Letter to Hon. Robert Kastenmeier, Chairman, Subcommittee on Courts, Civil Liberties and the Administration of Justice from the Assistant Attorney General (July 27, 1976)

Letter to Hon. Robert Kastenmeier

ASSISTANT ATTORNEY GENERAL
LEGISLATIVE AFFAIRS

Department of Justice

Washington, D.C. 20530

July 27, 1976

Honorable Robert Kastenmeier
Chairman, Subcommittee on Courts
Civil Liberties and the Adminis-
tradition of Justice
Committee on the Judiciary
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

On May 8, 1975, Deputy Assistant Attorney General Irwin Goldbloom represented this Department before your Subcommittee on Courts, Civil Liberties and the Administration of Justice during hearings on H.R. 2223, a bill "For the general revision of the Copyright Law, title 17 of the United States Code, and for other purposes."

For a number of reasons, which will be discussed separately below, we would like to supplement the Department's earlier testimony.

I.

Because we were principally concerned with the many changes which the bill would make to the existing law of copyright, we did not discuss an issue which we now believe should be brought to your attention. In our view, the function and structure of the proposed Copyright Royalty Tribunal, which would be established by a new chapter 8 to title 17, raises possible constitutional questions.

Proposed section 803 would authorize the Register of Copyrights to appoint a Copyright Royalty Tribunal consisting of three persons named by the American Arbitration Association. Section 801 would authorize this Tribunal to make determinations concerning the adjustment of copyright royalty rates specified by sections 111 and 115 and to make changes in the royalty rate, or the revenue basis on which the royalty fee is assessed, or both, to assure a reasonable royalty fee. The tribunal would also determine in certain circumstances the distribution of the royalty fees deposited with the Register under sections 111 and 116. Section 111 concerns secondary transmissions; sections 115 and 116 concern phonorecords and coin-operated phonorecord players.

A final determination of the Tribunal in any proceeding for adjustment of a statutory royalty would be required by section 806 to be transmitted to the Secretary of the Senate **[2]**and the Clerk of the House for reference to the Judiciary Committees. Proposed section 807 provides that either House of Congress may veto the "recommended royalty adjustment" by adopting a resolution of disapproval within ninety days. Proposed section 809 would attempt to limit judicial review of a final determination of the Tribunal to situations where the determination was procured by fraud, where partiality or corruption of any member of the panel was evident, or where any member of the panel was guilty of any misconduct which may have prejudiced a party.

The absence of meaningful standards for the Tribunal's decision making, the Tribunal's transient and inexpert membership, its lack of continuity in establishing policy and precedent, and the very restricted judicial review provision, taken together, raise questions whether petitioners before the Tribunal can be assured of due process of law.

Moreover, the Tribunal, with its administrative (rate-making) and Judicial (dispute resolution) functions, would be lodged within the Library of Congress, an arm of the Congress, thereby raising separation of powers questions. Both executive and judicial prerogatives may be jeopardized by placing within the exclusive control of Congress powers which are not legislative in nature. Indeed, separations of powers questions have already been raised with respect to the existing location of the Copyright Office within the legislative branch. See Brylawksi, "The Copyright Office: A Constitutional Confirmation," *44 Geo. Wash. L. Rev. 1 (1976).*

Furthermore, in our view, the one-House veto mechanism raises questions concerning Article I, section 7, of the Constitution which prescribes the procedures by which the Congress legislates. The Constitution has created a process whereby both Houses and the President have a role in creating legislation and mentions no procedure whereby one House can take actions which have the force of law.

II.

On February 19, 1976, the Senate passed S. 22, the Senate omnibus copyright reform bill, making certain changes to section 301. We believe that these changes have anticompetitive implications which should be called to your attention.

[3]Section 301 would provide that the federal Copyright Act would preempt all state regulation of rights in the nature of copyright protection. However, certain exceptions to complete preemption would be made by subsection (b) of section 301. The Senate-passed bill made two significant additions to the exceptions, both of which are opposed by this Department. These additions seemingly allow (1) protection under the theory of misappropriation, and (2) less preemption than the committee intended with respect to state law regarding sound recordings made prior to 1972.

A. Misappropriation

Paragraph (3) of section 301(b) would exempt from pre-emption, state common law or statutory rights that are not equivalent to the exclusive rights granted by the Copyright Act. The Copyright Act would grant rights such as the exclusive right to make copies of the copyrighted work (Section 106). In addition to the rights that paragraph (3) previously specifically listed as non-equivalent rights (e.g., breach of contract and breach of trust) the committee has now added "rights against misappropriation not equivalent to any of such exclusive rights ... ." The committee report accompanying the bill asserts that there is a need for this provision because "state law should" be able to permit the misappropriation theory to apply. S. Rep. 94-473, 94th Cong., 1st Sess. 116 (1975) (hereinafter, "Senate Report").

This Department is concerned that inclusion of the above quoted phrase in section 301 would sanction use of the highly anticompetitive "misappropriation" theory, and may defeat the underlying purpose of the preemption section.

1. The Misappropriation Doctrine is Anticompetitive

This Department strongly opposes allowance of monopolies based on the theory of "misappropriation." This term is not defined in the proposed Act, but the concept apparently stems from the much-criticized decision of the Supreme Court in *International News Service v. Associated Press , 248 U.S. 215 (1918)* (hereinafter, the "INS" case). In INS, the Supreme Court held that the defendant news service committed an unlawful act of unfair competition by copying the plaintiff's uncopyrighted published new[s] stories from east coast newspapers and wiring them [to] west coast subscribing newspapers. The Court found that even though the plaintiff would have had no rights against the public, who were entitled or privileged to copy the articles, nonetheless the defendant had "misappropriated" the published work done by the plaintiff and was therefore liable to the plaintiff. The Court's theory was that the defendant's conduct **[4]**was unlawful because it sought to "reap where it has not sown" *(248 U.S. at 239).* This unjust enrichment theory could be used broadly to prohibit the copying of uncopyrighted published materials, the manufacture by others of unpatented goods, the use by a doctor of a surgical technique developed by another doctor, or the use of an advertising technique which another has developed at his own expense. The effect of the theory is boundless--it is potentially applicable each time a person engages in conduct that imitates some work that was developed at another's expense.

The courts generally have declinedn1 to follow the suggestion in the INS case that the traditional unfair competition doctrine be expanded to cover so-called "misappropriation."n2 See, e.g., *G. Ricordi & Co. v. Haendler , 194 F.2d 914, 916 (2d Cir. 1952); National Comics Pub., Inc. v. Fawcett Pub., Inc. , 191 F.2d 594, 603 (2d Cir. 1951);*

RCA Mfg. Co. v. Whiteman , 114 F2d 86, 90 (2d Cir.), cert. denied, *311 U.S. 712 (1940); Cheney Bros. v. Doris Silk Corp. , 35 F.2d 279, 280 (2d Cir. 1929),* cert. denied, *281 U.S. 728 (1930).* Indeed, District Judge Wyzanaski once stated his belief that the Supreme Court would follow the Brandeis dissent in INS and overrule INS if given the opportunity. *Triangle Pub., Inc. v. New England Newspaper Pub. Co. , 46 F. Supp. 198, 204 (D. Mass 1942).* This view is supported by the recent Sears and Compco decisions,n3 in which the Supreme Court reversed decisions from a court of appeals that prohibited copying of unpatented products, without even attempting to distinguish INS. See also **[5]** *Columbia Broadcasting System, Inc. v. DeCosta , 377 F.2d 315, 318* (1st Cir.), cert. denied, *389 U.S. 1007 (1967),* in which the court found both that INS was no longer authoritative, since it occurred before *Erie R.R. Co. v. Tompkins , 304 U.S. 64 (1938),*n4 and that it was overruled by Sears and Compco.

The New York State courts, in a series of cases beginning with appropriation of news and artistic productions, retrieved the "misappropriation" theory of INS from innocuous desuetude and gradually extended the doctrine into the area of unfair competition in the sale of ordinary merchandise.n5 The INS doctrine has also been codified in the New York General Business Law (§ 368-d). The bulk of authority elsewhere in the United States, however, is against the recognition of "misappropriation" as an independent basis for recovery in imitation cases (*West Point Mf. Co. v. Detroit Stamping Co. , 222 F.2d 581, 598-99 (6th Cir. 1955)* (misappropriation is "contrary to the great weight of authority")).

This Department supports the position taken in the foregoing majority line of cases, and opposes any attempt to limit nondeceptive copying of uncopyrighted or unpatented subject matter by the general public. We believe that sound policy reasons underlie the weight of authority that opposes the INS "misappropriation" doctrine.

The "misappropriation" theory is vague and uncertain. The "misappropriation" provision of section 301 does not indicate what it is that is not to be appropriated. It may extend beyond an appropriation of the forms or styles of ordinary merchandise to include an appropriation of mere ideas, or technology or other know-how long in the public domain. Neither the INS, other cases, nor proposed **[6]**paragraph (3) adequately defines the conduct prohibited, or establishes any standard for distinguishing improper, as opposed to proper, copying.n6

The "misappropriation" doctrine may be used contrary to copyright and antitrust policies to sustain perpetual monopolies over printed matter, and contrary to patent and antitrust policies to sustain perpetual monopolies over alleged inventions which do not qualify for patent protection. In the Sears and Compco cases, noted above, the Supreme Court set aside such grants and held the states to be without power to block off from the public the non-deceptive copying of an unpatentable article. The Court held this in the ground that such grants contravene the federal patent statutes and constitutional provisions.

Furthermore, imitation is the life-blood of competition. Mere commercial copying is neither unlawful, nor immoral; instead it is often a commercial and economic necessity. Copying very often supports and promotes competition--it spurs further invention and innovation, permits newcomers to enter markets, and generally, by bringing forward functionally equivalent products and services, is a necessary condition for the competitive forces of the marketplace acting to lower prices, satisfy consumer demand, and allocate production optimally.

2. Preemption Would Be Nullified

Paragraph (3), as noted above, lists causes of action, such as for breach of contract, that are specifically identified in the introductory phrase as giving "rights that are not equivalent to any of the exclusive rights" that would be granted by section 106 of the proposed Copyright Act. These are causes of action different in nature from that for copyright infringement (see Senate Report, p. 115). Apparently what is meant is that, for example, one may sue to enjoin reproduction of an uncopyrighted book if there is a contract between the parties prohibiting the defendant from reproducing it. Thus, reproducing the literary expression itself may be prohibited under a cause of action for breach of contract.

[7]Similarly, paragraph (3) exempts from preemption "rights against misappropriation not equivalent to any of such rights" specified in section 106. This apparently would permit states to prohibit the reproduction of the literary expression itself under a "misappropriation" theory. "Misappropriation" would stand in the place of breach of contract as a cause of action in the book example above. Any copying of copyrightable subject matter that has not been federally protected could be prohibited under the amorphous theory of "misappropriation."

The Senate Report states (p. 116) that reproduction of "the literary expression" itself should be preempted and should not be able to be prohibited under the "misappropriation" theory; yet that is what inclusion of the term "misappropriation" in paragraph (3) would prohibit. The preemption sought by the omnibus Copyright Act revision bill would be nullified by paragraph (3).

While "misappropriation" is almost certain to nullify preemption, any of the causes of action listed in paragraph (3) following the phrase "as specified by section 106" may be construed to have the same effect. For example, a court could construe the copying of an uncopyrighted published book to be an invasion of the author's right to privacy, i.e., the right to keep the control of the publication of his book privately to himself. In order to more clearly delineate [to] the courts the area to [be] preempted, we recommend striking the specific causes of action listed in paragraph (3) so as to amend that paragraph to preempt only: "(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106;."

3. Recommendation

For the reasons discussed, this Department recommends that section 301(b)(3) be amended as suggested above.

B. Sound Recordings

Paragraph (4) of section 301(b) would exempt from preemption state laws with respect to sound recordings fixed prior to February 15, 1972. That date was the date that sound recordings were first made subject to federal Copyright Act protection under the "tape-piracy" amendment of 1971.n7 The legislation making that amendment specified **[8]**that the protection was only to be given to recordings fixed after that date, and that the amendment was not to be "applied retrospectively or be construed as affecting in any way rights with respect to sound recordings fixed before [that date]." The protection given by that amendment (§ 1(f) of the Copyright Act, *17 U.S.C. § 1*(f)) was to the owner of the copyright in the recording (e.g., the plastic disc played on phonographs) to prevent other from recording the work for commercial purposes. Section 114 proposed in S. 22 would continue this protection given by present § 1(f).

As explained in the Senate Report (p. 116), the intent of paragraph (4) is to ensure that "nothing in [the Copyright Act] annuls or limits the authority of states to prevent the unauthorized duplication of sound recordings fixed prior to February 15, 1972." However, rather than narrowly defining an exception to the otherwise general preemption sought by the omnibus Copyright Act revision bill, paragraph (4) as drafted may exempt from preemption much more than state tape-piracy laws. It exempts all state laws with respect to "sound recordings fixed prior to February 15, 1972," without limiting the exemption to those laws dealing with tape-piracy.

The paragraph may be amended, however, more precisely to accomplish the Committee's intent to permit states to prohibit tape-piracy with respect to recordings made before February 15, 1972.n8 Paragraph (4) may be clarified by amending it to read:

(4) Sound recordings fixed prior to February 15, 1972, that are equivalent to any of the exclusive rights specified by section 114 with respect to sound recordings fixed on or after February 15, 1972.

[9] III

This Department testified with respect to section 601 of H.R. 2223 on May 8, 1975. We wish to reemphasize our remarks and note similar concerns with respect to section 602.

Subject to specified exceptions, Section 601 provides that the importation into or public distribution in the United States of more than 2,000 copies of a work consisting preponderantly of nondramatic literary material in the English Language by an American or resident alien author and protected under the copyright law is prohibited, unless portions consisting of such material have been manufactured in the United States or Canada. This section would reenact in modified form a highly protectionist trade barrier contained in the present copyright law *(17 U.S.C. § 16)*. Section 601 is entirely unrelated to questions of copyright and offers no protection to authors. On the contrary, Section 601 decreases the value of copyrights. For example, it prevents an American author from granting worldwide publication rights to a foreign publisher who offers more favorable compensation than an American publisher. Whatever the merits of the original justification for the manufacturing clause, the restriction is clearly unnecessary and inappropriate today in light of the strength of our publishing and printing industries and in light of our nation's commitment to competition and the elimination of nontariff barriers in international trade.

Section 602, a related provision which was not treated specifically in the Department's prior testimony, may be even more anticompetitive in scope. Section 602 declares two types of importation to be an infringement of a U.S. copyright: (a) importation of "piratical" copies (i.e., copies made without the authorization of the copyright owner), and (b) "unauthorized" importation of copies lawfully made. In the Department's opinion the importation of copies lawfully made abroad but not authorized by the U.S. copyright holder is not an infringement under the present law. Present law holds that the copyright owner's control over a work is terminated at the time of the first lawful sale, and the purchasers

are free to resell the work without restriction or limitation. This new provision will enable the U.S. copyright holder to prohibit imports into the United States by foreign jobbers who have purchased lawfully made copies of the book from a foreign publisher, thus effecting a restraint on resale of books. This restriction has no benefit to the author since he has already been paid a royalty by the foreign publisher, but it limits the availability of competitive books to the consumer. Such a restraint on resale is anticompetitive and could be a violation of the **[10]**Sherman Act. Furthermore, in November, 1974, the Department brought an antitrust action against a large number of major U.S. publishers alleging an international market allocation scheme which had the effect of restricting the sale of competitive books in the English-speaking world (*United States v. Addison-Wesley, et. al.* , 74 Civ. 5176 (S.D.N.Y.)). The ability to bring an infringement action under Section 602 against books lawfully published abroad could hinder the Department's efforts to foster increased competition in the publishing industry.

Section 602 goes one step further by authorizing the establishment of a procedure under which a copyright holder can arrange for the Bureau of Customs to notify him whenever articles appearing to infringe his work are imported. This gives the copyright holder the services of the Bureau of Customs to police his territorial exclusivity and will greatly increase his ability to enforce it.

For these reasons, the Department of Justice opposes enactment of Section 601 and those parts of Section 602 dealing with the "unauthorized" importation of books lawfully published abroad.

IV

This Department also testified with respect to Title II of H.R. 2223, "The Design Protection Act of 1975." We wish to reemphasize our opposition to these provisions. The Department of Justice continues to oppose Title II as it has similar legislation in the past.

Title II would provide a new type of monopoly protection, different from either copyright or design patent, for ornamental design features of useful articles. Protection would be given for decorative features of almost all useful articles, such as furniture, appliances, and cars. The protection would extend for a five-year, once-renewable period. Remedies would include injunctions, damages and attorney's fees.

Design patent protection is presently afforded these designs by *35 U.S.C. § § 171*-173 if they meet the criteria for patents including novelty and unobviousness over the prior art *(35 U.S.C. § § 102,* 103). Copyright protection is presently not afforded these designs unless they can exist separateley from the useful article and may be considered a "work of art" *(17 U.S.C. § 5*(g), *37 C.F.R. § 202.10(c)*).

[11]Enactment of the proposed legislation would provide statutory protection for designs that are currently not subject to either patent or copyright protection, provide an alternate form of protection for subject matter currently subject to design patent protection, and provide an additional form of protection for copyrighted subject matter used in a useful article.

This legislation would create a hybrid form of statutory monopoly -- between design patents and copyrights. In contrast, however, with the design patent law *(35 U.S.C. § § 171*-173) and the Copyright Office regulations (*37 C.F.R. § 202.10*), protection would be afforded to registered designs without regard to the degree of creativity of the authorship involved.

Enactment of Title II would likely substantially increase the cost to the public for many useful articles. The copier may perform a number of economically useful functions which deserve encouragement. He may simply produce the useful article at a lower cost. He may achieve wider distribution. He may couple the design with some other useful article. He may do none of these, but by merely providing competition he may force lower profit margins and greater efficiency.

The protection afforded by Title II would not likely appreciably encourage the creation of ornamental designs of useful articles to the benefit of the public. Observation indicates that manufacturers are eager to create good ornamental designs. Stiffel's creation of the pole lamp was undoubtedly highly profitable and the rewards available from being first with a new design are substantial.n9 Had Sears been forced to create a new design for a pole lamp would the public have benefitted in the slightest? The individual who originates an ornamental design protected by the Title II would likely rarely benefit from the protection. His corporate employer might enjoy monopoly profits, but the salaried designer is not likely to be stimulated to be more creative thereby.

Design protection would likely restrict healthy competition. An established company in a field would be in a position to harass newcomers with the claim that registered designs were **[12]**being infringed. Could not General Motors have protected the tail fin, the fast back, and so many other design elements as to force its competitors to build ugly or unattractive cars? Probably even that distinctive Volkswagen styling would be protectable. If tail fins are popular, we think it very healthy that auto companies be able to make cars with tail fins. We believe monopolies on what are basically utilitarian articles should be limited to those which protect inventions meeting the requirements for patentability. The opportunities to restrict others from competing afforded by Title II are immense without any commensurate benefits to the public.

To omit federal statutory protection for the form of a useful object is not to deny the originator of that form any remedy whatsoever.

Originators of designs for useful objects receive protection for their designs when they prove that the public is damaged by the copying, i.e., competitors are passing off goods as the originator's by copying the product's design. See *Crescent Tool Co. v. Kilborn & Bishop Co. , 247 Fed. 299 (2d Cir. 1917).* See also *Sears, Roebuck & Co. v. Stiffel Co. , 376 U.S. 225 (1964),* and *Compco Corp. v. Day-Brite Lighting, Inc. , 376 U.S. 234 (1964).*

In addition, there is a constitutional question as to whether the designs intended to be protected are "discoveries" or "writings" within the meaning of the Patent and Copyright Clause of the Constitution, Article I, section 8, clause 8, which would be essential to support the legislative authority in enacting this bill. Title II would protect almost any design not copied from another source, a lesser standard for protection than the standard of invention which has been required as a condition of patentability for both design and utility patents. *35 U.S.C. § § 171,* 102, 103; see *Hotchkiss v. Greenwood , 11 How. 248 (1851).* The Supreme Court's recent discussion of the Patent and Copyright Clause suggested that the traditional requirement of invention as a condition of patentability reflected a limitation of power inherent in the constitutional clause itself. *Graham v. John Deere Co. , 383 U.S. 1, 9 (1966).* In granting statutory protection to designs not amounting to an invention, Title II might be held beyond the power granted to Congress by Article I, section 8, clause 8.

It is equally questionable whether Title II would fall within Congress' power to protect the "writings" of "authors". The question whether a commercial design constitutes "writings" subject to copyright protection under the **[13]**Constitution has not been decided by the Supreme Court. The Graham opinion's recognition of the limitations on Congress' power under the Patent and Copyright Clause, and the separate opinion of Mr. Justice Douglas in *Mazer v. Stein , 347 U.S. 201, 219 (1954),* suggest the substantiality of this constitutional question. Since Title II is not limited to transactions in or affecting interstate commerce, it cannot be supportable under the Commerce Clause. See *Trade-Mark Cases, 100 U.S. 82 (1879).*

Quite apart from our opposition to the merits of Title II, we also oppose enactment of the design protection provisions of Title II which would provide a new class of actions against the United States. Title II proposes to amend *28 U.S.C. § 1498*(a) to add the new type of design copyrights to the remedies available against the United States to inventors who have been issued United States patents when they are used by the United States without authorization of the owner. For example, by amending Section 1498 (a) in this way, the Congress will be creating a completely new problem area fraught with difficulties, for government contracts would not be faced with the necessity of designing around the "packaging looks" of a product covered by a design copyright which may not rise to the stature of patentable novelty and invention under the patent laws. Thus, the "non-utilitarian looks" of a vehicle which may not be protectable as a design patent would be given copyright-type protection under Title II. We therefore, strongly oppose the new type of protection proposed by Title II.

28 U.S.C. § 1498(a) is also amended to provide for the first time for suits against the United States for unauthorized use of inventions, whether patented or unpatented. Thus, it would appear to permit a suit based on a trade secret containing an unpatented invention. This, also, we strongly oppose as inconsistent with limiting claims against the United States in *28 U.S.C. § 1498*(a) to those recognized by the patent and copyright laws. No adequate showing has been made that this type of protection, on balance, is in the public interest.

The provision in Section 220 of Title II whereby simultaneous suit can be filed against the Administrator who carries out the provisions of Title II (§ 230) and an alleged infringer of the design is believed undesirable, and deserves specific comment. It subjects an alleged infringer to suit in the same action even though the threshold question whether a certificate can issue under the provisions of the law has not been decided as between the Administrator and the applicant for registration. While it is not likely that the issuance of certificates of registration will be frequently refused if certain basic requisites of application are met, **[14]**nevertheless, if a situation should arise of a refusal of issuance of a

certificate or registration by an Administrator, this should require a separate and distinctive action to secure issuance thereof. The present proposal encourages and condones harassment of competitors based on an ungranted right, and is thus highly anti-competitive. Furthermore, governmental functions should not normally be mixed with the proprietary enforcement functions of court in adjudicating private rights and remedies.

For these reasons, the Department of Justice continues to be opposed to enactment of Title II.

V.

The Department does not recommend enactment of the Criminal penalties for the infringement of sound recording and motion picture copyrights contained in section 506(a) of S. 22 as passed by the Senate. Despite our prior support, in 1974, of identical felony penalties in another bill (H.R. 13364), our experience over the past two years in prosecuting tape and motion picture pirates indicates that first offense felony provisions are likely to be counter-productive to our prosecutive efforts.

In calendar year 1974, approximately 75 defendants were convicted of criminal copyright infringement; in calendar year 1975, approximately 90 defendants were convicted. Over 85% of these defendants were convicted as a result of guilty pleas, a percentage that will almost certainly drop substantially if first-time infringers are faced with felony charges. Furthermore, over 95% of all defendant charged since 1972 have been convicted, and no defendant has ever been acquitted by a jury. In light of these statistics, we see little reason to increase the present misdemeanor classification of first offenses to that of a felony. In fact, some reluctance by U.S. Attorneys to prosecute those who are not major violators may be anticipated if the only available charge is a felony, whereas there would be no hesitancy to prosecute them as misdemeanants. Additionally, investigations may be hampered by witnesses and informants who are reluctant to provide information that could lead to felony, as opposed to misdemeanor, convictions.

The recording industry has recently estimated that the annual dollar volume of tape and record piracy has been cut in half from its peak annual rate of $ 250 million in 1972-1973. While efforts by the industry, the courts, and state and local governments have doubtlessly had an impact, industry officials give major credit for this reduction to Federal enforcement efforts.

[15]The Department of Justice is of the opinion, then, that present penalties are adequate to deal with the problem of criminal infringements, provided that the forfeiture provisions passed by the Senate (sections 506(b) and 509 of S. 22) are retained to permit disposal of the vast quantities of infringing materials seized during copyright investigations. Therefore, we recommend that section 506(a) be amended to read as follows:

(a) Criminal infringement - Any person who infringes a copyright willfully and for purposes of commercial advantage or private financial gain shall be fined not more than $ 2,500 or imprisoned not more than one year, or both, for the first such offense, and shall be fined not more than $ 10,000 or imprisoned not more than three years, or both, for any subsequent offense: provided, however, that any person who infringes willfully and for purposes of commercial advantage or private financial gain the copyright in a sound recording afforded by subsections (1), (2), or (3) of section 106 or the copyright in a motion picture afforded by subsections (1), (3), or (4) of section 106 shall be fined not more than $ 25,000 or imprisoned for not more than 1 year, or both, for the first such offense and shall be fined not more then [sic] $ 50,000 or imprisoned not more than 3 years, or both, for any subsequent offense.

Note that the conjunction "or," rather than "and," should separate enumerated subsections to clearly indicate that an infringement may occur of any one of the exclusive rights granted by those subsections.

VI.

For these reasons, and those expressed at the hearings, the Department of Justice is opposed to certain provisions of the omnibus copyright revision bill pending in the House, and that passed by the Senate.

[16]The Office of Management and Budget has advised this Department that it has no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

/s/

Michael M. Uhlmann
Assistant Attorney General

FOOTNOTES:

[n1] Footnote 1. See 2 R. Callmann, Unfair Competition, Trademarks & Monopolies, § 60.2 at 505, 507 (3d ed. 1975).

[n2] Footnote 2. The INS decision predates *Erie R.R. Co. v. Tompkins , 304 U.S. 64 (1938),* and is thus no longer binding on federal courts.

[n3] Footnote 3. *Sears, Roebuck & Co. v. Stiffel Co. , 376 U.S. 225 (1964); Compco Corp. v. Day-Brite Lighting , 376 U.S. 234 (1964).*

[n4] Footnote 4. Under Erie federal courts are to apply local law to non-federal causes of action.

[n5] Footnote 5. Cases reviewed in Kaplan & Brown, Cases on Copyright, Unfair Competition, and Other Topics 614-19 (2d Ed. 1974).

[n6] Footnote 6. Such vague language, of course, may present serious due process problems under the United States Constitution. See United States v. Cardiff , 344, U.S. 174 (1952); *United States v. Evans , 333 U.S. 483 (1948).*

[n7] Footnote 7. Act of October 15, 1971, Pub. L. 92-140, 85 Stat. 391.

[n8] Footnote 8. Paragraph (4) as drafted was suggested by Deputy Assistant Attorney General Irwin Goldbloom of the Civil Division of the Department of Justice in his testimony at hearings in the House of Representatives regarding H.R. 2223, the House omnibus copyright bill. The undue scope of paragraph (4) was just recently recognized. The amendment suggested below more precisely implements the Department's concern expressed by Deputy Assistant Attorney General Goldbloom at the hearing and the purpose for his suggestion at that time, that state anti-piracy laws relating to pre-1972 recordings not be preempted.

[n9] Footnote 9. See *Sears, Roebuck & Co. v. Stiffel Co. , 376 U.S. 225 (1964).*