affirmed, unlicensed features copied by Microsoft were not found entitled to protection.

Bloom v. Hearst Entertainment, Inc., 33 F.3d 518 (5th Cir. 1994), *reh'g denied*, 1994 U.S. App. LEXIS 32996 (5th Cir. 1994)

Fifth Circuit affirmed district court's holding of non-infringement, finding that videocassette rights to plaintiff- authors' book *Evidence of Love* had been conveyed by 1987 contractual grant to defendant's predecessor in interest of "exclusive worldwide motion picture and television rights." Plaintiffs had transferred all rights, including videocassette rights, to their publisher, which in turn executed contractual grant at issue in favor of defendant, reserving all rights not expressly granted. In settlement of declaratory judgment action brought by authors against publisher, publisher assigned to plaintiffs rights retained by publisher under agreement with defendant. Plaintiff filed instant suit against defendant, after defendant licensed motion picture version of plaintiffs' book to international home video distributors and television broadcasters. Fifth Circuit held that district court had not erred in concluding that granting clause of agreement between publisher and defendant was ambiguous as matter of law, and thus in allowing consideration of relevant extrinsic evidence to determine intent of parties. In ruling that video rights had not been reserved, court relied on: (1) fact that defendant understood video rights to be included in grant; (2) fact that reservation clause did not expressly reserve video rights; and (3) applicable case precedent established in *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150 (2d Cir.), *cert. denied*, 393 U.S. 826 (1968), holding that burden rests on grantor to reserve right to new, but foreseeable use, where grant of rights is broad one. Fifth Circuit, however, cautioned that its holding should not be overread to mean that

every grant of motion picture rights automatically includes right to produce videos. Rather, general grant of motion picture rights may potentially contemplate later use of video as means of distribution.

Muller v. Walt Disney Productions, 871 F. Supp. 678 (S.D.N.Y. 1994)

Where plaintiff, executor of estate of conductor Leopold Stokowski, asserted rights in home video version of 1939 animated film *Fantasia*, court granted summary judgment for film company, since parties' contract granted company all rights in "photoplay" of film. Definition of "photoplay," while silent as to home video, broadly included all future technological means by which film might reach consumers. Court found *Rooney v. Columbia Pictures Indus., Inc.* 538 F. Supp. 211, *aff'd*, 714 F.2d 117 (2d Cir., 1982), *cert. denied*, 460 U.S. 1084 (1983) to be "directly on point," and held that Stokowski's retention of rights in arrangements and orchestrations used in film was irrelevant to issue of rights in home video sales.

Irwin v. American Interactive Media Inc., 31 U.S.P.Q.2d 1366 (C.D. Cal. 1994)

Defendant orally agreed to pay plaintiff \$2,000 to create musical score for a promotional videotape defendant was producing. Defendant was dissatisfied with score upon delivery, refused to pay, hired another composer to finalize score, and then incorporated music in video distributed to national video rental chain. Plaintiff thereafter sent letter to defendant purporting to revoke agreement, refused defendant's effort to pay \$2,000 two months later, and sued both defendant and company that commissioned defendant to produce video for copyright infringement. On defendants' motion for summary judgment, court accepted defendants' argument that plaintiff's conduct in entering into oral agreement and delivering score to defendants created implied nonexclusive license to use music in promotional video. Rejecting plaintiff's argument that no license could be implied because defendants did not timely pay, court explained that record contained no indication that payment in full was condition precedent to use of score. Court also rejected argument by plaintiff that defendants had exceeded scope of any implied license by distributing video to large video chain for free rental and by using it at sales conventions. Since video was never available for commercial sale, it was never used for more than "promotional" purposes encompassed by implied license. Finally, however, court found that plaintiff had created triable issue of fact as to whether defendants' failure timely to pay was material breach entitling plaintiff to terminate license and seek damages for copyright infringement for post-termination use of score.

Herbert v. U.S., 33 U.S.P.Q.2d 1204 (Fed. Ct. Cl. 1994)

Court denied defendant's motion for summary judgment to dismiss plaintiff's copyright claim based on defendant's allegation that it jointly owned copyright at issue. Plaintiff had contributed to creation of work as volunteer member of National Academy of Sciences, private, non-governmental corporation ("Academy"), which was under contract with United States Department of Health and Human Services ("HHS") to create nutritional guidelines. Plaintiff had obtained copyright registration for his portion of draft nutritional guidelines and claimed that HHS's subsequent publication and sale of nutritional guidelines infringed his copyright. Defendant contended that clause in contract between Academy and HHS (" 'Rights in Data' Clause") granted United States royalty-free, non-exclusive license to any copyrights produced under contract between Academy and HHS. Court noted that "Rights in Data" Clause applied to plaintiff only if Academy had rights to plaintiff's contributions to nutritional guidelines, either as owner of copyright or by way of license to it, adding that determination of this issue rests on whether plaintiff was employee of Academy or United States and contributed to guidelines as "work made for hire". As parties did not address issue of whether plaintiff's contribution was "work made for hire", court declined to determine nature of plaintiff's relationship with Academy on motion for summary judgment. Court accordingly found it premature to determine whether plaintiff had granted Academy implied license to publish guidelines, and whether Academy in turn granted license to defendant, reserving resolution of these issues until trial.

E. Miscellaneous

Tokens v. Warlock Records, Inc., Copyright L. Rep. (CCH) ¶ 27,351 (S.D.N.Y. 1994)

Plaintiffs — popular singing group, group's record company, and its music publisher — sought preliminary injunction against defendants' production and distribution of a "Greatest Hits" compact disc featuring four of plaintiffs' songs. While ownership history of three of songs was unclear, court found that plaintiff music publisher clearly owned copyright to one of songs and that such ownership was sufficient to justify enjoining entire compact disc. Corporation listed as owner on copyright certificate for that song had dissolved, but after dissolution, receiver directed corporation's copyrighted songs to be turned over to shareholders, including members of plaintiff singing group. All other shareholders thereafter assigned all rights in songs to group members, who then formed new corporation and filed renewal registration for song in question. Since defendants had not obtained compulsory license for song, which new corporation had shown it owned, court granted preliminary injunction.

Omiogui v. W.B. Saunders Co., 30 U.S.P.Q.2d 1716 (E.D. Pa. 1994)

Court ruled that author had standing to assert claim despite having assigned copyright in revised version of manuscript to second publisher, since first publisher had infringed original manuscript and not revised version.

IV. FORMALITIES

A. Notice and Publication

Norma Ribbon & Trimming, Inc. v. Little, 51 F.3d 45 (5th Cir. 1995)

Court held defendants forfeited any copyrights they may have had in ribbon flowers by failing to adhere to notice requirement. Although, pursuant to Berne Convention Implementation Act of 1988 ("Berne"), copyright notice is no longer required, notice requirement remains in effect for works that predated Berne. Here, ribbon flowers were distributed before Berne and two witnesses testified they never saw copyright notice on flowers while third testified she saw it only on some packages in which flowers were shipped. Notice must be affixed to each copy and fact that plaintiff may have had actual knowledge of defendants' copyright claims did not affect validity of copyright.

La Cienega Music Co. v. ZZ Top, No. 93-55230, 1995 U.S. App. LEXIS 295 (9th Cir. 1995), *amended, reh'g and reh'g en banc denied*, 1995 U.S. App. LEXIS 8131 (9th Cir. April 13, 1995)

Plaintiffs released recorded versions of song "Boogie Chillen" in 1948, 1950, and 1970 and obtained respective copyright registrations of music in 1967, 1970, and 1992. Plaintiffs claimed ZZ Top's "La Grange" was infringement. Finding that recorded songs had entered public domain, district court dismissed plaintiff's infringement action. On appeal, Ninth Circuit explained that under 1909 Act, unpublished work was protected by common law copyright until publication, after which copyright owner could obtain federal protection and avoid injection into public domain by complying with registration requirements of Act. Ninth Circuit agreed with defendants that plaintiffs' song at issue had been "published" within meaning of 1909 Act when recordings had been released to public. Despite Second Circuit's holding to contrary in *Rosette v. Rainbo Record Mfg. Corp.*, 354 F.2d 1183 (S.D.N.Y. 1973), *aff'd per curiam*, 546 F.2d 461 (2d Cir. 1976), majority view was that public sale of phonorecords constituted publication of underlying music. Moreover, because 28 year term of copyright only began to run upon compliance with 1909 Act's registration requirements, *Rosette* arguably encouraged copyright holders to release recordings but delay registration to prolong copyright protection. Having found versions of song published upon release of recordings, court con-

cluded that, regardless of compliance with notice requirements of 1909 Act, 1948 and 1950 versions of song entered public domain when their first copyright terms expired without renewal in 1976 and 1978. As to 1970 version, Court remanded to district court to determine whether plaintiffs had saved version from public domain by complying with registration and notice requirements of 1909 Act. In partial dissent, Judge Fernandez found that holding in *White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1 (1908) that a record (or piano roll) is not a copy of work recorded commanded conclusion in *Rosette* that a record is also not a publication of underlying work. As to majority's concern that *Rosette* permitted copyright owners to prolong term of protection, Judge Fernandez suggested that author who failed to register recorded versions of song should not recover royalties beyond time he could have recovered if he had registered upon release of subject recording.

Charles Garnier, Paris v. Andin Int'l, Inc., 36 F.3d 1214 (1st Cir. 1994)

First Circuit held that plaintiff jewelry company failed to take reasonable steps to cure omission of notice from copies of its Swirled Hoop Earring and affirmed district court's grant of summary judgment for defendant. Copies of plaintiff's work were knowingly first distributed without notice in April 1988, before March 1, 1989 effective date of amendment to Copyright Act providing copyright notice is no longer required to obtain protection. Under § 405(a)(2), omission of notice from copies publicly distributed before March 1, 1989 does not invalidate copyright if work has been registered within five years after publication without notice and reasonable effort is made to add notice to all publicly distributed copies after omission has been discovered. Plaintiff registered copyright in work in July 1992, when it discovered defendant was selling allegedly infringing copies. Plaintiff then began placing copyright notice on each copy produced and discarded all copies in its inventories that did not have notice. In determining whether plaintiff cured omission of notice, first issue was when plaintiff "discovered" such omission. Disagreeing with *Nimmer*, court held deliberate omissions are not necessarily "discovered" when work is first published if copyright owner did not purposefully decide to forego copyright protection by omitting notice. Here, court assumed plaintiff did not discover omission until July 1992 since genuine issues of fact existed as to whether, and to what extent, plaintiff had screening and review process for obtaining copyright protection and whether plaintiff held U.S. registrations or knew about U.S. copyright requirements in April 1988. Court held, however, that defendant failed to take reasonable steps to add notice to all publicly distributed copies and forfeited copyright protection. Although all copies distributed by plaintiff

after July 1992 contained notice, there were copies without notice which were in inventories of plaintiff's retail customers in July 1992. Court rejected plaintiff's argument that, under § 405(a), such copies did not require notice since they were publicly distributed after March 1, 1989, when Act was changed eliminating notice requirement, and held that § 405(a) requires cure for all copies of any work published before March 1, 1989, regardless of when they are distributed. Court found plaintiff made no effort to determine whether retail customers had copies without notice in inventory. Although plaintiff did send letter to fifty largest retailers stating work was copyrighted and provided story card, which also stated work was copyrighted, to all retail customers to include with plaintiff's products when sold, court ruled such steps did not cure omission of notice since letter and story card did not add notice and were not affixed to copies. In addition, story cards were not distributed to add notice after omission was discovered but were initiated two years earlier for all of plaintiff's jewelry pieces. Court held adding notice to newly produced copies or copies only in plaintiff's possession was insufficient as matter of law.

Jim Henson Productions v. John T. Brady & Assocs., 867 F. Supp. 175 (S.D.N.Y. 1994)

Plaintiffs sued defendants, *inter alia*, for copyright infringement of puppet characters and designs plaintiffs created in late 1950s for use in coffee advertising campaign. Plaintiffs' original assignee, coffee company, sold miniature hand puppet versions of characters in 1958. On motion for summary judgment, defendants first argued that characters had been "published" in 1958 upon sale of miniature puppets and had entered public domain when copyright terms were not renewed in 1986. Plaintiffs responded that hand puppets were derivative works rather than exact copies of plaintiffs' original designs, and that, while copyrights in derivative works may have expired, copyrights in the original designs remained unaffected. Conceding that hand puppets may have been derivative works, defendants countered that publication of such derivative works also constituted publication of the elements shared by original versions, extinguished common law copyright protection for the originals, and meant that when copyright expired for published hand puppets, it also expired for original designs incorporated in published puppets. Relying on language in *Stewart v. Abend*, 495 U.S. 207 (1990), court agreed with plaintiffs that publication of derivative works did not alter or vitiate copyright in original designs, which remained protected as common law copyright until December 31, 2002 under 17 U.S.C. § 303. Court accordingly denied defendants' motion for summary judgment.

PPX Enters., Inc. v. Transatlantic Corp., Copyright L. Rep. (CCH) ¶ 27,305 (S.D.N.Y. 1994)

Court granted partial summary judgment for plaintiff where defendant sold tapes and books containing copies of plaintiff's musical compositions. Defendant conceded distributing copies, but contended that since plaintiff's licensee had previously distributed sound recordings of plaintiff's works which bore no copyright notice, compositions were public domain. Court rejected defendant's argument, noting that failure to affix notice on sound recordings cannot affect validity of copyright in plaintiff's underlying musical works. 1976 Act does not require notice on sound recording to protect underlying musical work. Court also rejected argument that plaintiff had assigned away its copyright in works, since assignments shown by defendant pertained only to sound recordings and not to underlying compositions.

Harris Custom Builders Inc. v. Hoffmeyer, 874 F. Supp. 899 (N.D. Ill. 1995)

Court rejected defendant's argument that plaintiff's architectural drawings which defendant allegedly copied were no longer protected by copyright because plaintiff included abbreviated and incomplete plans for first two floors and sketch of front exterior of house in uncopyrighted brochure. According to court, which relied on *Stewart v. Abend*, 495 U.S. 207 (1990), brochure was derivative work and fact brochure may have gone into public domain does not affect copyright in underlying drawings. Therefore, copying of underlying work, part of which is also contained in derivative work, still constitutes infringement.

Metzke v. May Dep't Stores Co., 878 F. Supp. 756 (W.D. Pa. 1995)

Plaintiffs, designers and manufacturers of pewter potpourri jars, claimed infringement of jars by defendant department store company who had shipped specimens of plaintiffs' original jars to Taiwanese manufacturer for copying. Defendant argued that plaintiffs did not adequately display copyright notice on their jars and, thus, Taiwanese copies of jars that defendant sold in its United States retail stores did not infringe plaintiffs' copyright. Noting that notice is sufficient even if legible only to "someone with excellent vision" or upon "close examination", court found that plaintiffs' jars, which were published before enactment of Berne amendments, did indeed clearly display copyright notice. In so finding, court denied defendant's motion for summary judgment.

Certified Engineering Inc. v. First Fidelity Bank N.A., 849 F. Supp. 318 (D.N.J. 1994)

Court denied plaintiff's motion for preliminary injunction, holding that copyright protection in allegedly infringed engineering plans and

drawings had been lost through their general publication prior to registration. Relying on *Academy of Motion Picture Arts & Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446 (9th Cir. 1991) ("general publication occurs when a work is made available to members of the public regardless of who they are or what they will do with it"), court found that plaintiff had allowed its work to enter public domain when it submitted plans and drawings to various governmental agencies for approvals without attempting to restrict general public's access to, or copying and/or distribution of, plans and drawings. Court distinguished *Intown Enterprises, Inc. v. Barnes*, 721 F. Supp. 1263 (N.D. Ga. 1989) and *Kunycia v. Melville Realty Co.*, 755 F. Supp. 566 (S.D.N.Y. 1990) in which submission of architectural drawings with permitting authorities was held to constitute only limited, non-divesting publication. According to court, administrative process for filing of architectural plans differs significantly from that for obtaining permits and approvals for construction of entire subdivision. Latter involves period of time for public inspection, copying of, and comment on plans, including public hearings. Furthermore, underlying purpose of copyright protection is not implicated to same extent in case of subdivision plans and drawings which are strictly site specific; in contrast, architectural drawings can easily be pirated and used as basis of numerous copied structures.

B. Registration

Arthur Rutenberg Homes Inc. v. Drew Homes, Inc., 29 F.3d 1539 (11th Cir. 1994)

Court reversed and held plaintiff, who acquired copyright by assignment, could bring suit for infringement of architectural drawings and plans based on registration which was obtained by original assignee before written instrument assigning copyright was executed. Chrysalis Homes Associates had hired Heise Group, Inc. to prepare architectural drawings which parties orally agreed would be owned by Chrysalis and for which Chrysalis obtained registration in 1988. Registration identified Chrysalis as author, under work for hire doctrine, and copyright claimant. Since Eleventh Circuit later ruled home builder employer which commissions independent contractor to make plans is not author under work for hire doctrine, Chrysalis obtained release from Heise confirming that Heise had from beginning assigned its rights to Chrysalis. Subsequently, Chrysalis assigned its rights to plaintiff's predecessor which assigned them to plaintiff. Issue here was whether Chrysalis was copyright owner at time of obtaining registration so that plaintiff could rely on registration under § 411(a) to bring this action. According to court, § 204(a)'s requirement that transfer of copyright ownership be in writing can be satisfied by oral assignment later ratified by written memorandum. 37 C.F.R. § 202.3(a)(3)(ii) allows

“claimant” to obtain registration, which is one who has contractual right to claim legal title to copyright. Since Chrysalis had at least such right based on oral assignment, it was proper claimant and registration was valid.

Offbeat, Inc. v. Cager, No. 94-2796, 1995 U.S. Dist. LEXIS 4839 (E.D. La. April 11, 1995)

Plaintiff created computer database consisting in part of mailing list of businesses and individuals in music industry. Plaintiff also created music directory compiling some information from database with additional information, but *excluding* addresses listed in database. Although plaintiff obtained certificate of registration for music directory, it did not register database. Plaintiff alleged that it granted defendants one time limited right to use addresses from mailing list, but that defendants copied and used list, without permission, on nine additional occasions, thereby infringing plaintiff’s copyright in database. In assessing plaintiff’s claim, court first stated that copyright registration is condition precedent to filing suit for infringement. Court ruled that registration of a component, i.e. music directory, does not effect registration of entirety of database. Since mailing list not included in registration and that was element copied, court found plaintiff failed to state claim for copyright infringement of database.

Harris Custom Builders Inc. v. Hoffmeyer, 874 F. Supp. 899 (N.D. Ill. 1995)

In action in which plaintiff alleged defendant copied its architectural drawings, court rejected defendant’s assertion that plaintiff’s copyright was invalid because it had committed fraud on Copyright Office by listing itself as work for hire author of drawings without mentioning individual who mostly created them. According to defendant, since individual who mostly created drawings was independent contractor, plaintiff’s designation of itself as author was fraudulent under *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), because individual was not employee. Because *Reid* was decided more than four months after plaintiff completed registration process and case law prior to then was unclear as to whether work created by independent contractor could be “work for hire,” plaintiff’s conduct was in line with law at time it occurred and not fraudulent.

Jefferson Airplane v. Berkeley Sys. Inc., 32 U.S.P.Q.2d 1632 (N.D. Cal. 1994)

Court dismissed copyright claims, holding that registration for sound recording under 1909 Act did not encompass artwork for record album cover. Plaintiff, owner of copyright for Jefferson Airplane’s album *Thirty Seconds Over Winterland*, alleged defendant’s computer screen saver entitled “After Dark” infringed artwork on album cover. Plaintiff had regis-

tered sound recording in 1973 on then newly available "Form N," which was established to register previously published sound recordings. Because work was registered prior to January 1, 1978, scope of registration is governed by 1909 Act, as it existed on December 31, 1977. Court relied on following pronouncements of Copyright Office to hold sound recording registration does not encompass artwork for album cover: *Copyright Office Examination Practices* manual states that registration in Class N cannot extend protection to copyrightable matter appearing on jacket, container, liner notes, etc.; current Register of Copyrights, who was Examiner in Music Section of Copyright Office from 1966 to 1975, provided Declaration explaining that Class N registrations were limited to sound recordings, and materials accompanying sound recording were required to be separately registered in another class; and Circular #56 states that materials accompanying sound recordings may be registered separately or as whole in Class A but separate registration for sound recording must be made in Class N. Although plaintiff may have deposited entire album with Copyright Office, application claimed copyright in "music" and mere deposit of entire album cannot expand scope of protection claimed in registration.

Rubloff Inc. v. Donahue, 31 U.S.P.Q.2d 1046 (N.D. Ill. 1994)

In action against former president for infringement of real estate training manual entitled *Links to Success*, court held registration on which plaintiff relied was invalid. Plaintiff had registered manual as work made for hire and supplemented registration to note assignments of interests of two of three individuals who worked on manual. Although court held manual was not work for hire and plaintiff was not joint author of work, plaintiff asserted assignments enabled it to sue for infringement. Court agreed that copyright owner may assign copyright to another who may register it and sue for infringement. Still, under § 411(a) of Act, prerequisite to suit is valid registration. Because plaintiff had registered manual as work for hire, which it was not, registration was invalid. After assignments, plaintiff did not obtain separate valid registration but supplemented invalid registration. Under 37 C.F.R. § 201.5(b)(2)(iii), supplementary registration "is not appropriate . . . [a]s an amplification, to reflect the . . . transfer of rights in a work . . ." Since original registration was not properly altered or supplanted, registration on which plaintiff relied remained invalid and was, therefore, not proper basis for infringement action.

Marshal & Swift v. BS&A Software, 871 F. Supp. 952 (W.D. Mich. 1994)

District court granted partial summary judgment for publisher of cost appraisal schedules where defendant sold computer program containing

data taken from plaintiff's work, but declined to assert jurisdiction over claim regarding unregistered work. Plaintiff, under contract from state of Michigan, produced printed cost schedules in 1986 and updated version in 1991. By contract, plaintiff retained copyright in schedules as published by state tax commission. Court found valid copyright in actual data, not merely in arrangement, since each schedule was unique estimate created by plaintiff and not externally-discoverable fact. Court awarded damages only for infringement of 1986 work, however, since plaintiff failed to apply to register 1991 work until after commencement of lawsuit, and registration had not issued. Plaintiff argued under § 410(d) that its registration should be presumptively valid, since application had been received by Copyright Office. Court disagreed, citing § 411(a) as basis for declining to exercise jurisdiction until registration certificate, or final refusal, had issued.

C. Miscellaneous

Data General Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147 (1st Cir. 1994)

First Circuit affirmed summary judgment for plaintiff computer company and rejected defendant's argument that immaterial errors in plaintiff's source code deposit rendered software copyright invalid. Defendant contended that unlike minor errors in application form, which are harmless under § 409, any errors in deposit required under § 408 should invalidate copyright. Noting similar language and purpose in statutory sections at issue, First Circuit rejected defendant's proposed distinction and held that application errors and deposit errors were to be judged by same standard. Here, few minor discrepancies between deposited code and commercial version of program were immaterial, since neither identification of work nor copyrightability determination by examiner were affected. Court assumed without deciding, however, that material error in deposit could destroy presumption of validity.

Twin Books Corp. v. Walt Disney Co., 877 F. Supp. 496 (N.D. Cal. 1995)

On defendant's motion for summary judgment, court held that *Bambi* book fell into public domain when Austrian author's heirs failed to renew in 28th year after initial publication in Germany, and that 1960 Presidential proclamation which extended renewal time for certain Austrian works did not automatically save lapsed works but required timely filing of corrective documents. *Bambi* was first published in Germany in 1923, without notice of copyright. In 1926, book was republished with notice, and one year later was registered with U.S. Copyright Office. In 1954, author's heirs renewed work. When assignee of heirs brought infringement claim

against Disney in 1993, defendant sought summary judgment on grounds that work had not been timely renewed. Court found that 1909 Act required renewal of foreign works in 28th year after initial publication, regardless of notice, and that later publication with notice and U.S. registration were irrelevant for determining expiration of term. Proper renewal date was thus 1951, not 1954. Plaintiff invoked 1960 Presidential proclamation, however, which extended time for compliance with renewal formalities for any works by Austrian citizens subject to renewal between 1938 and 1956. Because proclamation was ambiguous as to mechanics of obtaining extension, court drew analogy with copyright restoration provisions of 1993 NAFTA treaty, which required holders of lapsed copyrights to file notice before works could be restored. Court reasoned that 1960 proclamation should not be construed more liberally than NAFTA, thus it only gave author's heirs additional time in which to correct prior late renewal, not automatic cure. Since heirs failed to correct defective renewal within one year of proclamation, work was in public domain (Under GATT, copyright here would be restored).

Leegin Creative Leather Prods. Inc. v. M.M. Rogers & Co., 33
U.S.P.Q.2d 1158 (C.D. Cal. 1994)

Court granted defendant's motion to dismiss plaintiff's claim for cancellation of defendant's copyright registration of metallic design on jewelry and belt buckles. Prior to plaintiff's action, defendant had sent cease and desist letters to retailers which were selling belt buckles manufactured by plaintiff that allegedly infringed defendant's copyright. Court dismissed plaintiff's claim, stating that Copyright Act does not provide for judicial cancellation of copyright registrations.

V. INFRINGEMENT

A. Access

Repp v. Webber, 858 F. Supp. 1292 (S.D.N.Y. 1994)

Court granted defendants' summary judgment motion in action in which plaintiffs claimed song "The Phantom of the Opera" infringed song entitled "Till You," holding plaintiffs failed to establish access. Court held plaintiffs failed to show wide dissemination of allegedly infringed work or particular chain of events by which defendant obtained access to plaintiff's work. Although plaintiffs alleged cassette of plaintiff Repp's music was given to friend of defendant Lloyd Webber's brother, such friend could not recall whether tape included "Till You." In addition, such individual did not meet Lloyd Webber prior to 1983, when defendants' song was allegedly composed, had only met Lloyd Webber one time and testified he did not discuss with or distribute plaintiff Repp's music to either Lloyd Webber brother. Plaintiffs also did not make showing of wide

distribution of plaintiff's work. Although plaintiffs alleged distribution of 38,000 copies, no documentary proof of number of actual copies distributed to public during relevant time period existed. Court also found that, although plaintiffs alleged plaintiff Repp's music was advertised to more than 300,000 people, plaintiffs did not establish advertisement for song "Till You," separate from plaintiff Repp's music generally. Finally, court ruled that access was not shown by allegations of performances and advertisements of "Till You" in specialized religious market even though Lloyd Webber composes liturgical works and likes church music, since there was no showing he visited places song was performed or had access to recording during relevant time period.

Simmons v. Western Publishing Co., 834 F. Supp. 393 (N.D. Ga. 1993)

District Court granted summary judgment for defendant in copyright infringement action involving children's board game. Plaintiff, creator of board game, "Pen the Pig," sent to defendant and other toy and game companies photographs, instructions and information concerning game. Defendant did not purchase plaintiff's game, but later purchased from independent game-design firm its game, also entitled "Pen the Pig." District Court noted that game sold and marketed by defendant shared some features in common with game developed by plaintiff, such as its name, connect-the-dots scheme and use of grid and fences. Though evidence of access by independent game design firm is speculation, court found that plaintiff created genuine issue of material fact as to whether members of defendant's game development team had "access to," *i.e.*, "opportunity to view," plaintiff's game, since information about game sent by plaintiff was retained in defendant's files. Nevertheless, court concluded that defendant successfully rebutted any presumption of copying with proof of independent creation which negated infringement.

B. Copying and Substantial Similarity

Ostrowski v. Creative Artists Agency, Inc., No. 93-55060, 1994 U.S. App. LEXIS 23732 (9th Cir. Aug. 29, 1994)

Ninth Circuit affirmed district court's grant of summary judgment to defendants in action in which plaintiff alleged defendants infringed copyright in his screenplay "The Diogenes Syndrome" by distribution of movie "To Forget Palermo." To determine whether works are substantially similar, Ninth Circuit applies extrinsic test (objective), which focuses on specific expressive elements such as plot, theme, dialogue, mood, characters, sequence of events, pace and characters, and intrinsic test (subjective), which focuses on whether ordinary reasonable audience would recognize defendant's work as dramatization of plaintiff's. For purposes of summary

judgment, only extrinsic test is important. Although both works dealt with issues of organized crime and legalization of drugs, themes and ideas of two works differed and there were no expressive similarities in dialogue, plot, sequence of events, characters, mood, setting and pace. Works held not substantially similar.

Fisher-Price, Inc. v. Well-Made Toy Mfg. Corp., 25 F.3d 119 (2d Cir. 1994)

On appeal from grant of preliminary injunction against defendant's infringement of plaintiff's "Puffalump Kids" baby dolls and "Baby Puffalump" mouse dolls, Second Circuit affirmed in part and reversed in part. Plaintiff established defendant's copying by offering both direct evidence and circumstantial evidence of access and "uncanny resemblance" between defendant's and plaintiff's products. As to the question of substantial similarity, court focused on whether ordinary lay observer would overlook dissimilarities between "artistic" — i.e., protectible — aspects of works and conclude that one copied other. Defendant's "Baby Doll Mine" doll featured expression of eyes, gaze, nose, and smile virtually identical to that found in plaintiff's "Puffalump Kids" baby doll. Defendant's mouse doll, on other hand, contained protectible elements substantially dissimilar to plaintiff's mouse doll. Rejecting defendant's additional argument that plaintiff had delayed too long in bringing motion, Second Circuit thus affirmed preliminary injunction as to "Baby Doll Mine" doll.

Robinson v. Random House, Inc., 877 F. Supp. 830 (S.D.N.Y. 1995)

Plaintiff sought declaration that his book did not infringe defendants' copyrighted biography of founder of Pan Am Airlines, defendants counterclaimed for infringement, and both parties moved for summary judgment. Plaintiff conceded defendants' ownership of valid copyright in their book and that he took 25-39 percent of defendants' book verbatim or by close paraphrase, but defended on grounds that he took only unprotected material, scenes a faire, and that his taking was fair use. After acknowledging that historical and biographical facts and their chronological order are not copyrightable, court explained that expression of those facts through "similarities of treatment, details, scenes, events and characterization" are protectible. Noting breadth of appropriation and comparing exemplary passages that had been copied nearly identically, court found that plaintiff had taken defendants' "organization, writing style, even punctuation, and passed it off as his own." Court further rejected scenes a faire argument, insofar as plaintiff had copied far more than stock scenes, characters, or settings, and had appropriated the expressive elements of defendants' biography. Rejecting fair use argument as well, court enjoined further distribution of plaintiff's book.

CK Co. v. Burger King Corp., Copyright L. Rep. (CCH) ¶ 27,325 (S.D.N.Y. 1994)

Court granted defendants' motion to dismiss complaint alleging copyright infringement of cartoon characters. Plaintiff created cartoon characters entitled "Curious Kids" and alleged that Burger King and its advertising agency infringed copyright by featuring "Kids Club" cartoon characters in restaurant's commercials and promotional materials. After finding triable issue of fact existed as to defendants' access to characters, court examined whether substantial similarity of copyrightable elements existed between parties' cartoon characters. Examining appearances and personalities of parties' characters, court concluded that defendants' cartoon characters were not substantially similar, either individually or as a group, to plaintiff's characters because similarities existed only as to superficial, unprotectable qualities of plaintiff's characters, such as stereotyped character traits and incidents or settings that are standard in any treatment of such basic character types. Court accordingly found no triable issue of fact as to substantial similarity, negating copyright infringement and warranting dismissal of plaintiff's complaint.

Saban Entertainment Inc. v. 222 World Corp., 865 F. Supp. 1047 (S.D.N.Y. 1994)

Finding similarity "created by the totality of the products' appearances and distinctive traits," court granted preliminary injunction against defendant retail toy store which sold allegedly infringing "Mighty Morphin Power Rangers" figures. Based on "enormous popularity" and commercial success of plaintiff's characters, court assumed defendant had requisite access to plaintiff's characters. Distinguishing *Mattel, Inc. v. Azrack-Hamway Int'l*, 724 F.2d 327 (2d Cir. 1983), court then explained that Power Rangers exhibit distinctive combination of features, including unique helmets, boots, gloves, and dinosaur-like qualities, and that defendant's products used many of these features, including helmets and dinosaur qualities. Fact that colors of defendant's products were same as six Power Rangers was also probative of copying and substantial similarity, and remaining differences between parties' figures resulted only from smaller size and cheaper production of defendants' products.

Kretschmer v. Warner Bros., Copyright L. Rep. (CCH) ¶ 27,284 (S.D.N.Y. 1994)

Court granted defendant's motion for summary judgment, dismissing action alleging that defendant's movie "Defending Your Life" infringes plaintiff's unpublished novella "The Last Tribunal." While both parties' works shared common theme of judgment in afterlife, and defendant conceded access for purposes of motion, defendant entitled to judgment as

matter of law because similarities related only to unprotectible ideas and scènes à faire. Court considered mood and feel of pieces, finding that plaintiff's was "grim, somber, surrealistic tale" while defendant's was "much softer treatment of a serious subject. . . lightened by the use of humor and the romantic subplot." Pace and structure of works also differed. Plaintiff's novella proceeded much more slowly, relying on introspection and reflection of characters and dealing "neatly" with death and burial of protagonist in first half and judgment in second half. Defendant's movie, in contrast, was much more action oriented and dealt almost exclusively with protagonist's post-death experiences. Court also evaluated settings of two works, finding that plaintiff's takes place "somewhere in the cosmos," while defendant's occurred "almost exclusively in Judgment City, which is designed to resemble a large, western U.S. city." Courtroom settings used in both works were found to constitute unprotectible scènes à faire, as "inevitable" in treatment of subject matter. Finally, although both protagonists were middle-aged advertising executives, court concluded that no jury could reasonably find substantial similarity between characters in two stories. Protagonist in plaintiff's novella was darker and exhibited less wit; protagonist's wife in plaintiff's novella was weak person while protagonist's love interest in defendant's movie was confident and giving; and prosecutors, defense attorneys, judges and juries depicted in parties' works also differed greatly in terms of emotional make-up and motivation.

Amsinck v. Columbia Pictures Industries, Inc., 862 F. Supp. 1044 (S.D.N.Y. 1994)

Court granted defendants' motion for summary judgment, finding that defendants' use in film of "Baby Bears Musical Mobile," which bore plaintiff's copyrighted artwork, did not constitute infringement. Film entitled "Immediate Family" contained several scenes in which mobile, for which plaintiff had licensed her copyrighted artwork, appeared. Mobile was shown for periods of time ranging from two seconds to twenty-one seconds; total exposure was approximately one minute and thirty-six seconds. Since parties agreed that plaintiff had established existence of valid copyright, only issue for infringement analysis was whether defendants copied plaintiff's work. Court, citing *Mura v. Columbia Broadcasting Sys., Inc.*, 245 F. Supp. 587 (S.D.N.Y. 1965), held that broadcasting of genuine artwork was not copy for infringement purposes since broadcasting of work so altered copyrighted item that its display was different in nature from actual copyrighted design. Court also relied on following factors: defendants' use was not intended to supplant market for plaintiff's work nor did it diminish interest in plaintiff's work; defendants' use was not mechanical copy; and defendants' use was fleeting and impermanent since it lasted only for seconds and could be seen only by viewing film.

Agee v. Paramount Communs., Inc., 853 F. Supp. 778 (S.D.N.Y. 1994)

On motion for summary judgment, court dismissed complaint alleging that defendant's use of plaintiff's sound recordings as background to segment of nationally televised program "Hard Copy" infringed any of plaintiff's rights where plaintiff did not own copyright in underlying compositions. Finding that defendant's uses amounted to mere performances, and not reproduction, since defendant did not sell copies of audiovisual work containing sound recordings, court noted that under 17 U.S.C. § 114 author of sound recording does not have public performance right. So-called "synchronization right" urged by plaintiff does not exist apart from statutory reproduction right, court held. Court cited legislative history of § 114 to support its conclusion that statute was aimed at record piracy, i.e. public sale of tangible copies or phonorecords of sound recordings, and not wrong alleged here. Furthermore, copies of program made by local stations from defendant's transmissions were "ephemeral recordings" under § 112, and not actionable reproductions.

Williams v. Crichton, 860 F. Supp. 158 (S.D.N.Y. 1994)

Court awarded summary judgment to author of *Jurassic Park*, finding no infringement of plaintiff's series of "Dinosaur World" children's books. Considering plaintiff's series as unitary work, court found total concept and feel to be markedly different from *Jurassic Park*. Common elements of setting were held uncopyrightable under scenes a faire doctrine, since any work employing public domain concept of dinosaur zoo would necessarily include such elements. Many *Jurassic Park* characters had no counterpart in "Dinosaur World" books, and court found "Dinosaur World" characters so thinly developed as to merit no copyright protection at all. Numerous plot similarities cited by plaintiff were found isolated and selective, and court declined to weigh such "nonessential details" in analysis of substantial similarity. Instead, court limited focus to "important congruences" and found no basis on which reasonable jury could find infringement.

Repp v. Webber, 858 F. Supp. 1292 (S.D.N.Y. 1994)

In action in which plaintiffs alleged defendants' song "The Phantom of the Opera" infringed song entitled "Till You," court granted defendants' summary judgment motion, holding plaintiffs failed to establish copying. Plaintiffs sought to show "striking similarity" to preclude independent creation and permit inference of access. Court held works were not strikingly similar, since songs differed in style, tempo, harmony, key and mode, even though melodies shared several common notes. Furthermore, plaintiffs did not rebut defendants' evidence of independent creation. According to defendants, song was created at Lloyd Webber's home and was

written to showcase particular singer's talents, tapes of song's melody were sent in 1984 to English director and lyricist, song was recorded on demonstration tape in 1984 and was performed as part of first act of musical play in 1985. Defendants' expert also testified allegedly infringing song is traceable to earlier works by Lloyd Webber and public domain works. In addition, although plaintiffs alleged Lloyd Webber has history of copying from other composers, plaintiffs submitted no evidence of prior findings of infringement by Lloyd Webber. Evidence of independent creation found to negate infringement, warranting summary judgment for defendants.

Interactive Network Inc. v. NTN Communications Inc., 875 F. Supp. 1398 (N.D. Cal. 1995)

Plaintiff sold, under license, defendant's interactive "QB1" football game played in conjunction with televised football games. Plaintiff thereafter developed its own "IN The Huddle" interactive football game and filed suit seeking declaration that "IN The Huddle" does not infringe QB1. Defendant counterclaimed, among other things, for copyright infringement, and plaintiff moved for summary judgment. Court preliminarily found that, even if certain elements of QB1 constituted standard or stock material, QB1 was entitled to some protection for its original combination of elements. Applying Ninth Circuit two part analysis of substantial similarity, court found under "extrinsic test" that idea of two works — interactive games based on play predictions during football games — was substantially similar. Under "intrinsic test," comparing "total concept and feel" of expressive elements of works, court first found that certain claimed similarities involved elements which merged idea and expression or constituted scenes a faire. Thus, given nature of football itself, games' prediction schemes could only be organized in limited number of ways, and defendant could not monopolize idea of predictive football game. Concept of awarding points constituted a standard, inherent element in most video games and also could not be subject to protection. However, particular scoring system, including "consecutive" and "clutch pick" bonuses, was not necessitated by idea of interactive football game and could form basis of infringement claim. Data feed structures were not substantially similar, and remaining elements, such as graphical user interface, screen displays, and opening animation sequences, were authored by plaintiff rather than defendant author of QB1. Court thus granted plaintiff summary judgment of non-infringement on all elements except QB1's scoring system.

Harris Custom Builders Inc. v. Hoffmeyer, 874 F. Supp. 899 (N.D. Ill. 1995)

Court granted plaintiff's summary judgment motion in action in which plaintiff alleged defendant copied its architectural drawings, finding

plaintiff's and defendant's drawings were substantially similar. Seventh Circuit, in determining substantial similarity, uses "ordinary observer" test, i.e., whether defendant's work is so similar to plaintiff's that ordinary reasonable person would conclude defendant unlawfully appropriated plaintiff's protectible expression by taking material of substance and value. Seventh Circuit also uses "side by side" comparison and "ocular comparison" of works. Court held any ordinary observer must conclude drawings are substantially similar. Similarities, which could be seen by overlaying transparencies of plaintiff's drawings on defendant's, were nearly identical (1) general layout and approximate dimensions of rooms, (2) placement of rooms, (3) outside appearance, (4) types, locations and sizes of windows and doors, (5) placement of fireplaces, (6) placement of desk, sinks, refrigerator and pantry in kitchen, (7) placement of built-in bookcase in den and (8) placement of bathtub, toilet and exhaust fan in two bathrooms.

CMM Cable Rep Inc. v. Keymarket Communs., Inc., 870 F. Supp. 631 (M.D. Pa. 1994)

Court granted preliminary injunction against defendants' use of radio promotional campaign entitled "The Ultimate Job," which court ruled was not independently created and which was substantially similar to campaign called "Payroll Payoff," developed and sold by plaintiff on market-exclusive basis to radio stations around country. Both programs used concept that listener, who had called in during designated time after his or her name was called, would win "hourly wage." Court rejected defendants' argument that "Payroll Payoff" was not relied upon to create "The Ultimate Job," finding defendants were aware plaintiff had syndicated "Payroll Payoff," defendants used term "payroll" in other promotional giveaways but avoided use of such term in written direct mail pieces for "The Ultimate Job," and Director of Marketing for defendant corporation was upset radio personalities had used terms "clock in" or "get on the clock" in connection with "The Ultimate Job" since these terms were used on "Payroll Payoff." Court ruled campaigns were substantially similar and that defendants had improperly appropriated protectible expression since ordinary lay observer would see campaigns as substantially similar. Both campaigns used hourly wage analogy, were targeted to those listening at work and used time clock feature of hourly employment, including such terms as "clock in," "punch in," "get on the payroll," and "get on the clock." In finding lay observer would find campaigns substantially similar, court found it significant that one listener asked whether defendants' promotion was "this . . . payroll thing," and that station which used "Payroll Payoff" had received audience response cards for defendants' promotion.

Hennon v. Kirklands Inc., 870 F. Supp. 118 (W.D. Va. 1994)

Court denied plaintiffs' motion for preliminary injunction in copyright infringement action over Christmas figurines. Plaintiffs produced by hand and sold Dickens carolers figurines, and sought to enjoin defendants from selling Dickensian figurines imported from China. Noting that shared subject matter does not prove copying or infringement and that "even small details in expression may be dictated by common ideas or techniques," court found that similarities of figurines were primarily attributable to archetypes upon which figurines were based, rather than to copying. Court therefore concluded that "total concept and feel" of works differed sufficiently to negate infringement and warrant denial of plaintiffs' motion for preliminary injunction.

Franklin v. Cirolì, 865 F. Supp. 947 (D. Mass. 1994)

Court granted defendant's motion for summary judgment, holding that there was no substantial similarity between parties' theatrical productions because common elements were unprotectible. Plaintiffs brought suit after defendant staged its own production of fictional Italian wedding featuring characters of jealous ex-girlfriend and "Godfather" figure, following run in defendant's dinner theater of plaintiff's comic play "Joey and Maria's Italian Wedding" in which wedding is interrupted by jealous ex-girlfriend and visit by "Godfather." Characters at issue were not amenable to copyright protection because they represented recognizable stereotypical characters that, like *scènes à faire*, fall outside purview of copyright protection.

Fyk v. McCall Pattern Co., 31 U.S.P.Q.2d 1155 (E.D. Pa. 1994)

Court issued temporary restraining order, finding "overwhelming similarity" in color, shape and texture of parties' animal motif outerwear. While defendant argued, *inter alia*, that extent of plaintiff's copyrights was not even clear since plaintiff's certificates of registration recited that works in issue were based on pre-existing materials authored by third party, court accepted plaintiff's oral testimony at hearing that she had purchased exclusive rights to use third party's designs.

Simmons v. Western Publishing Co., 834 F. Supp. 393 (N.D. Ga. 1993)

District Court, in action for copyright infringement of children's board game "Pen the Pig," granted defendant's motion for summary judgment. Despite some differences in two games, Court found question of fact existed as to whether games were substantially similar since games shared same name and same concept. Applying average lay observer test for similarity, court observed that both plaintiff's and defendant's games employed fences and "connect-the-dots" schemes to "pen the pig." Nev-

ertheless, court held that defendant successfully rebutted presumption of copying by producing substantial, uncontradicted evidence of independent creation, negating infringement and warranting summary judgment.

C. *Importation*

Parfums Givenchy Inc. v. Drug Emporium, 38 F.3d 477 (9th Cir. 1994), *cert. denied*, 1995 U.S. LEXIS 1859 (Mar. 6, 1995)

Ninth Circuit affirmed summary judgment, holding that U.S. subsidiary of French manufacturer of "Amirage" perfume was entitled to permanent injunction against U.S. sale of gray market "Amirage" based on its copyright ownership of "Amirage" package design. Relying on *BMG Music v. Perez*, 952 F.2d 318 (9th Cir. 1991) *cert. denied*, 112 S. Ct. 2997 (1992), court rejected defendant's argument that importer's lawful purchase abroad of "Amirage" had terminated plaintiff's exclusive right as U.S. copyright owner to import and distribute packaged perfume in U.S. "First sale" doctrine codified at § 109(a) does not apply to shield defendant from liability, court held, since importation right codified at § 602(a) survives unless and until there has been first sale in U.S. Furthermore, that defendant was not importer as was defendant in *BMG* case but rather purchased gray market "Amirage" in U.S., did not constitute material distinction. Citing legislative history of Act, court stated that "purchaser of illegally imported copies has no more authority to distribute copies than does the original importer." Court also rejected defendant's argument based on parent/subsidiary exception to Lanham Act protection. While U.S. trademark owners which are wholly owned subsidiaries of foreign parents cannot prevent importation of gray market trademarked goods made by their foreign parent, neither language nor underlying purpose of § 602 (a) of Copyright Act justifies same result reached in trademark context.

Living Media India Ltd. v. Parekh, Copyright L. Rep. (CCH) ¶ 27,239 (S.D.N.Y. 1994)

Court granted summary judgment against defendants who imported publications from India without authority of Indian copyright owner. By virtue of 17 U.S.C. § 602(a), unauthorized importation is infringement, actionable under § 501. Under Indian Copyright Law and Berne Convention, plaintiff was "owner of copyright" within meaning of § 602(a) and was entitled to protection of U.S. law. Court summarily rejected defendant's argument that § 602 applies only to importation of "bootleg" copies, finding no such limitation in statute.

D. Computer Works

Lotus Devel. Corp. v. Borland Int'l, Inc., 49 F.3d 807 (1st Cir. 1995)

Reversing series of district court decisions, First Circuit held that menu command hierarchy of plaintiff's popular computer spreadsheet program was "method of operation" under § 102(b) and thus not copyrightable subject matter. Defendant's Quattro and Quattro Pro spreadsheet programs employed so-called Lotus Emulation Interface, which copied command hierarchy and "long prompt" screen texts from plaintiff's 1-2-3 program. In 1992, plaintiff obtained summary judgment that 1-2-3 hierarchy was copyrightable because it contained expression separable from its function, and trial was ordered as to scope of defendant's copying and protectability of long prompts. Before trial, parties agreed to exclude long prompts from case and defendants removed Emulation Interface screens, but retained Key Reader feature. Key Reader contained invisible copy of plaintiff's entire menu hierarchy, which allowed users to run 1-2-3 macro sequences on defendant's programs. District Court held Key Reader infringing and enjoined defendant. Defendant appealed. First Circuit reversed, holding that plaintiff's command hierarchy was not copyrightable subject matter. Distinguishing *Computer Associates, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992), on grounds that "literal" copying of 1-2-3 command hierarchy required different analysis than *Altai's* non-literal copying of program code, court refused to apply *Altai* abstraction-filtration-comparison test. Court saw no need to distinguish between idea and expression where command hierarchy in its entirety was "method of operation." Plaintiff's hierarchy constituted "method," found court, because it was indispensable "means by which [user] operates" 1-2-3 program. Thus, hierarchy was unlike long prompts or screen displays, which are functionally unnecessary, and also unlike underlying program code, which is necessary but may be paraphrased without impairing functionality. Even accepting district court's finding that plaintiff made expressive choices in selecting and arranging command terms, court nonetheless found plaintiff's expression uncopyrightable because it was "part of Lotus 1-2-3's method of operation . . . If specific words are essential to operating something, then they are part of method of operation and, as such, are unprotectable." Citing *Baker v. Selden*, 101 U.S. 99 (1879), court concluded that since hierarchy was designed for use in system, not to explain workings of system, it was "squarely within prohibition of copyright protection . . . codified by Congress in § 102(b)."

Apple Computer Inc. v. Microsoft Corp., 35 F.3d 1435 (9th Cir. 1994), cert. denied, 1995 U.S. LEXIS 1535 (1995)

Ninth Circuit affirmed summary judgment that Microsoft and its licensee did not infringe Apple graphical user interface (GUI), since all

copied features were either unprotectable or within scope of 1985 license agreement. Court affirmed that analytic dissection, and exclusion of both licensed and unprotectable elements from jury comparison under "extrinsic" prong of infringement test, were appropriate for GUI audiovisual works. Court also affirmed that district court properly applied limiting doctrines of merger, scenes a faire and originality to elements of Apple interface. Court further affirmed holding that Apple works warranted only narrow scope of protection, since selection and arrangement were only protectable, unlicensed elements copied. Consequently, following *Frybarger v. International Business Machines Corp.*, 812 F.2d 525 (9th Cir. 1987) court affirmed that "intrinsic" prong of infringement test required showing of virtual identity between works as a whole. Under this standard, court found no infringement of Apple GUI.

Engineering Dynamics, Inc. v. Structural Software, Inc., 26 F.3d 1335 (5th Cir. 1994)

Fifth Circuit reversed district court's decision holding that plaintiff's computer/user interface is uncopyrightable, and remanded case for determination as to question of infringement. Plaintiff EDI had created computer program called SACS, which used same input formats and sequences requiring user to key in as STRAN program developed by Synercom Technology, Inc. In earlier suit between Synercom and EDI, district court had ruled formats, sequence and organization of keypunch cards were not copyrightable. Here, however, EDI's allegations of infringement were not based on individual input formats or output reports, but on sequence and organization of formats and reports as whole. Specifically, EDI alleged defendants copied 56 of its input formats and copied output report formats and EDI's user manuals. Defendants argued that they were not liable because user inputs are not copyrightable as matter of law; EDI's input/output formats consist of facts which are not copyrightable; and input/output formats represent uncopyrightable idea, process or method.

Fifth Circuit began analysis by noting that most courts have found copyright protection to extend to computer program's literal elements, e.g., source code, and non-literal elements, e.g., program's architecture, structure, sequence, organization, operational manuals and computer user interface. Although court recognized that recent Fifth Circuit precedent arguably precluded protection of non-literal elements, court concluded that issue had been settled by decision in *Kepner-Tregoe, Inc. v. Leadership Software Inc.*, 12 F.3d 527 (5th Cir.), cert. denied, 115 S. Ct. 82 (1994), holding that non-literal elements can be accorded copyright protection. To determine whether non-literal elements involved in program at issue should be accorded protection, court applied abstraction-filtration-comparison method stated in *Gates Rubber Co. v. Bando Chemical Indus.*,

Ltd., 9 F.3d 823 (10th Cir. 1993). Under abstraction factor, court noted that EDI sought protection of only approximately 230 input-output formats that comprise user interface, which is distinct from other parts of program. Furthermore, EDI sought protection of formats as whole which, according to court, constitute expression, rather than idea. Yet, court found additional analysis was warranted to determine whether input formats and output reports were copyrightable since functional quality of user interface may make it like "blank form" held uncopyrightable even though several structural methods exist for input/output formats to achieve program's purposes. Under filtration prong, court rejected defendants' argument that input/output formats are not protectible because they represent facts since, according to court, facts do not appear on user interface but descriptive tables for entry of data for which there are numerous possible structures. Court also declined to find that EDI's input formats are like templates. Rather, input formats which tell user what data to gather and how it needs to be organized and must be considered expressive. In addition, court held data formats are not compilations of mere facts but unique and original selection and arrangement of data, creativity of which is evidenced by existence of other dissimilar structural engineering programs. Court stated, however, that district court on remand must determine how much industry demand and practice in offshore engineering market dictate input/output formats. In addition, actual input formats must be examined to determine whether they are original and, therefore, copyrightable. Only then will district court be in a position to decide whether defendants' works are substantially similar to EDI's. Based on EDI's allegations, ultimate focus should be on input formats and output reports as whole. Finally, court cautioned that scope of infringement for computer user interfaces may be very thin to extent they are highly functional or contain highly standardized technical information.

Engineering Dynamics, Inc. v. Structural Software, Inc., No. 92-3444, 1995 U.S. App. LEXIS 3126 (5th Cir. Feb. 16, 1995)

On petition for rehearing and suggestion for rehearing *en banc*, court issued supplement to its earlier opinion of July 13, 1994, (reported at 1994 U.S. App. LEXIS 17089), to clarify certain issues and to substitute certain language. First, court stated that it adhered to its adoption of abstraction-filtration-comparison test and how such test was applied to facts of case. According to court, however, it would be overly simplistic to read its original opinion as holding that plaintiff's user formats are protectible because input formats can be organized in numerous ways. Court clarified that fact that program's author has selected from several possible factors is not dispositive on issue of copyrightability. Here, court relied in part on fact that plaintiff created formats to facilitate engineering and design of off-

shore structures and, in such context, formats were more than "blank form." As court indicated in original opinion, district court on remand will determine whether plaintiff exercised judgment in creating input cards since user interface is copyrightable only to extent selection of inputs is based on nonfunctional judgments. In addition, court stated that opinion should not be construed to extend to manufacturing of computer hardware so as to deter achieving compatibility with other models or to deter practice of analyzing programs to "read" other programs' file formats. Finally, court substituted certain language to clarify that products should be compared as whole but that less overall similarity is required when there is more exact duplication of elements of original work.

Aymes v. Bonelli, 47 F.3d 23 (2d Cir. 1995)

Second Circuit affirmed district court's dismissal of infringement action, finding alterations made by defendant corporation to computer program created for it by plaintiff did not constitute infringement. Court held defendant corporation had right to use program, which was to facilitate company's inventory, record-keeping and sales needs, for its own business purposes since program was created specifically for its use and plaintiff was paid over \$70,000 to create it. Furthermore, under § 117, defendants, as owners of copy of program, were authorized to make changes necessary for continuing use of software in their business. Such right of adaptation, which includes right to add features not present in program when owner acquired copy, was intended to apply to changes made for internal use, as long as modified program is not distributed in unauthorized way. Here, defendant corporation did not distribute program to its subsidiaries and changes were made for defendant corporation's internal use, such as making program current year to year and enabling program to be used for upgraded computers. According to court, most copyright owners realize users will modify program for their own needs and can place contractual limits on program's use if they want to prohibit such changes.

NLFC, Inc. v. Devcom Mid-America, Inc., 45 F.3d 231 (7th Cir. 1995)

Court affirmed grant of summary judgment for defendant on infringement claim, rejecting charge that defendant copied plaintiff's computer software onto its in-house computer system in the course of servicing and debugging software for customer of plaintiff and illegally marketed plaintiff's software. Neither party disputed that loading software onto computer constitutes copying. Defendant, which was outside consulting firm, testified computer program's source codes were not copied onto its computers since such copying is illegal. Evidence also presented that defendant conducted its business for its clients using dedicated phone lines,

dumb terminals and on-site units. Evidence showed that defendant did not download software onto its computers to work on it but rather accessed clients' computers and printed source codes directly from such source. Plaintiff, which bore burden as party opposing motion, failed to come forward with persuasive evidence to bolster its claim. Plaintiff also failed to submit persuasive evidence that defendant marketed enhanced version of plaintiff's software. Only evidence was letter written by defendant, which court concluded, only marketed defendant's expertise in working with plaintiff's software, and did not market software itself.

Central Point Software, Inc. v. Global Software & Accessories, Inc.,
34 U.S.P.Q. 2d 1627 (E.D.N.Y. 1995)

Court held defendant infringed plaintiffs' copyrights in computer software by violating Computer Software Rental Amendments Act of 1990, which prohibits rental, lease or lending, or any other act in nature of rental, lease or lending, of copy of computer program obtained on or after December 1, 1990. Defendant rented upgrades of programs obtained before December 1, 1990, arguing rental of such upgrades does not violate Act since upgrade copy superseded pre-Act copy so there was only one copy. Court rejected argument, finding upgrades were copies obtained on or after December 1, 1990 and therefore subject to Act. Defendant also tried to bypass Act's prohibition by marketing software obtained after December 1, 1990 through "deferred billing plan." Under such plan, defendant allowed customers to take home software for up to five days for fee, referred to as "nonrefundable deposit" or "restocking fee." If customer returned software within five day period, he or she was not charged balance of purchase price. In determining whether deferred billing plan was sale or rental, court was guided by purpose of Rental Amendment, as set forth in Act's legislative history, which is to protect software publishers' investment in programs by preventing rental, lending, leasing or similar disposal of copyrighted software for commercial gain without copyright owner's permission. As court stated, language of statute, namely, "any other act or practice in the nature of rental, lease or lending," indicates Congress intended to prohibit transactions which are equivalent to rentals, but may be disguised to avoid liability. Court held deferred billing plan was practice in nature of rental and therefore prohibited. In reaching such conclusion, court looked at following factors: nearly 100% return rate by customers of software; certain deferred billing plan brochures advertised only "nonrefundable deposit," rather than purchase price; "nonrefundable deposit" is equivalent to rental fee; relatively short term of deferred billing plan transactions comparable to rental term; and customer was not given manufacturer's registration card until purchase price was paid.

Mitek Holdings, Inc. v. Arce Engineering Co., 864 F. Supp. 1568 (S.D. Fla. 1994)

Where defendant's program copied five protectible elements from plaintiff's successful software for designing roof trusses, court found no infringement since copied elements were of no operational significance and thus *de minimis*. Because defendant's work was Windows-based rather than MS-DOS, only 2% of plaintiff's literal code was copied, thus court found no literal infringement. As to non-literal elements, menu structure of plaintiff's program, copied exactly, was found to mimic procedure followed by draftsmen in designing roof trusses, thus it was not protectible. Other non-literal similarities, such as defendant's use of pictorial icon for truss rather than word "truss," found non-infringing under standard of substantial similarity. Five non-literal elements common to programs at issue were found both protectible and copied, but court reasoned that such features were neither quantitatively nor qualitatively significant and thus copying was *de minimis*. Decision currently on appeal to Eleventh Circuit.

Cognotec Servs. Ltd. v. Morgan Guaranty Trust Co. of New York, 862 F. Supp. 45 (S.D.N.Y. 1994)

Court denied defendant's motion to dismiss claim alleging infringement of computer program. Plaintiff developed software program to enable banks to offer automated foreign exchange service to currency trading customers and presented program to defendant in connection with potential licensing arrangement between parties. Following collapse of licensing negotiations, defendant retained other software development companies to develop similar computer program, presenting other companies with document specifying requirements of such program. Plaintiff claimed that document infringed its copyright in non-literal components of computer program, such as flow charts, parameter lists or any materials that programmer devised in process of writing program's source code. While registration covers program and not documents describing it, documents may involve protected non-literal components of program. Thus, plaintiff may properly allege infringement based on copying non-literal aspects of program. Moreover, plaintiff's failure to allege access to source code did not render pleading defective where it alleges infringement of non-literal components.

Synergistic Technologies, Inc. v. IDB Mobile Communications, Inc., 871 F. Supp. 24 (D.D.C. 1994)

On motion for summary judgment, court held that satellite communication firm was owner of copy of software provided by plaintiff, and had right to copy and adapt program under § 117. Plaintiff delivered software

as part of comprehensive system, but work agreement was silent as to ownership. Court thus relied on § 2-401 of Uniform Commercial Code which provides that, absent express agreement, title passes to buyer upon physical delivery of goods. Accordingly, defendant was "owner" of copy of program under § 117, and because plaintiff offered no proof of copying beyond permissible scope of § 117, court entered summary judgment for defendant.

E. Derivative Works

Agee v. Paramount Communs., Inc., 853 F. Supp. 778 (S.D.N.Y. 1994)

On motion for summary judgment, court held that defendant's use of parts of two recordings from plaintiff's CD as background music for nationally-televised program "Hard Copy" did not violate plaintiff's right to prepare derivative works. Plaintiff, as author of sound recordings but not underlying musical compositions, does not have public performance right under § 114 of Act, court noted. Citing *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486 (2d Cir.) (en banc), cert. denied, 429 U.S. 857 (1976) and *Woods v. Bourne Co.*, 841 F. Supp. 118 (S.D.N.Y. 1994), court went on to reject plaintiff's argument that synchronization of recordings with video, and addition of sound effects and voice over, created derivative work. Court found that additions did not produce "new and original work" and "did not alter or enhance plaintiff's sound recordings in any way." Derivative work standard of § 114(b), requiring that plaintiff's sounds be "rearranged, remixed or otherwise altered in sequence or quality" thus was not met, and court held that "copying sound recording for use in broadcast television program does not create derivative work which warrants protection under Copyright Act of 1976."

Fred Riley Home Building Corp. v. Cosgrove, 864 F. Supp. 1034 (D. Kan. 1994)

Where home design registered as derivative work did not contain substantial, original differences from pre-existing design, and was prepared without authorization of owner of pre-existing work, registration certificate claiming derivative work status was held invalid. Infringement of architectural work built from allegedly derivative design was thus held to be infringement of pre-existing design.

Richmond Homes Management Inc. v. Raintree, Inc., 862 F. Supp. 1517 (W.D. Va. 1994)

Court held that despite nearly identical floor plans, plaintiff's "Louisiana" home design was derivative work of plaintiff's own prior "Heritage" design, since external appearance of homes was significantly different. Court also held that where same creator owns both original and derivative

works, copyright in derivative design "carries forward all preexisting copyrights" it embodies from earlier work, and is not limited to new matter added to derivative version. Thus, defendant's copying of interior structure common to both of plaintiff's designs was held to infringe derivative work, even though exterior appearance of infringing home was not substantially similar to derivative work, and exterior was only distinguishing feature of derivative design.

F. Contributory or Vicarious Infringement

Peer Int'l Corp. v. Luna Records, Inc., 92 Civ. 9295 (SS), 1995 U.S. Dist. LEXIS 3548 (S.D.N.Y. March 21, 1995)

Court held individual in charge of defendant corporation, which infringed plaintiffs' copyrights in musical compositions by making and distributing phonorecords embodying such compositions without adhering to licensing requirements, was vicariously liable for infringement. Following initiation of suit, corporate defendant filed for bankruptcy and suit against it was stayed. Plaintiff proceeded against individual owner of corporation. Vicarious liability attaches when party had right and ability to control infringing activity coupled with direct financial benefit from infringing activity. Court found individual was vicariously liable because he was president of defendant corporation, he determined "what is done and what isn't done" in corporation, he was corporation's sole shareholder and director, and he admitted he did nothing to stop distribution of compositions after he was served with complaint.

Banff Ltd. v. Limited, Inc., 869 F. Supp. 1103 (S.D.N.Y. 1994)

Court granted defendant parent corporation's motion for summary judgment, finding parent corporation was not vicariously liable for any infringement by subsidiary of plaintiff's sweater design. Under *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963), court applies two-part test to determine whether one is vicarious infringer: (a) whether person or entity has "right and ability to supervise" infringer; and (2) whether person or entity has "direct financial interest" in profits from infringing activity. Here, parent, as sole shareholder of subsidiary, benefits financially from subsidiary's profits, including those from allegedly infringing sweater, and has legal and practical opportunity to control subsidiary's activities. Nevertheless, court held parent was not vicarious infringer since *Shapiro* test should not be construed to expand reach of Copyright Act by attaching liability to every parent corporation for subsidiary's infringing acts. In absence of Second Circuit case directly on point, court looked to Ninth and Eleventh Circuit precedent, language and principles of *Shapiro* and Second Circuit's ruling in *Sygma Photo News, Inc. v. High Society Magazine, Inc.*, 778 F.2d 89 (2d Cir. 1985), which, according

to court, modified language of *Shapiro* to require actual control, rather than simply power to control, for finding of vicarious infringement. Using such guidance, court ruled that plaintiff must show some continuing connection between parent and subsidiary in regard to infringing activity. Court held parent did not have sufficient control over subsidiary with respect to allegedly infringing activity since subsidiary's day-to-day decisions were made by subsidiary's employees only, including decision of which sweaters to sell. Fact that subsidiary's financial performance is consolidated with parent's and subsidiary is obligated to provide parent with financial reports, does not mean parent has continuing connection with alleged infringement. Vicarious liability does not follow merely because of parent-subsidiary relationship.

Artists Music, Inc. v. Reed Publishing (USA) Inc., 31 U.S.P.Q.2d 1623 (S.D.N.Y. 1994)

Court ruled that trade show organizer cannot be held vicariously liable for infringing performances of music by individual exhibitors at their booths, and granted organizer's motion for summary judgment dismissing case since plaintiff had not sued exhibitors. Plaintiff failed to establish either prong of vicarious liability test set forth in *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963). Stating that relationship between organizer and exhibitors is functional equivalent of landlord/tenant relationship, court found that plaintiff could not prove defendant's ability to supervise and control infringers. Fact that organizer's agreement with convention center allocated responsibility for copyright royalty payments due in connection with musical performances at trade show with organizer was of no moment, since defendant did not thereby admit liability and plaintiff was neither party to nor intended beneficiary of agreement. Similarly, defendant's distribution of flyers to exhibitors advising them to contact ASCAP for performance licenses, and defendant's negotiations with ASCAP for license, did not establish defendant's ability to exercise authority and control over exhibitors. Finally, "mere fact that defendant could have policed the exhibitors at great expense [was] insufficient to impose vicarious liability, especially without a showing of 'obvious and direct financial benefit' [under second prong of *Shapiro, Bernstein* test]." Again utilizing landlord/tenant analogy, court declined to find that alleged infringements by four of 134 exhibitors induced single attendee to come to show or affected gate receipts. Court also rejected as contrary to precedent plaintiff's novel argument that degree to which vicarious infringer must benefit from infringing activity varies in inverse proportion to its ability to prevent infringement.

Metzke v. May Dep't Stores Co., 878 F. Supp. 756 (W.D. Pa. 1995)

Plaintiffs, designers and manufacturers of pewter potpourri jars, claimed infringement of jars by defendant department store company who sold copies of plaintiffs' jars in United States which defendant had ordered to be manufactured by Taiwanese company. Taiwanese company also sold jar to non-May companies, and plaintiff claimed May was vicariously and contributorily liable. Court stated that defendant may be vicariously liable for infringing acts of another where defendant possessed (1) right and ability to supervise infringing activity, and (2) obvious and direct financial interest in infringing activities. Applying standard, court held defendant not vicariously liable because plaintiffs did not show defendant had control over Taiwanese manufacturer's activities. Court next stated that party may be liable for contributory infringement where with knowledge of infringing activity, it induces, causes or materially contributes to infringing activity of another. Court found defendant could not be contributorily liable for Taiwanese manufacturer's infringing activity outside U.S. because Copyright Act generally has no extraterritorial application. However, court found genuine issue of material fact as to whether defendant knew or had reason to know that Taiwanese manufacturer would sell infringing copies for distribution by other retailers in U.S. Court therefore denied defendant's motion for summary judgment as to claim for contributory copyright infringement, but granted motion as to vicarious liability.

Polygram Int'l Publishing, Inc. v. Nevada/TIG, Inc., 855 F. Supp. 1314 (D. Mass. 1994)

Plaintiffs, copyright holders of ten songs and members of ASCAP, sued defendant organizers of computer trade show for unauthorized performances of songs by exhibitors at trade show and entertainers at related awards ceremony. Prior to trade show, defendants had refused ASCAP's efforts to negotiate license authorizing performance of songs in ASCAP's library at show, but defendants did require exhibitors to abide by regulations requiring them to obtain licenses for music played at exhibition booths. Plaintiffs asserted that trade show organizer had both vicariously and contributorily infringed their copyrights by permitting performances. After bench trial, Judge Keeton held that, to prove vicarious or contributory infringement, plaintiffs were required to show, or at least allege, that direct infringement had occurred. Since plaintiff had failed to offer proof or even to allege that exhibitors and entertainers themselves lacked authorization to perform songs, they had failed to make *prima facie* case for infringement. However, acknowledging existence of that case involved "reasonably disputable issues" that might require review by appellate court, Judge Keeton went on to analyze remaining issues. Noting that vicarious liability requires that the defendant have right and ability to super-

wise infringer and direct financial interest in infringement, court found trade show organizer more closely resembles nightclub owners who have been held vicariously liable in the case decisions than landlords who have not. By virtue of the show's rules and regulations, defendants had contractual right to monitor exhibitors' activity at booths and in fact they exercised that right by having employees walk aisles to ensure compliance. As to music at awards ceremony, however, there was no evidence concerning who hired band and disc jockey or from which court could even determine which copyrighted songs were played, so no vicarious liability could have attached. Judge Keeton also determined that defendants had requisite "direct" financial interest for finding of vicarious infringement, insofar as defendants reaped profit from show overall and used music to attract paying attendees. Court then rejected plaintiff's claim that defendants were contributorily liable for songs played at awards ceremony, because nothing in record showed that defendants induced or contributed to disc jockey's performance or even identified which songs were played by disc jockey and band.

Fonovisa, Inc. v. Cherry Auction, Inc., 847 F. Supp. 1492 (E.D. Cal. 1994)

On defendant's 12(b)(6) motion, court dismissed contributory and vicarious infringement claims against swap meet operator who rented booths to vendors of counterfeit audio tapes. Contributory infringement claim dismissed because merely renting space to infringers was not "substantial participation" required under *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159 (2d Cir. 1971). At most, court found inference that defendant provided "safe haven." However, since defendant did not promote, advertise or encourage sale of counterfeit tapes, or protect identity of infringers, or prevent enforcement, or suggest what, where, how, or to whom vendors should sell, its role was too passive to warrant liability. Under test of *Shapiro Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963), court also dismissed vicarious infringement claim since court found no reasonable inference that defendants supervised or profited from infringing acts of vendors. Defendant's ability to supervise vendors could not rise to employer-like control present in *Shapiro*, nor was defendant in "best position" to police infringement, nor did court accept conclusory allegation of direct financial benefit, where defendant charged flat fee rather than percentage of receipts, and sale of tapes was small portion of total business at swap meets.

Data General Corp. v. Grumman Data Sys. Corp., 32 U.S.P.Q. 2d 1946 (D. Mass. 1994)

Following entry of \$52 million judgment against defendant's subsidiary for infringement of plaintiff's diagnostic computer software, court

granted summary judgment for plaintiff in action to recover from parent company. Citing *Shapiro Bernstein & Co. v. H.L. Green*, 316 F.2d 304 (2d Cir. 1963), court found that parent company was vicariously liable for infringement committed by its subsidiary, since subsidiary was wholly-owned, two of three directors were employed by parent company, president was long-time employee of parent who reported directly to parent's president, entire "first tier" of executives were employed by parent, parent's employees approved infringing conduct, and parent benefitted financially from infringement. Court also found parent legally bound by judgment against subsidiary, since parent controlled litigation at all times and had direct financial interest in outcome. Under standards of *Alman v. Danin*, 801 F.2d 1 (1st Cir. 1986), parent was found to have sufficient notice of, control over, and stake in litigation to be bound by judgment even though not named as party in original action.

Broadcast Music, Inc. v. Blumonday, Inc., 32 U.S.P.Q.2d 1474 (D. Nev. 1994)

BMI sued corporation that operated restaurant, and president and secretary of corporation, for unauthorized live performances of copyrighted compositions at restaurant. Court held that president and secretary could be held vicariously liable for performances, because they had right and ability to control and supervise infringing activity and direct financial interest in operating corporation. Court rejected defendant's argument that they did not directly profit from infringing performances, and explained that financial interest need only be tied to "operation as a whole," i.e., to restaurant where infringements occurred.

G. Criminal Infringement

United States v. LaMacchia, 871 F. Supp. 535 (D. Mass. 1994)

Graduate student used university's computer network to set up electronic bulletin board service on Internet and encouraged users to upload popular copyrighted software, which could then be downloaded by other users free of charge. Student, who reaped no personal gain from service, was indicted under 18 U.S.C. § 1343 for wire fraud and moved to dismiss on grounds that government was improperly using broad wire fraud statute to enforce copyright laws in contravention of *Dowling v. United States*, 473 U.S. 207 (1985). In *Dowling*, Justice Blackmun held that copyright in music on bootleg recording was not stolen "property" within meaning of federal Stolen Property Act, but was statutorily defined interest whose appropriation is only criminal in circumstances Congress has carefully defined in Copyright Act. District court explained that current version of Copyright Act extends felony liability to willful infringements of all copyrighted works "for purposes of commercial advantage or private financial

gain," while wire fraud statute does not require showing of personal profit. In response to argument that particularized statute like Copyright Act not oust more general statutory regulation of interstate commerce, court noted, as did *Dowling*, that examples cited by government did not involve intellectual property. Under *Dowling's* logic, rights conferred by copyright are distinguishable from property interests protected by wire fraud statute, and government could not subvert requirements for criminal copyright liability — such as the requirement of defendant's personal gain — by prosecuting under broader statutes. Moreover, government's interpretation of wire fraud statute would permit possibly ill advised criminalization of private home computer users who copy single programs. Since copyright prosecutions should be limited to provisions of Copyright Act, defendant could not be prosecuted for criminal copyright infringement under wire fraud statute.

H. Miscellaneous

Saban Entertainment Inc. v. 222 World Corp., 865 F. Supp. 1047 (S.D.N.Y. 1994)

Plaintiff owner of copyrights in "Mighty Morphin Power Rangers" characters sought injunction against defendant retail toy store which sold allegedly infringing action hero figures. Relying on *Miss America Corp. v. Matel, Inc.*, 945 F.2d 536 (2d Cir. 1991), defendant argued that court should give weight to earlier administrative ruling by U.S. Customs Service that defendant's figures were not substantially similar to plaintiff's. Ruling had been made at request of defendant, without plaintiff's knowledge, and compared defendant's figures with smaller figures produced by third party licensee, rather than with plaintiff's products themselves. Noting that *Miss America* dealt primarily with exhaustion of administrative remedies, court held that it was neither "instructed nor inhibited" by Customs ruling, and granted preliminary injunction.

Cass County Music Co. v. Hurt, 32 U.S.P.Q.2d 1313 (D. Kans. 1994)

Plaintiffs, songwriters and music publishers affiliated with ASCAP, sued supper club owner for unauthorized live performances of plaintiffs' songs at club. Club owner had in past ignored ASCAP's letters offering license. Plaintiffs moved for summary judgment and submitted affidavits from investigators who stated that they had heard plaintiffs' songs performed at club on particular evening. Club owner did not contest plaintiffs' rights to subject songs or deny failure to obtain license, but submitted affidavit from performer who stated that he "is not acquainted with and cannot play from memory" any of subject compositions. Court held this

affidavit to create genuine issue of material fact as to whether songs were in fact performed, and denied plaintiffs' motion for summary judgment.

VI. DEFENSES/EXEMPTIONS

A. Fair Use

American Geophysical Union v. Texaco Inc., 37 F.3d 881 (2d Cir. 1994), *reh'g denied*, 1994 U.S. App. LEXIS 36735 (2d Cir. Dec. 23, 1994)

On certified interlocutory appeal, Second Circuit affirmed ruling that unauthorized photocopying of scientific journal articles by Texaco researcher was not fair use, where copying was primarily for archival purposes and photocopying licenses for copied articles were readily available. Court noted that while mechanical copying is not authorship, it must nonetheless be analyzed under statutory fair use factors. Under first factor, court found that copying was predominantly archival, since researcher kept copies on hand for future reference. Therefore, copying superseded objects of original works and was not transformative. Court also considered question of transformative use relevant even where no copies were sold or distributed, and agreed with District Court that "reasonable and customary" practices of scientists at time of *Williams & Wilkins Co. v. United States*, 420 U.S. 376 (1975) had been superseded by advent of licensing procedures for journal articles. Further, court held Texaco's use commercial, despite legitimate scientific work of researcher and "attenuated" link between copying and commercial gain to Texaco. Thus, first factor favored journal publisher. Since copied articles were factual, however, second factor favored Texaco. Third factor favored publisher, since articles were separately registered for copyright and duplicated in their entirety. Under fourth factor, court held for publisher because precise works at issue were covered by CCC licensing scheme, thus permitting court to consider lost licensing revenue as form of market harm. Court expressly declined to decide outcome of fair use analysis if photocopying license were not available, or to make availability of license conclusive as to fair use. Court also limited holding to precise factual situation.

Robinson v. Random House, Inc., 877 F. Supp. 830 (S.D.N.Y. 1995)

Plaintiff sought declaration that his book did not infringe defendants' copyrighted biography of founder of Pan Am Airlines, defendants counterclaimed for infringement, and both parties moved for summary judgment. Plaintiff conceded that he had taken 25-30 percent of defendants' book verbatim or by close paraphrase. After rejecting plaintiff's argument that he had taken only unprotected material and scenes a faire, court also rejected fair use defense. Under purpose and character of use factor, court found that, while non-fictional nature of plaintiff's book favored his

case, other factors weighed against finding of fair use: commercial purpose of plaintiff's book, its "untransformative duplication" of original work, plaintiff's culpable conduct in failing to acknowledge defendant's book, and inevitable confusion between parties' books. Under second factor, court found that factual, non-fictional nature of book favored plaintiff. Plaintiff's conceded taking of 25-30% of defendants' book was both qualitatively and quantitatively significant appropriation of defendants' work tipping third factor against plaintiff. Finally, court noted that plaintiff's nontransformative duplication of original work for commercial purposes created a presumption of market harm, and that plaintiff's book would directly compete with and displace defendants' book and its derivative market uses, such as audio tape versions. On balance, court held no reasonable jury could find plaintiff's "wholesale copying" to constitute fair use and enjoined plaintiff from further distribution of his book.

Rotbart v. J. R. O'Dwyer Co., Inc., 34 U.S.P.Q. 2d 1085 (S.D.N.Y. 1995)

Court granted summary judgment for defendant who published newsletter critical of plaintiff's oral presentation, and who also made limited distribution of transcripts of plaintiff's speech. Defendant both tape-recorded and took notes during plaintiff's speech, and used quotations and paraphrases in subsequent articles and editorials strongly critical of plaintiff's ideas. In response to inquiries from other journalists, defendant distributed copies of his transcript to demonstrate accuracy of his reports. Assuming that speech was protected by copyright, court found fair use, but largely focused on journalistic use of quotations rather than distribution of transcripts or unauthorized tape recording. Thus, purpose of use was considered "criticism" despite defendant's commercial gain, and use of quotations in stories was found transformative. Errors in transcription and paraphrase did not diminish fairness of defendant's use. Under second factor, speech was found expressive rather than factual, but was not "unpublished" since plaintiff delivered speech in public with reporters present. Under third factor, court found journalistic use of 793 words from 14,000 in original to be small taking even if arguably "heart" of plaintiff's work, citing *Campbell v. Acuff-Rose Music, Inc.*, 114 S. Ct. 1164 (1994), since reports would not be market substitute for original. As to transcript, court noted that it made no "substantial profit" for defendant, so use was fair even though extent of copying "would normally not be allowable." Market impact of negative criticism was not relevant under fourth factor.

Amsinck v. Columbia Pictures Industries, Inc., 862 F. Supp. 1044 (S.D.N.Y. 1994)

Court granted defendants' summary judgment motion, finding defendants' use in film of "Baby Bears Musical Mobile," for which plaintiff had licensed her copyrighted artwork, constituted fair use. Mobile appeared in film entitled "Immediate Family" for periods of time ranging from two seconds to twenty-one seconds, with total exposure of approximately one minute and thirty-six seconds. According to court, fourth factor — market effect of use — strongly favored fair use defense. Court found defendants' use of plaintiff's work did not prejudice sales of her design or use of mobile which bore design nor did it threaten market for licensing plaintiff's artwork. In addition, defendants' use of mobile was not substitute for original work. Accordingly, plaintiff suffered no demonstrable harm but, rather, defendants' use of mobile in film might have led to increased demand for mobiles generally, thereby indirectly benefitting plaintiff. Court also found that first factor — purpose and character of use — did not defeat finding of fair use although defendants' use was commercial. Copyrighted work was not used in advertisements or disclosed to prospective viewers nor did it appear that use of mobile was intended to increase sales and improperly capitalize on plaintiff's work. Although court found second factor — nature of copyrighted work — leaned against finding of fair use, court did not find such factor sufficiently strong because use of mobile was not substitute for work. Finally, amount and substantiality of original work used did not preclude fair use defense since, although defendants used entire mobile, it was only seen for few seconds at each time and cumulatively exposed for less than 96 seconds.

Belmore v. City Pages Inc., 880 F. Supp. 673 (D. Minn. 1995)

Plaintiff, a police officer, published article in form of a fable in police federation newspaper, which defendant then reprinted in entirety in its weekly newspaper with critical commentary. Court granted defendant's summary judgment motion, finding re-publication of plaintiff's article was fair use. In so ruling, court, following *Campbell v. Acuff-Rose Music, Inc.*, 114 S.Ct. 1164 (1994), rejected plaintiff's argument that defendant's use of article was presumptively unfair because defendant is for-profit corporation. Court found first fair use factor — purpose and character of use — weighed in defendant's favor because purpose in publishing plaintiff's article was to criticize it. Court, however, found second factor — nature of copyrighted work — weighed in plaintiff's favor because article was creative work. Court ruled third factor — amount and substantiality of portion of copyrighted work used in relation to whole — did not carry significant weight here. Although defendant published plaintiff's entire article, defendant contended doing so was necessary to effectuate pur-

poses of criticism, commentary and news reporting. Finally, court ruled fourth fair use factor — effect of use on potential market for or value of copyrighted work — heavily supported finding of fair use, because plaintiff provided no evidence from which fact finder could conclude defendant materially impaired market for plaintiff's work. Plaintiff demonstrated no past or current harm, provided no evidence he sold or tried to sell article and this is not case in which defendant "scooped" plaintiff by distributing his work before publication. In addition, no basis existed to find future harm since defendant published article over year ago and consumers who want plaintiff's article would be unlikely to locate old copies of defendant's newspaper to get it if plaintiff decided to again market his article.

Princeton Univ. Press v. Michigan Document Servs., 855 F. Supp. 905 (E.D. Mich. 1994)

On cross-motions for summary judgment, court held that commercial copy shop's photocopying of excerpts from copyrighted materials for inclusion in "coursepacks" sold to college students did not constitute fair use. All four statutory fair use factors favored plaintiffs. First factor, purpose and character of use, supported plaintiffs, since defendant's use of materials was purely for profit and did not add any value to materials by way of creative input or interpretation. Court relied on *Basic Books Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991), in reaching this determination, and also noted that "use" of materials mentioned in statute refers to use by alleged infringer and not consumers. Second factor, nature of copyrighted works, weighed on plaintiffs' side because most of materials from which defendant copied were original, interpretive treatments of historical subjects. Third factor, amount and substantiality of use in relation to copyrighted work as whole, also supported plaintiffs; where excerpts constituted 5% to 30% of authors' works, references were neither "insubstantial" nor "incidental." Fourth factor, effect of use on potential market, that court erroneously stated is most important element in fair use analysis (ignoring *Acuff-Rose* precedent), weighed on plaintiffs' side, where plaintiffs showed that permission fees constitute significant source of their revenues.

B. Statute of Limitations, Laches, etc.

Jackson v. Axton, 25 F.3d 884 (9th Cir. 1994)

Resolving issue of first impression in Ninth Circuit, court affirmed district court's ruling that laches defense is available to bar action for declaration of co-authorship. Dispute involved authorship/ownership of popular song "Joy to the World" composed in 1970. While defendant periodically asserted claim from outset that he had written most of song's music, he did not bring suit until 1991. Ninth Circuit based its holding on

several factors. Claims of ownership are traditionally subject to laches defense. Moreover, court found support in case decisions addressing laches defense in co-ownership, although not co-authorship, context. Court distinguished case decisions relied upon by plaintiff. In *Neva, Inc. v. Christian Duplications Int'l, Inc.*, 743 F. Supp. 1533 (M.D. Fla. 1990), laches defense was not applied to bar plaintiff's declaration claim, according to court, because such claim was unnecessary where plaintiff was undisputed copyright owner suing for infringement. *Goodman v. Lee*, 815 F.2d 1030 (5th Cir. 1987), involving co-ownership claim brought decades after subject work's composition, addressed only subject matter jurisdiction, and not laches, in court's view. Court also rejected plaintiff's arguments that application of laches defenses to authorship/ownership claims would be inconsistent with statute of limitations approach in copyright context. While filing invalid copyright claim neither starts three-year limitations period for infringement actions running nor tolls it, laches, unlike statute of limitations defense, is premised on showing of prejudice to defendant. Furthermore, unlike infringement context, plaintiff cannot assert new unbarred claim each time defendant exploits song because disputed events regarding authorship took place in 1970 and cannot be revived. Finally, plaintiff could not rebut prejudice to defendant resulting from long delay. That band members testified did not convince court that their memories had not faded or that relevant evidence had not been lost. Fact that song had yet to enter renewal term also was of no significance to court. Case remanded to district court for determination as to defendant's request for attorney's fees, post *Fogerty*.

Daboub v. Gibbons, 42 F.3d 285 (5th Cir. 1995)

Fifth Circuit affirmed grant of summary judgment for rock group ZZ Top on claim that its 1975 song "Thunderbird" infringed plaintiffs' 1950's song of same name. Defendants conceded that songs were musically and lyrically identical, but Fifth Circuit upheld summary judgment because plaintiffs' various state and federal claims were either preempted under § 301 or barred by statute of limitations. Plaintiffs argued first that statute of limitations was not exceeded because infringement is "continuing tort" which recurs each time defendants' infringing record is broadcast or sold. Fifth Circuit rejected plaintiffs' theory, finding no support in copyright cases on similar facts. Instead, court held that tort occurred in 1975 when defendants registered their copyright in song, and observed that plaintiffs' theory would render statute of limitations meaningless with respect to sound recordings. Plaintiffs also argued that limitations period should be tolled until plaintiffs' discovery of defendants' conduct. Court held that even if such rule applied, plaintiffs were time-barred because defendants' recordation with Copyright Office constituted constructive notice under

§ 205(c), because defendants' acts were not covert or concealed, and because plaintiffs conceded that they had actual knowledge of infringing song in 1981.

Makedwde Publishing Co. v. Johnson, 37 F.3d 180 (5th Cir. 1994)

Fifth Circuit reversed denial of defendant's motion for summary judgment, holding that plaintiffs' copyright infringement claim was barred by three-year statute of limitations (17 U.S.C. § 507). Recording artist, after recording song "Carnival Time", assigned copyright in song to plaintiffs-appellees music publishers. Contrary to such assignment, recording artist then registered copyright for song with assistance of co-defendant-appellant, his attorney. Defendants-appellants subsequently incorporated and arranged for song to be exploited. Attorney withdrew from corporation in 1985, returning all corporate stock. Plaintiffs-appellees brought copyright infringement action against recording artist, attorney and others in 1991. District court denied defendant-appellant attorney's motion for summary judgment, based on statute of limitations, holding it had not run. Fifth Circuit reversed and adopted approach of Second Circuit in *Stone v. Williams*, 970 F.2d 1043 (2d Cir. 1992), *cert. denied*, 113 S. Ct. 2331 (1993), which held that each act of infringement is distinct harm giving rise to independent claim for relief. Thus, defendant's liability extended only to acts committed within limitations period. Fifth Circuit rejected district court's reliance on continuing tort theory developed by Seventh Circuit in *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983). Court found attorney's last act of infringement was in 1985, when he severed relations with co-defendants and ceased involvement in recording and distribution of song. Three-year statute of limitations, accordingly, barred plaintiffs-appellees' claim brought six years after last act of infringement.

Peer Int'l Corp. v. Luna Records, Inc., 92 Civ. 9295 (SS), 1995 U.S. Dist. LEXIS 3548 (S.D.N.Y. March 21, 1995)

In action in which plaintiffs alleged defendants infringed copyrights in musical compositions by making and producing phonorecords embodying such compositions, some of which were previously licensed by defendants, court rejected defendants' claimed defenses of estoppel and laches. Plaintiffs did not dispute, as required for finding of estoppel, that they knew about defendants' infringing acts. Plaintiffs, however, sent license termination notices to defendants, which should have caused defendants to determine state of relationship with plaintiffs. In addition, since defendants continued to make and produce infringing phonorecords until at least six months after suit commenced, any claim of detrimental reliance by defendants on plaintiffs' conduct should have ended. Court also held no laches defenses existed. Although plaintiffs waited more than three years

to sue after sending first notice to defendants concerning failure to pay required royalties and more than two years after second notice, mere passage of time between plaintiffs' learning of infringing acts and filing suit is insufficient to establish laches defense. Defendants must have suffered some prejudice due to delay, which is not case here. Since plaintiffs repeatedly put defendants on notice that licenses may not still be valid by rejecting number of defendants' checks, for example, defendants continued making and distributing infringing phonorecords at their own risk.

Galet v. Carolace Embroidery Products Co., 32 U.S.P.Q.2d 1830 (S.D.N.Y. 1994)

In 1984, plaintiff entered into consulting agreement with defendant to service defendant's computer programs. After defendant terminated agreement, plaintiff sent defendant notice of claims of copyright infringement, misappropriation of trade secrets, and breach of contract. Parties negotiated settlement whereby plaintiff released its claims, received payment, and entered into new consulting agreement. Defendant terminated second consulting agreement two months later in 1986. Plaintiff finally sued in 1991, alleging continuing copyright infringement, and court granted summary judgment against plaintiff's common law copyright claim as preempted under § 301(a) since claim arose after January 1, 1978. Noting Second Circuit's "disfavor" for continuing infringement theories, court further warned that if plaintiff attempted to file new action alleging federal copyright law, he could only recover for infringements occurring during three years prior to commencement of suit.

Living Media India Ltd. v. Parekh, Copyright L. Rep. (CCH) ¶ 27,239 (S.D.N.Y. 1994)

Court rejected defendant's laches defense, finding that laches is no defense until three-year statute of limitations expires, and further, that defendant made no showing that delay resulted in prejudice.

Merchant v. Lymon, 848 F. Supp. 29 (S.D.N.Y. 1994)

Intervenor defendant was held liable only for damages accruing from date three years prior to intervention, where plaintiffs had become aware during pendency of suit for royalties that intervenor company acquired copyright in song at issue but failed to join company as party defendant. Applying Copyright Act's three-year limitations period, court stated that "[r]esponsibility for failure to join [company] must be placed squarely with plaintiffs." Court also relied on § 205(c) of Act charging all persons with constructive notice of facts contained in document recorded with Copyright Office, where company had recorded document of copyright transfer.

Central Point Software, Inc. v. Global Software & Accessories, Inc.,
34 U.S.P.Q. 2d 1627 (E.D.N.Y. 1995)

In case in which defendant was found liable for infringing plaintiffs' copyrights in computer software by violating Computer Software Rental Amendments Act of 1990, court rejected defendant's asserted laches defense. Court found maximum delay of fourteen months between earliest date plaintiffs' claims could have accrued and date action was commenced not unreasonable. Even if delay were unreasonable, defendant failed to show sufficient prejudice as result of delay. Although defendant testified he opened third store, such store was opened two months after suit was filed. Defendant also testified he spent hundreds of thousands of dollars acquiring additional software. According to court, however, such testimony established only that defendant continued his business during time of plaintiffs' alleged delay. Sufficient prejudice not established.

C. Misuse

Practice Management Info. Corp. v. American Medical Ass'n, 877 F.
Supp. 1386 (C.D. Cal. 1994)

In action for declaratory judgment, court granted defendant's motion for summary judgment and denied plaintiff's cross-motion for summary judgment on validity of defendant's copyright in work. Plaintiff Practice Management Information Corporation ("PMIC"), publisher of medical books, sought declaration that copyrights for book entitled *Physicians' Current Procedural Terminology* ("CPT") by defendant American Medical Association ("AMA") were invalid and unenforceable because federal agency required physicians' use of CPT's numerical codes for describing medical procedures when requesting government reimbursement. AMA had granted royalty-free, nonexclusive license to agency of U.S. Department of Health and Human Services, in exchange for which agency mandated that healthcare providers use CPT codes when seeking reimbursement from federal and state governments for medical services. Intending to publish its own manuals which would reprint modified version of CPT coding system, plaintiff sought declaration that defendant's copyrights were invalid because government incorporated CPT codes into federal laws, published list of codes in Federal Register and required physicians' use of codes. Rejecting plaintiff's argument that defendant had misused copyright in CPT by violating Clayton Act through exclusive dealing arrangement with federal agency, court found that license did not constitute copyright misuse because AMA did not coerce agency into adoption of CPT system and agency's agreement with AMA is freely terminable upon ninety days notice. Since CPT coding system was sufficiently original to warrant copyright protection and defense of misuse rejected, court granted defendant's motion for summary judgment.

Wilson v. Mr. Tee's, 855 F. Supp. 679 (D.N.J. 1994)

Court denied defendants' summary judgment motion as to validity of plaintiffs' registration. Both parties acknowledged third party drafting company, not plaintiffs, created miniature golf course hole designs at issue. Defendants, relying on deposition testimony allegedly showing individual plaintiff was not present at making of drawings, did not oversee their creation and did not make any changes to them, argued that registration was invalid because individual plaintiff intentionally lied about status as author on registration application. Plaintiffs pointed to identical testimony which, when read in light favorable to them, suggested to contrary. Plaintiffs also submitted evidence that drawings had been based on earlier designs made by individual plaintiff. Because defendants offered no evidence suggesting plaintiffs lied or made misrepresentations to Copyright Office and because facts were subject to varying interpretations, court ruled that defendants had not met their burden on motion, and denied summary judgment on issue of registration's validity.

D. Innocent Infringement

Innovative Networks, Inc. v. Satellite Airlines Ticketing Centers, Inc., 871 F. Supp. 709 (S.D.N.Y. 1995)

In action for infringement of airline business center floor plan and workstation designs (collectively "plans"), court partially granted plaintiff's motion for summary judgment. Plaintiff designed and obtained copyright registration in plans. Defendants, competitor including plaintiff's former employee instrumental in design of plans, circulated copies of plans under their own name to prospective customers. Finding copying and rejecting defendants' defense of innocent infringement, court noted that finding innocent infringement would not absolve defendants of liability, but rather only would permit court discretion to award damages commensurate with defendants' culpability. Motion for summary judgment as to liability thus granted.

Bryce & Palazzola Architects & Assocs. v. A.M.E. Group, 865 F. Supp. 401 (E.D. Mich. 1994)

In action based on infringement of architectural plans and building due to defendants' building of allegedly virtually identical home, court denied defendants' motion to dismiss and/or for summary judgment, holding that plaintiff's claims were not diminished or defeated even though defendants had no notice of plaintiff's registrations or intent to register drawings and house. Here, although plaintiff registered works after defendants began construction of their house, plaintiff's works were registered within five years after first publication, which is permitted under § 410(c). Court also held lack of copyright notice did not provide defend-

ants with basis for asserting innocent infringement defense. Plaintiff's claim is governed by Berne amendments, effective for architectural drawings infringed after March 1, 1989, which have greatly diminished significance attached to copyright notice on work. Before Berne amendments, former § 405 provided basis for innocent infringement defense which reduced infringer's liability if work was publicly distributed without notice. Copyright notice is no longer factor for works published on or after March 1, 1989 and statute now limits innocent infringement defense to claims based on works publicly distributed with copyright owner's authority before March 1, 1989. Since publication here was based on defendants' receipt of specifications sheet, distributed in 1991, defendants were barred from asserting innocent infringement defense based on lack of notice. Court also discussed at length issue of whether plaintiff forfeited copyright to public domain by publication without notice. Court, however, was applying pre-Berne § 401(a), which provided that notice *shall* be placed on all publicly distributed copies. Court failed to mention that § 401(a) was amended to provide that copyright notice *may* be placed on publicly distributed copies. Thus, court's discussion of whether copies of plaintiff's works contained notice was irrelevant.

E. Section 110(5)

Cass County Music Co. v. Muedini, No. 93-3109, 1995 U.S. App. LEXIS 10897 (7th Cir. May 16, 1995)

Court reversed district court's ruling in favor of defaulting defendant restaurant owner and remanded for entry of judgment for plaintiffs, eight music publishing companies. Plaintiffs sought damages from restaurant owner, alleging copyright infringement arising from public performance of plaintiffs' six copyrighted musical compositions, played over restaurant's sound system as part of radio broadcast. Following its 1991 decision in *Broadcast Music, Inc. v. Claire's Boutiques, Inc.*, 949 F.2d 1482 (7th Cir. 1991), *cert. denied*, 112 S.Ct. 1942 (1992), court noted that whether particular sound system qualifies for § 110(5) "homestyle receiving apparatus" exception to infringement depends in part on whether establishment has configured home-type equipment in manner not commonly used at home. Court found that defendant's restaurant sound system, when assessed in totality, was not composed only of home-type components, nor was configured in manner commonly found at home, because system was augmented to accommodate 36 more speakers than receiver was designed to handle (although defendant actually used only nine speakers). Defendant was not exempt under § 110(5) and district court's ruling for defendant was reversed.

F. Miscellaneous

Kelly v. Deco Records, No. 94-1169, 1995 U.S. App. LEXIS 333
(4th Cir. Jan. 9, 1995)

Court affirmed grant of summary judgment to defendants, finding plaintiff's claims were barred by *res judicata* or by earlier settlement agreement with defendants. Plaintiff had signed release in Maryland action he brought against defendants, agreeing to dismiss suit and release defendants from all claims and demands based on defendants' alleged use of plaintiff's song. Plaintiff then filed present suit against defendants in Virginia, which was nearly identical to Maryland suit, but added certain state law claims based on events occurring after execution of release. Court held that portions of complaint identical to those in complaint for Maryland action were barred by claim preclusion and new state law claims were barred by release. New claims were closely associated with plaintiff's attempt to reopen negotiations concerning payment for song and release was broadly written to bar all claims and demands on account of or arising out of alleged use of plaintiff's song.

Big Tree Enters., Ltd. v. Mabrey, Copyright L. Rep. ¶ 27,354
(CCH) (10th Cir. 1994)

Tenth Circuit affirmed summary judgment for plaintiffs, owners of copyrights in songs publicly performed at defendant's establishment. Only disputed issue was whether defendant and ASCAP had licensing agreement in effect during 1992, year of alleged infringement. Although defendant alleged he had entered into agreement with ASCAP in 1991, which supposedly continued until terminated by notice, court found no such agreement existed in 1992. ASCAP in 1991 wrote defendant at least three times telling him he was unlicensed and faced legal action unless he executed licensing agreement. In addition, defendant never paid licensing fees called for by alleged agreement.

Twin Books Corp. v. Walt Disney Co., 877 F. Supp. 496 (N.D. Cal. 1995)

Court held that doctrine of licensee estoppel did not apply in copyright case, and thus did not preclude defendant-licensee from attacking validity of plaintiff's copyright in literary work *Bambi*. On issue of first impression, court followed Supreme Court holding in *Lear v. Adkins*, 395 U.S. 653 (1969), which found licensee estoppel inapplicable in patent cases. Court distinguished plaintiff's citation to *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191 (7th Cir. 1987), noting that *Rumbleseat* merely upheld explicit no-contest clause in copyright license and did not create general doctrine which "reads no contest clause into every licensing agreement."

VII. REMEDIES

A. Damages and Profits

Broadcast Music, Inc. v. Star Amusements, Inc., 44 F.3d 485 (7th Cir. 1995), *reh'g and reh'g en banc denied*, 1995 U.S. App. LEXIS 1815 (7th Cir. 1995)

In infringement action based on public performance, of jukeboxes, court affirmed award of statutory damages of \$140,000, which was maximum amount for non-willful infringement. District court based amount of award on fact that defendant had avoided \$75,000 in fees to Copyright Office by failing to register jukeboxes, as required by § 116 prior to 1990. District court wished to ensure that compliance would be less expensive than violation of copyright laws. Seventh Circuit approved using unpaid registration fees as basis for amount of damages, as more accurate than using total number of infringements. Real loss to plaintiff consists of unpaid fees, not number of coins placed in jukebox, and district court has broad discretion in fashioning statutory damages award. While district court must compute number of proven infringements when awarding statutory damages, here, parties had stipulated as to number of jukeboxes defendant operated during relevant period and court could infer that at least one copyrighted song was played on each jukebox per year. Furthermore, since jukeboxes do not record number of songs played, only way to precisely measure number of infringements would be to have person from BMI continuously sit and listen to jukeboxes.

Nintendo of America, Inc. v. Dragon Pacific Int'l, 40 F.3d 1007 (9th Cir. 1994)

Defendant imported and sold video cartridges compatible with plaintiff Nintendo's home video games. District court held defendant liable for copyright and trademark infringement and awarded statutory copyright damages of \$65,000 and trebled actual damages under Lanham Act of \$186,000. Defendants argued on appeal that award of both types of damages constituted impermissible "double recovery." Ninth Circuit first held that, in light of willful nature of infringement, \$65,000 award of statutory copyright damages (representing \$5,000 for each of 13 copyrighted games infringed) and trebled actual damages of \$186,000 under Lanham Act were appropriate awards within district court's discretion. Court then rejected double recovery argument, explaining that each award was for different wrong; copyright damages related to copying of Nintendo's games, while trademark damages resulted from unauthorized use of Nintendo name. Moreover, while award of actual damages under Lanham Act was designed to compensate plaintiff and avoid infringer's unjust enrichment, award of copyright statutory damages may serve different purposes, such as deterring infringement and protecting plaintiffs for whom lost profits

would be inadequate measure of damages. Rejecting defendants' secondary argument concerning apportionment, court explained that apportionment is not option in statutory damage awards, as it is for award of profits, and, in any case, district court assessed damages only for thirteen games that had been infringed and not for non-infringing games contained in same cartridges.

Nintendo of America, Inc. v. Aeropower Co., 34 F.3d 246 (4th Cir. 1994)

Fourth Circuit vacated damage award which combined statutory damage provision of Copyright Act and treble damages provision of North Carolina state unfair competition law. Defendant produced unauthorized copies of plaintiff's video games in Taiwan and sold them in U.S., Mexico and Canada. Finding eleven separate copyright infringements and violations of N.C. Gen.Stat. § 75-16, district court awarded \$10,000 in statutory damages for each infringement, or \$110,000, and then trebled that amount as allowed under state law, for total of \$330,000. Fourth Circuit vacated award for two reasons. First, citing *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), court held that Copyright Act provides exclusive remedy for copyright infringement, and contains no treble damage provision. To extent that defendant's infringement constituted violation of state Act as well, state Act would be preempted under § 301. Second, even if defendant committed independent violation of state Act, that Act allows trebling of actual damages only, not statutory damages "for parallel violations of federal copyright law." Thus, Fourth Circuit vacated intermixing of state and federal remedies and remanded to district court for reassessment of proper damages.

Walker v. Forbes, Inc., 28 F.3d 409 (4th Cir. 1994)

Fourth Circuit affirmed jury damage awarded of \$5,823 for infringement of photograph. Noting that § 504(b) allows only recovery of profits "attributable to the infringement," court upheld admission of defendant's testimony. Court also affirmed district court's refusal to instruct jury (a) that any doubts about apportionment of damages should be resolved in favor of plaintiff, and (b) that purpose behind awarding profits is to discourage copyright infringement. As to the first requested instruction, Fourth Circuit deemed as adequate lower court's instruction that defendant bears burden of proving by preponderance elements of profit attributable to factors other than copyrighted work. As to the second requested instruction concerning discouraging infringement, court concluded that instruction given correctly outlined jury's responsibility and avoided danger inherent in requested instruction of encouraging jury to arrive at punitive sum.

Data General Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147 (1st Cir. 1994)

In action for software infringement, First Circuit affirmed jury award of \$27 million in damages, but remanded for apportionment of \$1.6 million representing infringer's nonduplicative profits. Profits earned by defendant's computer servicing business included some directly attributable to use of infringing software, to which plaintiff was clearly entitled, and some in related areas which defendant might or might not have earned if not for its infringement. As to latter profits, First Circuit found that district court's charge to jury failed to apprise jurors that such profits may be apportioned under § 504(b) and need not all be awarded to either party. Circuit court noted that defendant presented compelling evidence favoring some apportionment, and that jury charge "may have unfairly affected" jury's conclusions, thus warranting remand.

Peer Int'l Corp. v. Luna Records, Inc., 92 Civ. 9295 (SS), 1995 U.S. Dist. LEXIS 3548 (S.D.N.Y. March 21, 1995)

Although court found defendants, who infringed plaintiffs' copyrights in musical compositions by making and producing phonorecords embodying such compositions, were liable for willful infringement, court awarded plaintiffs less than maximum award of statutory damages for non-willful infringement for six of seven compositions. Statutory damages should bear some relationship to actual damages, yet provision allowing for greater awards for willful infringements indicates statutory damages serve purposes of compensation and deterrence. To measure statutory damages, courts use fair market value of rights infringed, revenue plaintiff lost, profits defendant gained, infringer's state of mind and deterrence of future infringement. Court had no evidence of fair market value of rights infringed, revenue plaintiffs lost or profits defendants gained. Actual unpaid royalties for songs infringed varied from hundreds of dollars to couple of thousand dollars. According to court, plaintiffs misstated law in asserting they were entitled to \$100,000 for each work infringed because infringement was willful. Court stated that plaintiffs are not entitled to windfall recovery. In addition, court rejected plaintiffs' assertion that because \$20,000 is maximum amount of statutory damages for non-willful infringement, it should be minimum amount for willful infringement. Court awarded \$10,000 for each infringed work previously licensed by defendants, \$15,000 for one unlicensed composition and \$25,000 for second unlicensed composition upon which defendants based derivative work.

Broadcast Music, Inc. v. DeGallo, Inc., Copyright L. Rep. ¶ 27,357 (D.N.J. 01995)

Although court granted plaintiffs' motion for default judgment against defendants who operated nightclub at which plaintiffs' songs were

performed live and in recorded form, court only granted in part plaintiffs' request for statutory damages. Plaintiffs requested for \$14,000, based on \$2,000 for each of seven songs performed. In determining statutory damages, court was guided by cases where amount based on multiple of licensing fee sought and found that courts generally award two to five times licensing fee for willful, unauthorized performances. Court rejected basing award on number of songs infringed. Since virtually every copyrighted popular song is subject to licensing by BMI or ASCAP, number of documented infringements is really function of how long BMI representative is willing to spend at establishment to count copyrighted songs performed. Court awarded plaintiffs \$3,500 in damages. Amount was approximately five times licensing fee, was within range of other awards made by courts and was substantially more than licensing fee, thus serving as deterrent.

New Perspective Publishing Inc. v. Simon, 33 U.S.P.Q.2d 1537 (E.D. Tex. 1994)

Over three year period, plaintiffs, members of ASCAP, notified defendant club owner of repeated infringements of three of plaintiffs' copyrighted songs, but defendant refused to purchase license. After plaintiffs sued for infringement and defendant failed to answer complaint within specified time, plaintiffs moved for entry of default judgment enjoining defendant and awarding plaintiffs statutory damages, attorney's fees and costs. Based on plaintiffs' detailed affidavit spelling out \$2,280.17 in license fees defendant had avoided paying, costs of documenting infringements and bringing action, and defendant's willful infringement, Court awarded statutory damages of \$2,500 per song infringed, for total sum of \$7,500.

Polygram Int'l Publishing, Inc. v. Nevada/TIG, Inc., 855 F. Supp. 1314 (D. Mass. 1994)

Plaintiffs, copyright holders of ten songs and members of ASCAP, sued defendant organizers of computer trade show for unauthorized performances of songs by exhibitors at trade show and entertainers at related awards ceremony. Finding that plaintiffs had failed to make *prima facie* showing that defendants were either vicariously or contributorily liable, the Court nonetheless addressed issue of statutory damages for purposes of appellate review. Plaintiffs sought statutory damage award of \$5,000 for each of ten infringed songs. Court explained that factors relevant to a discretionary award of statutory damages include expenses saved and profits reaped by defendant, plaintiff's losses, deterrent effect of award, and relative willfulness of infringement. Acknowledging uncertainty in case governing trade show organizers, court declined to consider lost li-

cense fees or deterrent value award might have, and stated that appropriate total award for all infringements would be \$6,000.

Universal City Studios, Inc. v. Ahmed, 31 U.S.P.Q.2d 1839 (E.D. Pa. 1994)

Court awarded plaintiffs statutory damages of \$20,000 against each defendant in action based on defendants' sale of counterfeit videocassettes of film "Jurassic Park." Because defendants failed to plead or otherwise defend action, plaintiffs sought statutory damages award by way of default judgment. Under § 504 of Act, plaintiff may recover statutory damages of not less than \$500 or more than \$20,000 as court considers just. In awarding statutory damages, court has broad discretion in determining award and will look at following factors: (1) expenses saved and profits reaped by defendant in connection with infringement; (2) revenues plaintiff lost; and (3) whether infringement was willful and knowing, or accidental and innocent. Courts, also will focus on intent factor and may award statutory damages even if no evidence exists as to defendant's profits, defendant's costs avoided or plaintiff's lost profits because, in addition to compensating copyright owner for losses, statutory damages are designed to deter future infringement. Here, plaintiff could not provide evidence as to defendants' profits, defendants' costs avoided or plaintiffs' lost profits because defendants did not answer complaint or participate in discovery. Nevertheless, court found statutory damages were warranted since plaintiffs had sustained burden of proving defendants willfully infringed. Defendants sold videocassettes of movie at time when videocassettes were not yet legally available. Since it is common knowledge videocassettes are not released until months or years after motion picture's theatrical distribution, defendants' knowledge that they were infringing, or at least defendants' reckless disregard of plaintiffs' rights, could be inferred.

Omiogui v. W.B. Saunders Co., 30 U.S.P.Q.2d 1716 (E.D. Pa. 1994)

Court awarded \$50,000 as statutory damages and \$32,000 as attorney's fees to author where author had submitted manuscript to academic publisher for review, manuscript was rejected, and publisher later issued work under different author's name. While publisher promptly withdrew work and consented to permanent injunction, jury verdict of \$700,000 also issued on grounds of unfair competition and breach of confidential relationship, punitive portion of which was later reduced by court from \$500,000 to \$50,000.

Princeton Univ. Press v. Michigan Document Servs., 855 F. Supp. 905 (E.D. Mich. 1994)

Court awarded enhanced statutory damages of \$5,000 per infringed work, for total of \$30,000, stating that "[c]ontrary to defendant's argu-

ment, case law is not in hopeless conflict" on illegality of commercial copy shop's unauthorized photocopying of excerpts from copyright materials for inclusion in college coursepacks. Court also noted that imposing substantial damages appeared necessary, in light of defendant's contention that injunction should be limited to specific publishers and copyrighted works involved in case.

Richmond Homes Management Inc. v. Raintree, Inc., 862 F. Supp. 1517 (W.D. Va. 1994)

Where builder sold homes constructed from infringing architectural designs, court apportioned defendant's fixed overhead costs between infringing and non-infringing sales. For purposes of calculating permissible deduction from gross profits, court reduced defendant's fixed overhead from 12% to 3.36%, because infringing homes represented only 28% of defendant's yearly sales.

B. Attorney's Fees

Apple Computer Inc. v. Microsoft Corp., 35 F.3d 1435 (9th Cir. 1994), *cert. denied*, 1995 U.S. LEXIS 1535 (1995)

Ninth Circuit affirmed summary judgment for defendants in software infringement action, and remanded for reconsideration of defendants' fee request in light of "greater discretion" authorized by Supreme Court in *Fogerty v. Fantasy, Inc.*, 114 S. Ct. 1023, 1033 (1994). Defendant's fee request initially refused by district court, since Ninth Circuit precedent permitted fee awards to defendants only upon showing that plaintiff acted frivolously or in bad faith. Since *Fogerty* made fee awards available to plaintiffs and defendants alike under single standard of court's discretion, and since district court invited defendants to renew their fee request if *Fogerty* were to change law of circuit, court followed *Jackson v. Axton*, 25 F.3d 884 (9th Cir. 1994) and remanded fee issue to district court.

CK Co. v. Burger King Corp., 34 U.S.P.Q.2d 1319 (S.D.N.Y. 1995)

Court denied plaintiff's motion for reargument of prior order granting defendants' motion for summary judgment in copyright infringement action. Court further denied defendants' cross-motion for costs including attorney's fees. Plaintiff created cartoon characters entitled "Curious Kids" and alleged that defendant fast food restaurant and restaurant's advertising agency infringed plaintiff's copyright by featuring "Kids Club" cartoon characters in restaurant's commercials and promotional materials. Court recognized that award of fees must be evenhanded and noted that "objectively unreasonable" conduct is sufficient to subject party to award of attorney's fees under § 505. Court found that here plaintiff's arguments were not objectively unreasonable, but merely unsuccessful, and accordingly denied defendants' cross-motion for attorney's fees.

Robinson v. Random House, Inc., 877 F. Supp. 830 (S.D.N.Y. 1995)

Plaintiff sought declaration that his book did not infringe defendants' copyrighted biography of founder of Pan Am Airlines, defendants counterclaimed for infringement, and both parties moved for summary judgment. On summary judgment, court permanently enjoined plaintiff, who conceded that he had taken 25-30 percent of defendants' book verbatim or by close paraphrase, from further publication of his book. Without referring to *Fantasy v. Fogerty*, 114 S.Ct. 1023 (1994) court noted that "fees are generally awarded to a prevailing plaintiff," and that declaratory judgment plaintiff here had acted in bad faith in copying and publishing his work. Court thus awarded attorney's fees against him.

Williams v. Crichton, 33 U.S.P.Q.2d 1798 (S.D.N.Y. 1994)

Court awarded attorney's fees to prevailing defendants after granting summary judgment that defendant's novel "Jurassic Park" did not infringe plaintiff's series of children's books. Noting absence of Second Circuit authority on fee awards since Supreme Court's decision in *Fogerty v. Fantasy, Inc.*, 114 S. Ct. 1023 (1994), court adopted "objective unreasonableness" standard from Third Circuit and *Screenlife Establishment v. Tower Video*, 33 U.S.P.Q.2d 1295 (S.D.N.Y. 1994). Finding no "novel" or "complex" issues presented by plaintiff's claim, and no similarity between works save for "highly selective, scattered details," court based award of fees on "same finding" underlying its grant of summary judgment. In determining amount of award, court noted that it might consider "defendant's candid assertion that this case was neither novel nor complex," implying that some reduction in amount of award might be warranted.

Agee v. Paramount Communs., Inc., 869 F. Supp. 209 (S.D.N.Y. 1994)

In case involving unauthorized use of sound recordings as background for segment of television program, court made partial award of attorney's fees to defendants who prevailed on summary judgment motion. Pending outcome of appeal to Second Circuit, court postponed grant of fees in connection with argument on merits of case, but awarded defendants' fees in connection with two procedural steps taken by plaintiff during course of litigation. First, plaintiff moved to disqualify defendants' counsel for conflict of interest on grounds that counsel represented both producer of allegedly infringing program and individual stations which aired program. Court found no evidence of conflict on such facts, however, and held that motion was brought solely to harass defendants and drive up cost of litigation. Thus, court awarded defendants \$20,760 in attorney's fees incurred defending against motion. Second, plaintiff wrongfully obtained *ex parte* TRO without giving notice as required by Rule 65(b) and without inform-

ing court that defendants had agreed to refrain from rebroadcasting allegedly infringing program. Court found such conduct "in bad faith, misleading and without merit" and awarded defendants \$3,962 in fees related to TRO. Further, court denied plaintiff's request to limit award to fees incurred by producer of program, not individual stations. Noting that plaintiff's conduct warranted award of fees under court's inherent powers and 28 U.S.C. § 1927 as well as under § 505 of Copyright Act, court found no basis for imposing fees only with respect to defendant which holds copyright in allegedly infringing program, particularly since plaintiff submitted no evidence that sanction would be financially ruinous.

Screenlife Establishment v. Tower Video, Inc., 865 F. Supp. 1047 (S.D.N.Y. 1994)

Court awarded defendants costs and attorney's fees under § 505 of Act, where only litigated claim in action was for actual damages, claim was denied after trial and court found plaintiff's pursuit of damages claim objectively unreasonable. Plaintiff brought suit based on defendant's sale in U.S. of twenty-seven English language laser disks of movie "Return from the River Kwai" with Japanese subtitles and Japanese/English covers, which defendants had acquired from Japanese subsidiary. Upon receiving notice of plaintiff's complaint, defendants immediately offered plaintiff consent permanent injunction barring them from infringing plaintiff's U.S. copyright rights and their net profits from sale of twenty-seven video disks. When plaintiff refused to settle and instead pressed its claim for damages, defendant made offer of judgment under Fed. R. Civ. P. 68. Plaintiff's pursuit of damages claim was objectively unreasonable, court concluded, because at time of trial U.S. distributor of movie had succeeded in declaratory judgment action brought to terminate distribution agreement and U.S. television and home video release were also uncertain because by contract they were made contingent on theatrical release. Thus, plaintiff could not prove actual damages, and court concluded that defendants were prevailing party under § 505 since they succeeded on only litigated claim in case. In absence of Second Circuit precedent on issue, court went on to decide that prevailing parties post-*Fogerty* should be treated in same way as prevailing defendants were pre-*Fogerty*, i.e., they should be granted fees where their adversary's position was objectively unreasonable, baseless, frivolous or made in bad faith. Court reasoned that evenhanded approach mandated by *Fogerty* required it either to award fees to prevailing parties as matter of course, treating prevailing plaintiffs and defendants as prevailing plaintiffs had been treated pre-*Fogerty*, or treat them as prevailing defendants had been treated pre-*Fogerty*. It opted for latter approach, relying on purpose of Copyright Act to encourage plaintiffs to bring suit to enforce their rights, dictum from *Fogerty* suggesting several non-exclusive

factors to guide courts' discretion in making fee awards including "frivolousness, motivation, and objective reasonableness," and Fourth Circuit's decision in *Diamond Star Building Corp. v. Sussex Co. Builders, Inc.*, 21 F.3d 59 (4th Cir. 1994) (awarding attorney's fees to prevailing defendant, where plaintiff had asserted "utterly meritless claim"). Fees awarded from date of defendant's offer of judgment, because it was at that point, court found, that plaintiff's continuing litigation became objectively unreasonable.

Woods v. Bourne Co., 858 F. Supp. 399 (S.D.N.Y. 1994)

In earlier opinion, Court had awarded plaintiffs, heirs to composer of popular song, certain performance royalties held by ASCAP and income collected by defendant publisher for sheet music sales. Plaintiffs moved for attorney's fees, and court considered motion in light of *Fogerty v. Fantasy, Inc.*, 114 S. Ct. 1023 (1994), which it understood to authorize discretionary fee award where either party "unsuccessfully pressed a position that is objectively unreasonable either in fact or law." Key issue in underlying action had been whether publisher was entitled to income from sheet music sales during nineteen-year extension of original copyright term, during which rights to underlying work would generally revert to composer's heirs pursuant to 17 U.S.C. § 304(c)(6)(A). Defendant publisher had argued that sheet music versions it had sold differed from original lead sheet submitted to Copyright office by composer and thus constituted derivative works which it could continue to exploit under statutory exception to reversion provision. Court held defendant's argument objectively unreasonable in light of industry practice, absence of any creative additions to original song, and various judicial opinions clarifying that simple sheet music variations do not qualify as derivative works. Court tempered its holding by noting that award of full fees might bear too heavily on defendant, and ordered plaintiffs to submit documentation to support award of reasonable attorney's fees.

Carter v. Helmsley-Spear, Inc., 861 F. Supp. 303 (S.D.N.Y. 1994)

In first application of 1990 Visual Artists Rights Act (VARA), district court enjoined removal or destruction of site-specific sculpture in lobby of commercial building, but made no award of attorney's fees to prevailing plaintiffs. Artists were contracted by owner of building to create and install work. After more than two years, building was sold and new owners sought to remove still-unfinished work. Artists obtained preliminary injunction under VARA, which prevents distortion, mutilation or other modification of artworks covered by statute. After bench trial found works within coverage of statute, court entered injunction prohibiting destruction or alteration of work during artists' lifetime. Court declined to

award attorney's fees, however, finding owner's position neither frivolous nor objectively unreasonable. Noting that VARA rights had never before been litigated, court found "on this basis alone it would be inappropriate" to award fees to prevailing plaintiffs. Currently *sub judice* in Second Circuit.

Bourne Co. v. Walt Disney Co., 31 U.S.P.Q.2d 1858 (S.D.N.Y. 1994)

In action for unauthorized use of plaintiff's musical compositions in defendant's videocassettes and television advertising, court denied plaintiff's fee request. Court noted that under Supreme Court ruling in *Fogerty v. Fantasy, Inc.*, 114 S. Ct. 1023 (1994), award of fees to prevailing party is discretionary rather than automatic. Citing novelty of issues presented and good faith of defendant's arguments, as well as plaintiff's mixed result at trial, court declined to award fees, but allowed recovery of taxable costs.

Avtec Systems, Inc. v. Peiffer, Copyright L. Rep. (CCH) ¶ 27,360 (E.D. Va. 1994)

At bench trial, plaintiff was denied relief on claim of copyright infringement of computer program, but Fourth Circuit vacated judgment and remanded for reconsideration. On remand, district court found that program was not work for hire owned by plaintiff, but was rather owned by defendant employee who authored program outside scope of employment. In assessing defendant's application for attorney's fees, court applied Fourth Circuit factors: parties' motivations, objective reasonableness of legal and factual positions advanced, and need to advance considerations of compensation and deterrence. Court denied employee's request for fees, noting that neither party "substantially prevailed" in any phase of litigation and that both parties had advanced persuasive legal and factual positions.

Superior Form Builders v. Dan Chase Taxidermy Supply Co., 33 U.S.P.Q. 2d 1934 (E.D. Va. 1994)

Court awarded costs and attorney's fees after jury found willful infringement of plaintiff's deer, otter and raccoon taxidermy forms. Applying four-factor analysis from *Diamond Star Bldg. Corp. v. Sussex Co. Builders, Inc.*, 21 F.3d 59, 61 (4th Cir. 1994), court held that jury's finding of willfulness, though not dispositive, weighed strongly in plaintiff's favor. Court also held that defendant's argument that plaintiff's forms were not copyrightable, based on factually distinguishable case from different jurisdiction, was not well-grounded in fact or law, and that defendant's continued reliance on same argument after court denied summary judgment motion was objectively unreasonable. Court next held that defendant's long history of copyright infringement suits, and current litigation of similar actions elsewhere, justified award of fees to advance goal of deter-

rence. Finally, court found that defendant's continued attempts to confuse jury with irrelevant issues during trial weighed in favor of plaintiff's fee award.

Richmond Homes Management Inc. v. Raintree, Inc., 862 F. Supp. 1517 (W.D. Va. 1994)

Where builder sold homes constructed from infringing architectural designs, court declined to award attorney's fees to prevailing plaintiff despite finding for plaintiff on three of four discretionary factors. Court weighed factors articulated in *National Broadcasting Co. Inc. v. Sonneborn*, 630 F. Supp. 524, 542 (D. Conn. 1985) and found defendant "fully satisfied" first factor, because it litigated novel and complex issues vigorously and in good faith. Other factors favored plaintiff, since defendant was not innocent infringer, plaintiff did not pursue action in bad faith, and defendant made no good faith effort to avoid infringement. Specifically, court held that defendant's attempt to reach settlement after infringement was not sufficient to show good faith. Nonetheless, court emphasized importance of first factor and made no fee award.

Princeton Univ. Press v. Michigan Document Servs., 33 U.S.P.Q. 2d 1638 (E.D. Mich. 1994)

Court granted plaintiffs' application for attorney's fees, reducing award by amount court considered excessive for counsel's work. Plaintiff had previously prevailed on merits of its copyright infringement claim based on defendants' unauthorized reproduction of plaintiffs' copyrighted works for publication as university student coursepacks. In determining reasonable attorney's fees, court considered number of hours expended by attorneys, prevailing market rates in relevant community and success achieved by attorneys.

New Perspective Publishing Inc. v. Simon, 33 U.S.P.Q.2d 1537 (E.D. Tex. 1994)

Over three year period, plaintiffs, members of ASCAP, notified defendant club owner of repeated infringements of three of plaintiffs' copyrighted songs, but defendant refused to purchase license. After plaintiffs sued for infringement and defendant failed to answer complaint within specified time, plaintiffs moved for entry of default judgment enjoining defendant and awarding plaintiffs statutory damages, attorney's fees and costs. Noting that awards of fees are discretionary with the Court under *Fogerty v. Fantasy*, 114 S. Ct. 1023 (1994), and that fees are routinely awarded in copyright infringement actions, court awarded plaintiffs reasonable fees and costs in amount to be determined from further submissions by plaintiff.

Kebedeaux v. Schwegmann Giant Super Markets, Inc., 33 U.S.P.Q.2d 1223 (E.D. La. 1994)

Court denied prevailing defendant's request for attorney's fees where plaintiff had good faith belief that his advertising jingle was infringed by defendant's advertisement. Noting that factors announced by Supreme Court in *Fogerty v. Fantasy, Inc.*, 114 S. Ct. 1023 (1994) were nonexclusive, court considered fact that plaintiff consulted expert before bringing claim, and existence of genuine issues of fact not resolved until trial, as indications of plaintiff's good faith. Court found it would be inconsistent with purpose of Act to deter plaintiffs such as this one from suing when they had good faith reason to believe their copyrights were infringed.

Arista Records, Inc. v. Tysinger, 867 F. Supp. 345 (M.D. N.C. 1994)

Following default judgment, court granted plaintiffs' motion for reconsideration on attorney's fees issue and awarded plaintiffs \$10,855.50. Relying on defendants' conviction in state court for failing to show true manufacturer's name on packaging of sound recordings, court found defendants' infringement of recordings to have been in bad faith and willful. Court also cited fact that plaintiffs had prevailed on 112 out of 113 claims of infringement brought, and need for compensation and deterrence.

Universal City Studios, Inc. v. Ahmed, 31 U.S.P.Q.2d 1839 (E.D. Pa. 1994)

Court awarded plaintiffs' costs and attorneys' fees in action against defendants who infringed copyright in film "Jurassic Park" by selling counterfeit videocassettes of motion picture. According to court, award of costs under Act is mandatory and award of attorney's fees is within court's discretion. Court held that where, as here, defendants are found to have willfully infringed, award of attorney's fee is appropriate. Court also found \$12,452.20 award that plaintiffs sought was reasonable since it represented less than one-tenth of total award of damages.

Omiogui v. W.B. Saunders Co., 30 U.S.P.Q.2d 1716 (E.D. Pa. 1994)

Court awarded \$50,000 as statutory damages and \$32,000 as attorney's fees to author where author had submitted manuscript to academic publisher for review, manuscript was rejected, and publisher later issued work under different author's name. Court awarded only 25% of total attorney's fees sought, since fees attributable to copyright claim were small portion of effort expended on entire litigation.

Hilliard v. Mac's Place Inc., 30 U.S.P.Q.2d 1559 (W.D. Wash. 1994)

In action based on infringement of plaintiff's illustration known as "Earl's Orange," court held that § 412 of Copyright Act did not bar recovery of statutory damages and attorneys' fees where only registration prior

to infringement's commencement was by third party which registered entire magazine in which plaintiff's illustration appeared. Court relied on holding and reasoning of *Curtis v. General Dynamics Corp.*, 18 U.S.P.Q.2d 1608 (W.D. Wash. 1990). According to *Curtis*, registration of periodical puts public on notice that all elements of magazine are copyrighted, and so does not undermine Congress' intent to limit awards of statutory damages and attorneys' fees where there is no registration of infringed work.

Video Arts, Ltd. v. Gateway 2000, Inc., Copyright L. Rep. (CCH) ¶ 27,327 (N.D. Ill. 1994)

Court denied plaintiff's petition for award of costs, including attorney's fees, following plaintiff's acceptance of offer of judgment in copyright infringement action. Plaintiff producer and seller of corporate training videotapes brought suit for copyright infringement against customer who ordered videotape, made two copies of it, and then returned original videotape to plaintiff as damaged. After entry of judgment based on Offer of Judgment, plaintiff subsequently sought costs, including attorney's fees, pursuant to Fed. R. Civ. Pro. 68. Court found Rule grants court discretion to award costs and attorney's fees so long as offer does not "implicitly or explicitly" exclude costs. Here, however, court found award of costs and attorney's fees unwarranted, concluding that Offer of Judgment implicitly excluded costs in light of prior settlement negotiations.

Marshal & Swift v. BS&A Software, 871 F. Supp. 952 (W.D. Mich. 1994)

District court granted partial summary judgment for publisher of cost appraisal schedules and made partial award of plaintiff's attorney's fees, where defendant sold computer program containing data taken from plaintiff's work. Plaintiff, under contract from state of Michigan, which permitted plaintiff to retain copyright, produced printed cost schedules in 1986 and updated version in 1991. Since 1991 update was not registered prior to commencement of suit, however, court awarded damages and fees only for pre-1991 infringement, *i.e.* \$9450 out of total \$95,255 prayed for. Because lodestar calculation of fees "may be excessive" where plaintiff achieves "only partial or limited success," court reduced lodestar amount by one third. As basis for granting fee award, court emphasized defendant's repeated refusals to license data from plaintiff, coupled with defendant's "avoidance of this issue" at trial. Under all circumstances, court inferred that defendants had no belief in validity of their legal position but instead merely sought to test plaintiff's willingness to litigate.

C. *Injunction/Impoundment*

Fisher-Price, Inc. v. Well-Made Toy Mfg. Corp., 25 F.3d 119 (2d Cir. 1994)

Plaintiff obtained preliminary injunction against defendant for infringing plaintiff's baby dolls, and defendant appealed. Defendant argued, *inter alia*, that plaintiff undermined its case for irreparable harm by allegedly waiting six months after it first knew of defendant's infringement before filing suit. Court first noted that if copyright holder unreasonably delays in prosecuting claim, it may lose benefit of presumption of irreparable harm that normally attaches to successful showing of infringement. However, where delay is caused by plaintiff's unawareness of severity of infringement or good faith efforts to investigate infringement, presumption of irreparable harm is not rebutted. Plaintiff in case at hand had heard rumors that defendant might be marketing suspiciously similar product in June of 1992, but was unable to locate example of suspected infringement until November and sued within two weeks of examining infringing product. Court found under circumstances that plaintiff had not unreasonably delayed.

CMM Cable Rep. Inc. v. Ocean Coast Properties Inc., 48 F.3d 618 (1st Cir. 1995)

First Circuit held that appeal from denial of temporary restraining order was moot, where allegedly infringing radio promotion was no longer being aired, defendant's counsel represented that it would not be aired until infringement action was concluded, and alleged unjust enrichment of defendant from past conduct was not "irreparable harm" to plaintiff. Thus, court found that cessation of radio campaign, with no expectation of further broadcast during litigation, deprived court of jurisdiction to enjoin "event which has already fully occurred."

Saban Entertainment Inc. v. 222 World Corp., 865 F. Supp. 1047 (S.D.N.Y. 1994)

Court granted preliminary injunction against defendant retail toy store which sold allegedly infringing "Mighty Morphin Power Rangers" figures, finding likelihood of success on merits. Relying on *Mattel, Inc. v. Azrack-Hamway Int'l*, 724 F.2d 327 (2d Cir. 1983), defendant tried to rebut presumption of irreparable harm by arguing that plaintiff could not practically meet "insatiable demand" for its products and thus would not be harmed by defendant's sales. *Mattel* only considered plaintiff's inability to satisfy demand for its products as one factor in balance of hardships analysis, not irreparable harm analysis, and in any event plaintiff had shown further harm resulting from inferior quality of defendant's infringing goods.

Bourne Co. v. Walt Disney Co., 31 U.S.P.Q.2d 1858 (S.D.N.Y. 1994)

In action for unauthorized use of plaintiff's musical compositions in defendant's videocassettes and television advertising, court imposed permanent injunction requiring defendant to obtain license for any future use of compositions in television advertisements. Jury verdict found defendant's use of compositions in videocassettes themselves non-infringing. Citing defendant's extensive use of songs in past ads as well as difficulty of detecting infringements, court found threat of continuing violation sufficient to warrant injunction. Plaintiff's requests for surrender and destruction of infringing tapes, and for accounting of all unlicensed advertisements, were denied.

Reuters Television Ltd. v. CEL Communs., Inc., Copyright L. Rep. (CCH) ¶ 27,316 (S.D.N.Y. 1994)

Court issued permanent injunction after defendants failed to abide by court's prior order as to use of plaintiff's copyrighted materials. Court earlier held defendants breached license agreement and infringed plaintiff's copyrights. Although court issued injunction, court ruled defendants could make limited use of copyrighted materials if they made certain payments. When check to plaintiff was dishonored, plaintiff moved for permanent injunction on such basis, also alleging defendants had further disregarded plaintiff's rights under license agreement after trial. Court granted plaintiff's motion, finding defendants' disregard of plaintiff's copyrights established threat of continuing violation and harm caused to defendants by injunction was irrelevant. Under original order, court ruled plaintiff could enforce judgment and injunction if timely payments were not made.

Time Warner Entertainment Co. v. Doe, 876 F. Supp. 407 (E.D.N.Y. 1994)

Court denied plaintiffs' *ex parte* application for preliminary injunction and order of seizure of allegedly counterfeit apparel bearing plaintiffs' copyrighted designs. Plaintiffs requested that court authorize private investigative service to break into and enter defendants' residence and business location at which defendants allegedly were manufacturing, selling and distributing counterfeit merchandise bearing Mighty Morphin Power Rangers and Looney Tunes cartoon characters. Noting that § 503(a) of Act provides for impoundment of infringing goods and that seizures pursuant to civil actions are subject to Fourth Amendment scrutiny, court found that plaintiffs' request violated Fourth Amendment in two respects. First, Second Circuit disapproved search and seizure by private agents in copyright case, holding seizure and impoundment should be conducted by sheriff or other officer of the law. Second, plaintiffs failed to provide suffi-

cient particularity for premises to be searched and articles to be seized. Court accordingly denied plaintiffs' application.

Century Home Entertainment, Inc. v. Laser Beat, Inc., 859 F. Supp. 636 (E.D.N.Y. 1994)

Plaintiff, copyright holder of videocassettes containing Chinese Language motion pictures, successfully obtained *ex parte* order pursuant to 17 U.S.C. § 503 authorizing immediate seizure of allegedly infringing videocassettes in defendants' possession. After seizure of video tapes and certain copying equipment defendants filed motion attacking validity of seizure. Noting that plaintiff had provided it with lists of registrations and of infringing videos acquired by investigators, court rejected defendants' first argument that plaintiff had not adequately identified tapes it owned. Court next rejected defendants' argument that temporary restraining order, rather than impoundment, would have sufficed to protect plaintiff. Plaintiff's allegations that "persons such as the defendants" had attempted to destroy or hide infringing tapes in similar circumstances justified seizure to protect evidence from destruction. Court further upheld seizure of copying equipment that had both illegal and legitimate uses; legal uses of equipment did not "legitimate" infringing uses and immunize equipment from seizure. Finally, court found that no evidence substantiated defendants' claim that they had oral license from plaintiffs to distribute seized videocassettes.

Universal City Studios, Inc. v. Ahmed, 31 U.S.P.Q.2d 1839 (E.D. Pa. 1994)

Court awarded plaintiffs permanent injunctive relief against defendants who infringed plaintiffs' copyright in film "Jurassic Park" by selling counterfeit videocassettes of film and permitted plaintiffs to destroy infringing merchandise and reasonably dispose of hardware used to infringe. Under § 502 of Act, court may order permanent injunction to prevent further infringement if plaintiff establishes past infringement and substantial likelihood of future infringement. Court had found defendants' infringement was willful and un rebutted finding of willful infringement permits inference of substantial likelihood of future infringement. In addition, court found such likelihood confirmed by defendants' total disregard for matter as evidenced by their failure to answer complaint or appear at depositions. Court also granted plaintiffs permission to destroy infringing goods and distribute hardware to charities, since, under § 503, court may order destruction or other reasonable disposition of infringing copies and all means by which copies may be reproduced.

Uniscore Inc. v. New Jersey Education Ass'n, 30 U.S.P.Q. 2d 1972 (E.D. Pa. 1994)

Court denied plaintiff's motions for preliminary injunction and temporary restraining order against teachers' organization which allegedly infringed copyright in plaintiff's computer-tabulated election ballots. After defendant mailed allegedly infringing ballots to its members in connection with pending election, plaintiff sought to enjoin electronic copying of completed ballots for tabulation of results. Because defendant claimed that it, and not plaintiff, authored ballots used in election, court found that plaintiffs had not shown ownership despite *prima facie* validity of registration certificates. Thus, plaintiff failed to show likelihood of success on merits. Further, plaintiff failed to demonstrate prospect of irreparable harm if ballots were electronically copied, since any harm would be compensable in money damages. Finally, public interest militated strongly against enjoining election, since many of defendants 140,000 members might be denied right to elect representatives if school year ended before new election could be held.

D. Miscellaneous

Aerospace Servs. Int'l v. LPA Group, 49 F.3d 719 (11th Cir. 1995)

Eleventh Circuit affirmed district court's refusal to award statutory damages or attorney's fees, where plaintiff's work fell under doctrine of limited publication. Pursuant to subcontractor agreement, plaintiff provided defendant and Federal Aviation Authority with compilation of technical requirements for airport security systems. Work was not distributed to general public, and bore restrictive notice which prohibited all uses except defendant's use in performing specific contract. Finding that work was communicated to "definitely selected group and for limited purpose, and without right of diffusion, reproduction, distribution or sale," court found no error in district court's refusal to award statutory damages or attorney's fees.

Microsoft Corp. v. A-Tech Corp., 855 F. Supp. 308 (C.D. Cal. 1994)

In copyright and trademark infringement action based on alleged counterfeiting of Microsoft's MS-DOS 6.0 and new WINDOWS 3.1 operating systems, court denied Microsoft's motion to dismiss defendants' counterclaims alleging: (1) abuse of process; (2) unfair business practices; and (3) interference with business relations. Defendants alleged Microsoft committed abuse of process by intentionally requesting *ex parte* temporary restraining order which froze assets substantially in excess of amount of damages Microsoft could recover. In addition, since California Unfair Practices Act provides cause of action against business practice that is forbidden, defendants argued they had claim for unfair business practice if

claim for abuse of process was stated. Elements of abuse of process claim are: (1) ulterior purpose; and (2) willful act in use of process not proper in regular conduct of proceeding. Following rationale of *White Lighting Co. v. Wolfson*, 68 Cal.2d 336, 66 Cal. Rptr. 697, 438 P.2d 345 (1968), court here held alleged illegitimate use of asset freeze process by tying up more assets than is reasonably necessary provides basis for abuse of process claim. Court also held defendants stated claim for unfair business practices, under California law, by alleging Microsoft attempted to deprive them of necessary funds to operate their legitimate business. Finally, court rejected Microsoft's arguments that defendants' counterclaims were barred under California Civil Code § 47, which prohibits claims based on publication or broadcast, *i.e.*, one made in course of judicial proceeding. Court ruled § 47 does not bar counterclaims, including one for intentional interference with economic relations, since they are based on Microsoft's conduct — misuse or misapplication of otherwise legitimate process allegedly to deprive defendants of necessary assets — rather than on any communication or publication Microsoft made, including statements in application for asset freeze.

VIII. PREEMPTION

Daboub v. Gibbons, 42 F.3d 285 (5th Cir. 1995)

Fifth Circuit affirmed grant of summary judgment for rock group ZZ Top on claim that its 1975 song "Thunderbird" infringed plaintiffs' 1950's song of same name. Defendants conceded that songs were musically and lyrically identical, but Fifth Circuit upheld summary judgment because plaintiffs' various state and federal claims were either preempted under § 301 or barred by statute of limitations. Under § 301, court first found that § 301(c), which allows state protection for pre-1972 sound recordings, did not apply, since it pertains only to sound recordings and not to underlying musical works embodied thereon. Since plaintiffs alleged copying of song itself, equivalent state claims were properly found subject to preemption under § 301(a). Further, since plaintiffs' state claims all centered on wrongful copying, distribution and performance of song, plaintiffs showed no additional elements which rendered claims "different in kind from copyright infringement."

Anderson v. Nidorf, 26 F.3d 100 (9th Cir. 1994), *cert. denied*, 1995 U.S. LEXIS 2269 (1995)

Petitioner appealed district court's denial of habeas corpus petition challenging conviction under California Penal Code § 653w for failure to disclose origin of sound recording. In response to petitioner's argument that the penal statute was preempted by Copyright Act, Ninth Circuit explained that § 301(a) only preempts state created right which would be

violated by act which in and of itself would infringe one of exclusive rights listed in § 106. Alternatively, if violation of state created right is predicated upon act "incorporating elements beyond mere reproduction or the like," there is no preemption. While acknowledging that California statute was partly intended to protect rights of copyright owners in sound recordings, Ninth Circuit noted that state statute also was designed to protect consumers in way not addressed by copyright law. Court further noted that statute did not criminalize act of reproduction, which "in and of itself" would violate § 106, but rather failure to disclose manufacturer or author of sound recordings. Because statute thus incorporated elements "beyond mere reproduction or the like," it was not preempted.

Data General Corp. v. Grumman Systems Support Corp., 36 F.3d 1147 (1st Cir. 1994)

In action for software infringement and related claims, First Circuit affirmed summary judgment for plaintiff computer company and rejected defendant's argument that state trade secret claims were preempted under § 301(a) of Copyright Act. Court employed "extra element" test to find that Massachusetts trade secret law required showing of wrongful acquisition, such as by breach of express or implied confidentiality agreement, and thus was qualitatively different from copyright infringement claim.

Galet v. Carolace Embroidery Products Co., 32 U.S.P.Q.2d 1830 (S.D.N.Y. 1994)

Plaintiff brought action pro se alleging, *inter alia*, that defendant's continued use of computer programs for which plaintiff had previously provided consulting services constituted copyright infringement. At close of discovery, defendant moved for summary judgment, court held numerous hearings on continuing infringement issue, and plaintiff belatedly requested leave to amend his complaint to assert new cause of action for copyright infringement under federal law. Court found that request to amend amounted to admission that Complaint did not allege copyright claim under federal law, and that complaint's invocation of diversity jurisdiction rather than federal question jurisdiction further proved that plaintiff's claim was based only on common law copyright. Citing 17 U.S.C. § 301(a), court held that common law copyright claims based on infringements occurring after January 1, 1978 were preempted and dismissed claim.

Gemel Precision Tool Co. v. Pharma Tool Corp., Copyright L. Rep. (CCH) ¶ 27,369 (E.D. Pa. 1995)

Owner of copyright in blueprints and computer databases for pharmaceutical machine which packages pills sued defendants for copyright infringement, conversion, misappropriation of trade secrets, and unfair

competition. Defendants moved to dismiss common law claims as preempted. Applying two part test under § 301, court first held that matter within state law claims — blueprints and databases — were within the subject matter of copyright. Turning to second step for determining whether state law seeks to protect rights equivalent to exclusive rights in § 106, court held conversion claim preempted because, like copyright claim, it was based on defendants' appropriation and copying of blueprints and databases to manufacture machine identical to plaintiff's. Unfair competition claim similarly preempted to extent it was based on use of copyrighted blueprints and databases, but survived as to claims of diversion of customers, interference with employment contracts, and conversion of customer files and other non-copyrighted materials and information. Trade secrets claim also preempted to extent it was based on use of materials to copy plaintiff's machine, but not as to claimed breach of former employee's duty of confidentiality as to trade information.

GI Corp. v. U.S. Electronics Components Corp., Copyright L. Rep. (CCH) ¶ 27, 329 (N.D. Ill. 1994)

Court found plaintiff's misappropriation claim preempted under § 301, where defendant produced television remote control unit containing same compilation of public-domain data codes as plaintiff's unit. Data codes, which instruct remote control units to transmit particular patterns of infrared light to perform specific functions such as adjusting volume, are different for each make and model of television and VCR. Plaintiff claimed infringement of its compilation of codes, and also alleged misappropriation under state law. Court rejected state claim, since no additional element was alleged or proved. Court distinguished legislative history of § 301 cited by plaintiff, noting that defendant's appropriation of publicly-available data was different than example given by Congress, in which claim involving breach of electronic security for proprietary data might escape preemption.

Palermo v. Castle Rock Entertainment, Civil Action No. H-94-0510 (S.D. Tex. June 20, 1994)

Court denied plaintiffs' motion to remand case to original state court venue, holding that plaintiffs' claims for conversion of their life stories and misappropriation of their names and likenesses were preempted. Plaintiffs, who were marines, brought suit based on play and film "A Few Good Men," which plaintiffs alleged were adapted from events depicted in transcript of court-martial proceeding in which they were involved. Claims for conversion and misappropriation were equivalent to exclusive rights to reproduce, perform or distribute movie and play according to court. Furthermore, preemption not confined to § 301. Instead, federal preemption

may occur whenever state law obstructs Congress' purposes and objectives, which court found in circumstances of case under § 105. Transcript, as work of U.S. government was excluded from copyright protection. However, court held that claims for invasion of privacy, conspiracy, infliction of emotional distress and negligence were not preempted, since other courts had decided that such causes of action are different from infringement action and outside of Act's scope.

Aldridge v. Gap, Inc., 866 F. Supp. 312 (N.D. Tex. 1994)

Court refused to remand case to state court, where plaintiff joined non-diverse individual defendant and asserted only state law misappropriation claim for alleged copying of clothing designs. Court first held that claim against non-diverse individual defendant did not allege all elements of state misappropriation claim. Remaining misappropriation claim against corporate defendant was found preempted under § 301, because Congress has consistently denied copyright protection for clothing, and states may not protect subject matter which federal law has deemed uncopyrightable.

Artie Fields Productions, Inc. v. Channel 7 of Detroit, Inc.,
32 U.S.P.Q.2d 1539 (E.D. Mich. 1994)

In dispute over copying of television talk-show format, court found state law claims, based on parties' past contractual relationship, to be preempted under § 301 of Copyright Act. Since format of show is clearly subject matter within scope of copyright, court applied "extra element" test to determine whether claim alleging that defendants took advantage of prior contractual relationship was qualitatively different from copyright claim. Recognizing valid state cause of action for product simulation, court nonetheless found no extra element present where relationship of parties was not alleged to be confidential or fiduciary. Prior long-standing relationship might be relevant to damages, found court, but does not provide extra element for purposes of avoiding preemption.

Wilson v. Mr. Tee's, 855 F. Supp. 679 (D.N.J. 1994)

In action based on alleged infringement of plaintiffs' miniature golf course hole designs, defendants argued that plaintiffs' claims for state and common-law unfair competition, conversion, unjust enrichment and quantum meruit were preempted by Copyright Act. Under § 301, state law claims will be preempted if: (1) subject matter falls within subject matter of Act; and (2) state law creates rights equivalent to copyright holder's exclusive rights. Parties here disagreed only as to whether second condition was met. Court held that state and common-law unfair competition claims were not preempted. Plaintiffs' complaint alleged that defendants' miniature golf course was likely to cause confusion as to source and mis-

lead public into thinking miniature golf course was legally provided by defendants. According to court, both parties accepted that unfair competition claims involving "passing off," like those here, rather than imitation, are not preempted. Unjust enrichment, conversion and quantum meruit claims, however, were preempted. Since plaintiffs did not distinguish factual predicate for such claims from that for infringement claims, court assumed they were identical.

Perro v. Wemco, Inc., 32 U.S.P.Q.2d 1475 (E.D. La. 1994)

Court denied both plaintiff's motion to remand action to state court and defendant's motion to dismiss complaint, concluding that § 301 of Act preempted plaintiff's unfair trade practices claim. Plaintiff, creator of African-designed neckties, filed suit for damages under Louisiana's Unfair Trade Practices and Consumer Protection Law against defendant, manufacturer of neckties, for use of plaintiff's designs without obtaining consent or rendering compensation. Defendant removed action to federal court, arguing, in opposition to motion to remand, that state claims were preempted because plaintiff's claims were for copyright infringement, rather than for unfair competition and consumer deception. Under Louisiana statute, plaintiff must show alleged conduct to be "unfair," "unethical" or offensive to public policy. Although defendant's conduct may be "unfair" and "unethical" under Louisiana's Act, such conduct — act of copying someone else's work without permission — did not qualitatively differ from action constituting copyright infringement. Court denied remand, but granted plaintiff ninety days to register copyright in neckwear designs and to proceed with action for copyright infringement.

Richdale Devel. Corp. v. McNeil Co., Inc., Copyright L. Rep. (CCH) ¶ 27,342 (Neb. 1993)

Nebraska Supreme Court reversed issuance of injunction under state Deceptive Trade Practices Act for unauthorized use of architectural plans, where defendant merely reproduced and distributed plans for purpose of soliciting subcontractor bids and did not build or sell homes built from plans. Court noted that consumer confusion might provide extra element sufficient to save state claim from preemption, but since defendant's alleged "passing off" did not deceive customers, it was merely unauthorized reproduction and distribution, and thus preempted. On same grounds, court affirmed dismissal of state claims for conversion, unjust enrichment, and misappropriation of trade secrets.

Automated Drawing Sys., Inc. v. Integrated Network Servs. Inc., Copyright L. Rep. (CCH) ¶ 27,292 (Ga. Ct. App. 1994)

In action in which defendant was found to have copied and modified plaintiff's source code and subsequently sold program derived from plain-

tiff's program in breach of parties' license agreement, court held that plaintiff's claims of tortious misappropriation, and violation of Georgia Computer Systems Protection Act, §§ 16-9-90 et. seq., were not preempted. Remedies for such claims consisting of damages in tort and punitive damages were "not the equivalent of any exclusive right within the general scope of copyright law."

IX. MISCELLANEOUS

A. Antitrust

Data General Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147 (1st Cir. 1994)

In software infringement action, First Circuit affirmed summary judgment for plaintiff computer company and rejected defendant's antitrust counterclaims and copyright misuse defense. Plaintiff developed software to diagnose and service its own computers, and made software available only to certain third party service providers. Defendant alleged violation of Sherman Act, claiming both illegal tying under § 1 and willfully maintaining monopoly power under § 2. Court rejected § 1 claim because defendant made no showing that purchasers of software or services were coerced, or that access to software was expressly or implicitly conditioned upon purchase of services. Under § 2, court assumed that plaintiff had monopoly, but held that second element, exclusionary conduct, could not be shown merely by unilateral refusal of copyright owner to issue licenses to competitors. Even though such refusals can be *prima facie* evidence of exclusionary conduct in other contexts, exercise of author's exclusive rights under Copyright Act is "presumptively valid business justification," which defendant here did nothing to rebut. Moreover, since Sherman Act violation was sole predicate for affirmative defense of copyright misuse, court rejected misuse defense without deciding whether it was ever proper in copyright cases.

United States v. Amer. Soc. of Composers, Authors and Publishers, 870 F. Supp. 1211 (S.D.N.Y. 1995)

Under terms of antitrust consent decree, district court held that ASCAP could not collect public performance license fees from Fox television network for past satellite transmission of programs to local stations, where stations had already paid for use of music in their own broadcasts of same programs. ASCAP cited *David v. Showtime/The Movie Channel Inc.*, 697 F. Supp. 752 (S.D.N.Y. 1988) to establish that Fox satellite transmissions were public performances which required separate license fee, but court distinguished, saying issue was not copyright infringement, as in *David*, but setting reasonable fee for use of music. Thus, even if Fox transmissions to local stations were public performances, which court doubted,

“reasonable fee that ASCAP could collect for those transmissions is \$0 because ASCAP has already been compensated.” Following *Aldon-Rochelle, Inc. v. ASCAP*, 80 F. Supp. 900 (S.D.N.Y. 1948), court ruled that consent decree prohibited ASCAP from use of “split rights” to collect twice for same use of music, and further found that local Fox stations had already paid license fees for music in Fox programming.

B. Visual Artists Rights Act of 1990

Carter v. Helmsley-Spear, Inc., 861 F. Supp. 303 (S.D.N.Y. 1994)

In first application of 1990 Visual Artists Rights Act (VARA), district court enjoined removal or destruction of site-specific sculpture in lobby of commercial building. Artists were contracted by owner of building to create and install work, under agreement which provided for artists' complete creative freedom, ownership of copyright, and weekly paychecks. After more than two years, building was sold and new owners sought to remove still-unfinished work. Artists obtained preliminary injunction under VARA, which prevents distortion, mutilation or other modification of artworks covered by statute. At trial, court rejected owners' contention that statute, which specifically excludes works made for hire, did not cover artists' work, finding that artists were independent contractors. After finding work within scope of VARA, court also found it to be of “recognized stature” and thus prohibited destruction of work during lifetime of artists. Court also rejected defendant's argument that VARA was unconstitutional under takings clause, noting first that acts of Congress are presumed constitutional. Further, court held that VARA does not permit “permanent physical occupation” of property, since works are protected only for lifetime of artists, and owners may obtain waiver of artists' rights. Finally, court held that statute did not substantially diminish value of owner's property. Currently *sub judice* in Second Circuit.

C. Miscellaneous

Waldman Publishing Corp. v. Landoll, Inc., 43 F.3d 775 (2d Cir. 1994)

In Lanham Act case, Second Circuit applied copyright standards of originality and substantial similarity to determine whether defendant's children's books, based on public domain stories, were sold under false designation of origin in violation of Section 43(a). Plaintiff's and defendant's books were based on same classic stories, contained same arrangement of chapters and featured many illustrations depicting same events from stories. Covers were not confusingly similar, and defendant credited its own authors and illustrators. Plaintiff could not bring copyright claim because works were not registered prior to filing suit. District court nonetheless enjoined defendant, finding likelihood of success on 43(a) claim.

Second Circuit agreed that defendant had falsely represented source or origin of works by publishing books substantially similar to plaintiff's without crediting plaintiff as source. Court first drew on *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486 (2d Cir.) (en banc), cert. denied, 429 U.S. 857 (1976) to find that plaintiff's contribution to works was sufficient to make plaintiff "source or origin" of its books. Court found that choice of episodes to summarize in narrative, choice of scenes to illustrate, and choice of chapter headings were all original with plaintiff. Court then applied substantial similarity standard to determine that plaintiff was "source or origin" of defendant's books as well. Consequently, defendant's sale of books under its own name, without attribution to plaintiff, constituted reverse passing off even though defendant's works were not "bodily appropriations" of plaintiff's. Because district court did not address whether plaintiff's works were created by employees or independent contractors, Second Circuit remanded for determination of whether plaintiff had standing under Lanham Act and whether it could show irreparable injury. On remand, district court was left free to consider whether registration of plaintiff's copyright since commencement of suit altered either party's position.

EFS Marketing Inc. v. Russ Berrie & Co. Inc., 867 F. Supp. 192 (S.D.N.Y. 1994)

Plaintiff, owner of copyrights in troll figures, sued defendant for various Lanham Act and common law violations based on defendant's marketing of allegedly similar trolls bearing defendant's copyright notice. First two causes of action alleging trade dress violations caused court to compare plaintiff's product with defendant's, and third cause of action for false designation of copyright required court to compare defendant's product to public domain products proffered by plaintiff. In findings of fact and conclusions of law, court observed that plaintiff's, defendant's, and public domain trolls were all virtually indistinguishable, noted that plaintiff's copyrights were thus invalid, and ordered plaintiff and defendant to remove copyright notices from their respective products. Court rejected plaintiff's motion to amend findings and conclusions to remove reference to invalidity of plaintiff's copyrights and injunction against plaintiff. Plaintiff had invited comparison to public domain works, could not claim lack of notice, and was guilty of unclean hands, insofar as it sought to enjoin defendant from the same conduct plaintiff was engaged in — affixing copyright notices to public domain material.

PART V

BIBLIOGRAPHY**B. ARTICLES FROM LAW REVIEWS AND COPYRIGHT PERIODICALS****1. United States**

BENN, MARVIN N. and RICHARD J. SUPERFINE. Section 117—the right to adapt into the fourth generation and the source code generator's dilemma. *The John Marshall Journal of Computer & Information Law*, vol. XII, no. 4 (Spring 1994), pp. 537-55.

The authors analyze the limits of the right to adapt and the adaptations to be found within and without section 117 of the Copyright Act. They also discuss software consulting firms' modifications of software for their clients and stress that at a certain point such modifications could result in substantial liability to both the client and the consultant. The final sections of this study are devoted to ownership of the generated source code, the actual source code generator, derivative works, copyright infringement, and a look at the future of Section 117.

BROPHY, SCOTT C. Joint authorship under the copyright law. *Hastings Communications and Entertainment Law Journal*, vol. 16, no. 3 (Spring 1994), pp. 451-501.

Mr. Brophy in his discussion of joint authorship, reviews case law concerning authorship prior to the 1976 Copyright Act. He analyzes the nature of authors' contributions, and how federal courts have applied the "intent requirement." The author also provides his impression of these two important issues: whether joint authors must each contribute copyrightable expression in order to receive joint author status or whether the first author must only intend to combine his work with that of another author and assume the legal consequences of joint authorship.

DUPONT, STEVEN N. The copyright and trade secret protection of communication software; placing a lock on interoperability. *Journal of Computer & Information Law*, vol. XIII, no. 1 (Oct. 1994), pp. 17-43.

The author discusses the case of *Lotus Development Corp. v. Borland International, Inc.* in which the court ruled that Lotus' computer menu structures are copyrightable. The defendants appealed the decision stating that the case goes beyond the copyrightable elements of a spreadsheet program. The defendants urged the court to recognize the broad right of competitors to develop compatible software. Mr. Dupont then discusses the technical components of a software system, copyright protection of a

communications system, and the antitrust implications faced by a communications software developer. The author states that legal protection for communication software can be achieved through a combination of copyright and trade secret protection.

Special issue on the sixtieth anniversary of the Communications Act of 1934. *Federal Communications Law Journal*, vol. 47, no. 2 (Dec. 1994), 455 pp.

This special edition includes thirty-seven essays and two notes on the communications industry. Topics include censorship, deregulation, communications law, Internet, FCC adjudication, broadcast licensing, telecommunications and the information superhighway.

NOAM, ELI M. and CAROLYN CUTLER. Freedom of expression and the 1992 Cable Act: an introduction. *Hastings Communications and Entertainment Law Journal*, vol. 17, no. 1 (Fall 1994) pp. 1-17.

Mr. Noam and Ms. Cutler discuss the main issues concerning the 1992 Cable Act, particularly the "must-carry" obligation which requires cable operators to carry "over-the-air" broadcast signals available in their area. The authors examine whether owners of one medium (ie. a cable operator) are precluded from controlling another medium (ie. an alternative video delivery system such as "wireless cable") in the same area. They also investigate "common carriage" as a free speech remedy.

TUNICK, DAVID C. Has the computer changed the law? *Journal of Computer & Information Law*, vol. XIII, no. 1 (Oct. 1994), pp. 43-93.

The author discusses computers and the U.C.C., software goods, including "canned" (pre-written software) and "custom" software (custom services for software). One of the chapters is devoted to an investigation of the CONTU study of 1976, Congress's enactment of CONTU's suggestions and the legal ramifications of copying copyrighted programs. It concludes with a discussion of the Semiconductor Chip Protection Act of 1984.

2. Foreign

ALPERT, ROBERT and KARIN SEGALL. Recent case law and legislative developments in the United States. *Copyright World*, issue 47 (Feb. 1995), pp. 31-35.

The authors highlight recent U.S. copyright developments through discussion of 1994 legislation and litigation. Among the suits covered are the cases of *Fogerty v. Fantasy, Inc.*, *Nintendo of America, Inc. v. Dragon Pacific International* and *Campbell v. Acuff-Rose Music, Inc.* The exami-

nation of laws included the GATT implementing legislation, the Copyright Reform Act of 1993 and the satellite bill.

Asia. IP laws to be harmonised. *Copyright World*, issue 45 (Nov. 1994), p. 6.

Brunei, Indonesia and other member states of the Association of Southeast Asian Nations have adopted an initiative to establish panels to harmonize intellectual property legislation. Currently each country has varied levels of protection. The Association also plans to institute measures designed to increase foreign countries' access to the region's markets and to liberalize trade in services.

AUF DER MAUR, ROLF. Swiss copyright law. *EIPR*, vol. 16, no. 9 (Sept. 1994), pp. 407-09.

The author provides a detailed analysis of Switzerland's new Act on Copyright and Neighbouring Rights (1993) which replaces Switzerland's Act of 1922. The new act includes provisions for the protection of semiconductor chips. Some of the topics covered are authorship and ownership of copyright, expanded term of protection, fair use, introduction of neighbouring rights and possible remedies for copyright infringement.

Austria. Copyright. Supreme Court. (May 31, 1994). 40b 19/94 (not yet reported). *EIPR*, vol. 16, no. 11 (Nov. 1994), pp. D-283, 284.

The plaintiff is a collecting society in Austria who sued the defendant for its payment of royalties on audio and videotapes. This case involves the constitutionality of the statutory compensation of copyright owners for the sale of blank audio and videotapes. The appellate court (the Court of the First Instance) found in favor of the defendant. The defendant then appealed to the Supreme Court. The Supreme Court confirmed the decision of the appellate court stating that a 1980 amendment to the Copyright Act introduced a claim for compensating authors for the copying of their works on sound or picture carriers and also allows authors to claim payment from those who first distribute their work commercially in Austria.

BIKOFF, JAMES L. and DAVID I. WILSON. Intellectual property protection under NAFTA and TRIPS and the future of bilateral intellectual property initiatives (Part II). *Copyright World*. issue 45 (Nov. 1994), pp. 32-37.

This article continues a discussion of NAFTA and TRIPS that the authors had begun in the preceding issue of *Copyright World*. This part focuses on dispute settlement procedures, the effect of future accession to NAFTA and the World Trade Organization (WTO) on improving foreign intellectual property rights laws, accession to the WTO, and the effect of the WTO on section 301 of the U.S. Trade Act. It also explores other mechanisms for improving foreign intellectual property rights laws. The

authors conclude that while TRIPs and NAFTA are extremely important milestones concerning the strengthening of intellectual property rights protection throughout the world, the U.S. will seek to ensure that WTO and NAFTA members fulfil their obligations and will also attempt to achieve higher levels of protection as additional countries seek accession to WTO and NAFTA.

China. PRC respond to demands. *Copyright World*, issue 45 (Nov. 1994), p. 6.

Raids on thirty retail outlets in a shopping center in Gunangzhou, China resulted in the seizure of one million pirate CDs. The raids, which were jointly conducted by the Public Procurator's office and the International Federation of the Phonographic Industry, is in keeping with the Chinese government's commitment to the protection of intellectual property rights.

CORREA, CARLOS MAIRA. The Andean Group (Bolivia, Colombia, Ecuador, Peru, Venezuela): news, national report. *EIPR*, vol. 16, no. 11 (Nov. 1994), p. D-281.

The Andean Group in a new policy an intellectual property approved Decision 351, which constitutes the third major set of rules approved by the Commission of Cartagena Agreement on Intellectual Property. Decision 351 recognizes "moral rights" of authors and separates the treatment of authors' rights from neighboring rights. Other provisions of Decision 351 include the statement that employers are presumed proprietors of works made by their employees; all types of communications to the public are under the scope of authors' exclusive rights; terms of protection cannot be less than 50 years from creation or publication; and computer programs are protectable subject-matter in the same manner as literary works.

Book Review—DOI, TERUO. Intellectual property protection and management law and practice in Japan. Tokyo: The Institute of Comparative Law, Waseda University, 1992, 552 pp. (reviewed by Christopher Heath). *IIC*, vol. 25, no. 6 (1994), pp. 956-8.

The foundation for this book is a number of articles written on Japanese intellectual property law between 1979 and 1992. The book deals primarily with trademark, copyright and competition law. The articles cover such topics as "Copyright protection of the videogram," "Computer technology and copyright," "Legislative and judicial developments," "Government Regulation and copyright aspects of cable television," and "Protection of Intellectual property against the importation of infringing goods."

Book Review—DREXEL, J. Copyright protection in the USA and Europe. Munich, Germany: Max Planck Institute for foreign and international patent, copyright and competition law (ed.), *IIC Studies*, vol. 15 (1994) 160 pp.

This is a study on the development of software protection under copyright laws in Europe and U.S.A. This book discusses major decisions involving the idea/expression dichotomy in the U.S. and Europe's harmonizing of national laws within the European Community's Software Directive.

FRANZOSI, MARIO and GUISSINO DE SANCTIS. Intellectual and industrial property litigation in Italy: a change for the better? *EIPR*, vol. 16, no. 9 (Sept. 1994), pp. 392-8.

The authors provide a description of Italy's new code of civil procedure that was adopted late in 1994. The procedure for preliminary measures and the code's application by the Court of Milan is also discussed. The authors conclude with a general observation of the new reforms in intellectual property along with a discussion of time periods to be observed by a patent applicant for intellectual property protection for patents.

Germany. Recent amendment of Copyright Act. *Copyright World*, issue 47 (Feb. 1995), pp. 9-10.

This discussion of Germany's Copyright Act focuses on the provisions of a recent amendment requiring importers to report directly to a body chosen by collection societies information regarding equipment/tape units importation figures. Originally the importers reported such data to customs authorities and paid the relevant tape/hardware levy. Now the responsibility for payment of the levy is extended to retailers. The amended law allows retailers to relieve themselves of this responsibility by indicating the source of the equipment or tapes they acquire.

HANSON, MAREN. Saudi Arabia—recent developments in copyright protection. *Copyright World*, issue 45 (Nov. 1994), pp. 38-41.

Effective Dec. 29, 1993, Saudi Arabia ratified its adherence to the Universal Copyright Convention. Besides joining the UCC, the Saudi government has undertaken other measures to alleviate its piracy problems and provide adequate protection of intellectual property rights. This article discusses the government's efforts in this area.

Indonesia. Copyright: bilateral agreement between United Kingdom and Indonesia. *EIPR*, vol. 16, no. 11 (Nov. 1994) p. D-290.

This is an announcement of a bi-lateral agreement that came into force on Oct. 22, 1994. Indonesia already has a similar bilateral agreement

with the U.S. and Australia. This agreement will permit filing of copyright registrations in Indonesia canceling all former pirate registration and will also provide protection for trademark owners.

Japan. Case No. Heia (Ne) 2733, Tokyo High Court, Dec. 17, 1991. *International Review of Industrial Property and Copyright Law, (IIC)*, vol. 25, no. 5 (1994), pp. 805-12.

In this case, the plaintiff developed a decorative veneer for furniture. The defendant used on identical veneer which he sold in the same region at a lower price. The plaintiff filed suit under the Copyright Act stating that the decorative veneer was a work of art. The Tokyo District Court dismissed the action, but on appeal the Tokyo High Court reversed the lower court's decision. A record of the case with a comment by Mr. Christopher Heath is provided.

Japan. Copyright: multi-media copyrights. *EIPR*, vol. 16, no. 7 (July 1994), p. D-177.

This is an announcement of Japan's Institute of Intellectual Property proposed for new practices for which there will establish of a Digital Information Center and provisions for the right of integrity will be waived. The Digital Information Center will be responsible for collecting royalties from users of copyrighted works. These recommendations stem from study and analysis of problems in applying traditional copyright methods to the growing multimedia field.

Netherlands. VISSER, DIRK. Reprography; recent experiences in the Netherlands. *Copyright World*, issue 47 (Feb. 1995), pp. 42-45.

This article examines the issue of reprography and how it has been handled in the Netherlands over the last twenty years. It sets out and discusses Bill no. 22600, a 1992 proposal to amend the Dutch Copyright Act of 1912 regarding reprographic reproduction of writings and reviews the duties and authority of Reprorecht, the society established to collect photocopying levies.

New Zealand. New Copyright Act. *Copyright World*, issue 47 (Feb. 1995), pp. 10-11.

New Zealand's Copyright Act of 1994 includes the following provisions: (1) allow cable television operators to simultaneously retransmit free-to-air broadcasts so long as they are transmitted to the same area as the free-to-air broadcasts; (2) sets up a mechanism for customs officials to notify a copyright owner of any parallel copies of identified protected product imported into New Zealand; and (3) exempts copying of copyrighted works for educational instruction with certain limitations. The Act also contains moral rights provisions.

RYAN, MARGARET. Highways to change-report of the Australian Copyright Convergence Group. *Copyright World*, issue 45 (Nov. 1994), pp. 17-25.

The Australian Copyright Convergence Group has completed its report on Australia's copyright law and the new communications environment. The document proposes a large number of amendments to reform provisions of the Copyright Act relating to broadcasting and other electronic transmission. The recommendations include introduction of a new technology-neutral right to authorize transmissions to the public that would encompass the existing broadcast right and replace and extend the right to transmit to subscribers to a diffusion service. It also recommends limiting the exemption from copyright infringement for retransmissions of broadcasts by cable operators, creating new offenses and civil liability for unauthorized reception of transmissions and extending provisions regarding subsistence of copyright in broadcasts to include cable transmissions.

SAN MARINO. Laws, statutes, etc. Law on the protection of copyright (No. 8 of Jan. 25, 1991) (insert). *Copyright*, no. 10 (October 1994), p. 1-10.

San Marino's copyright protection law published on February 4, 1991, has five sections. Title 1 addresses provisions for acquisition and ownership of copyright and includes discussion of authors, audiovisual works, and sound recordings. Title 2 concerns copyright in general, including terms of protection and moral rights. Title 3 regards contracts in publishing, audiovisual production and live performance. Title 4 recognizes special provisions for certain works, including magazines, newspapers, architecture, computer programs, and sound recordings, and correspondence. Title 5 provides for withdrawal of copies of a work and outlines civil and criminal sanctions.

Singapore. Copyright legislation: Copyright Act to be amended. *EIPR*, vol. 6, no. 9 (Sept. 1994), p. D-235.

This note mentions an amendment to the Copyright Act of 1994. The amendment provides that in reference to an article, "if no person is entitled to the copyright in the country where the article was made, the right will be reserved for the person entitled to the copyright in Singapore."

STECKLER, BRUNHILDE. Legal protection of computer programs under German law. *EIPR*, vol. 16, no. 7 (July 1990), pp. 293-301.

In this article Professor Steckler reviews protection of computer programs under U.S. and German law. Under German law, protection of computer programs can be registered under patents, copyright, or unfair competition. Copyright protection originates with the author, without formal procedures, without fees, without registration, and without copyright notice. The author describes Germany's "collection program" decision

and copyright protection under Germany's right of privacy and right of exploitation.

Sweden. Swedes in stew over 'Mein Kampf.' *Copyright World*, issue 47 (Feb. 1995), pp. 12-13.

The German government has filed suit against Swedish publisher Kalle Hagglund over copyright ownership of Adolf Hitler's *Mein Kampf*. The action challenges Hagglund's publication of 10,000 copies of an edition of the work. The State of Bavaria maintains that it holds all rights regarding Hitler's personal property expropriated by the State at the end of WWII. Arguments raised by Hagglund revolve around whether local laws were superseded by intellectual property rights policies adopted by occupying powers and "conflicts with the 1907 Hague Convention and Article 153 Weimer Constitution of 1919 regarding protection against expropriation."

Switzerland. Copyright/moral rights. Supreme Court, (Mar. 15, 1994), ATF 120 11 65 (no cite provided). *EIPR*, vol. 16, no. 10 (Oct. 1994), p. D-267.

A case involving university buildings designed in stages by three architects. The first architect built the main building, the remaining architects built extensions. The first architect sued the owners of the building (Switzerland Federal Government) on the grounds that his original building was a "protected work of art" and that the second extension, particularly, destroyed his concept of the building and ruined his reputation as an architect. The Supreme Court of Switzerland held that the building could be modified by its owners as Swiss law extends only to direct changes in a building and not to extensions. Architects can only claim protection in the most extreme cases.

United Kingdom. UWEMEDIMO, DAVID. Performing right-and performing well . . . the PRS answers back. *Copyright World*, issue 47 (Feb. 1995), pp. 36-41.

Mr. Uwemedimo reviews some of the legal issues faced by the U.K.'s Performing Right Society (PRS) over the past few years. He briefly outlines how they affect the Society's relationship with its members, affiliates and third parties. Proposed changes to the PRS' constitution, live public performances, new technologies, relations with affiliated societies overseas, and copyright reform were among the topics discussed.

WOLSEY, JAMES S. Performers' rights—the new regime and opportunities in Europe. *Copyright World*, issue 45 (Nov. 1994), pp. 26-31.

Under EC Council Directive 92/100/EEC, the Rental Directive, performers in the U.K. will be granted the right to receive remuneration from

the broadcast and public performance of their recorded performances. Mr. Wolsey provides a brief history of events leading up to the adoption of the Directive and discusses the effect the measure has for performers in the U.K. and other member states of the European Union.

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